Notes to Financial Statements

31st December, 2003

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in hotel ownership and management, property development and investment, and other investments.

In the opinion of the Directors, the ultimate holding company is Century City International Holdings Limited, which is incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The following revised SSAP and related Interpretation are effective for the first time for the current year's financial statements and have had a significant impact thereon:

- SSAP 12 (Revised) : "Income taxes"
- Interpretation 20 : "Income taxes – Recovery of revalued non-depreciable assets"

These SSAP and Interpretation prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting this SSAP and Interpretation are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and

- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 14 and 29 to the financial statements and include a reconciliation between the accounting profit/(loss) and tax expenses/(income) for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 4(r) and in note 29 to the financial statements.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its hotel properties in the deferred tax calculated under SSAP 12.

3. CORPORATE UPDATE

As at 31st December, 2003, the Group had consolidated net current liabilities of HK$918.6 million (2002 - HK$2,601.6 million).

During the year, the Group concluded a financial restructuring proposal with its bank creditors. On 30th September, 2003, the Group entered into a loan rescheduling agreement (the "Rescheduling Agreement") with the lenders of two bank loans with an aggregate amount of HK$4,428.0 million as at 31st December, 2003, comprising a syndicated loan of HK$3,373.8 million (the "Syndicated Loan") and a construction loan of HK$1,054.2 million (the "Construction Loan") (collectively, the "Loans"). The principal terms of the Rescheduling Agreement are as follows:

i) the existing security for the standstill arrangement (as more fully described in the audited financial statements for the year ended 31st December, 2002), comprising primarily security over the Group's five hotels in Hong Kong, namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Riverside Hotel and Regal Oriental Hotel (until sold), the Group's 70% interest in the luxury residential development at Stanley, Hong Kong (the "Regalia Bay Development Project"), and certain of the Group's operating entities, continues to form the security for the restructured Loans;

ii) the introduction of cash sweep arrangements on the operational income of the Group's five hotels in Hong Kong (to the extent they remain as security for the restructured Loans) and the surplus funds from the Regalia Bay Development Project which are distributable to the Group for interest servicing and milestone payments under the restructured Loans; and

iii) the final repayment date of the Syndicated Loan was extended from 8th September, 2003 to 31st December, 2006 and, in respect of the Construction Loan, to 31st December, 2012, subject to certain agreed milestone payments in respect of the Syndicated Loan and scheduled principal repayments in respect of the Construction Loan.

As contemplated under the financial restructuring proposal leading to the Rescheduling Agreement, a sale and purchase agreement (the "SP Agreement") was entered into by the Group on 29th August, 2003 for the disposal of the Regal Oriental Hotel to an independent third party for a consideration of HK$350.0 million (subject to adjustments) in respect of which a deposit of HK$30.0 million has been paid by the purchaser. The SP Agreement was originally scheduled to be completed on 31st March, 2004. At the initiation of the Group, a supplemental agreement to the SP Agreement was entered into on 30th March, 2004 between the Group and the purchaser for the extension of the completion date to 30th June, 2004, together with the reinstatement of an option (in a revised form) to the Group for the termination of the SP Agreement exercisable at its discretion before the extended completion date on certain agreed terms. The arrangement under the supplemental agreement was intended to facilitate the Group's formulation of alternative business plans whereby the relevant debt reduction milestones required under the Rescheduling Agreement could be met without the disposal of its hotel properties.

In addition, a settlement was concluded in September 2003 with respect to the Group's legal proceedings for the recovery of the US$45.0 million (approximately HK$351.0 million) deferred consideration plus interest (the "Consideration Receivable") in relation to the Group's disposal of its hotel interests in the United States of America in 1999. A settlement amount of US$48.8 million (approximately HK$380.6 million) was received under the settlement in September 2003, most of which was applied to reduce the Group's bank indebtedness.

With the execution of the Rescheduling Agreement and the satisfactory resolution of the Consideration Receivable, as well as the much improved outlook of the local hotel business and the substantial surplus funds expected to be generated from the Regalia Bay Development Project, the financial and liquidity positions of the Group are expected to further improve significantly. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements of the Group on a going concern basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of the Group's hotel properties and certain equity investments, as further explained below.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary companies for the year ended 31st December, 2003, together with the Group's share of the results for the year and the post-acquisition undistributed reserves of its associates and jointly controlled entity. The results of subsidiary companies, associates and jointly controlled entity acquired or disposed of during the year are included from or to their effective dates of acquisition or disposal, as applicable. All significant intra-group transactions and balances are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiary companies.

(c) Goodwill/Negative goodwill

Goodwill arising on the acquisition of subsidiary companies, associates and jointly controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition. Negative goodwill arising on the acquisition of subsidiary companies, associates and jointly controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates and jointly controlled entities, any goodwill/negative goodwill not yet amortised/recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill/negative goodwill arising on acquisitions was eliminated against consolidated reserves/credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill/negative goodwill to remain eliminated against consolidated reserves/credited to the capital reserve. Goodwill/Negative goodwill on acquisitions subsequent to the adoption of the SAAP is treated according to the SSAP 30 goodwill/negative goodwill accounting policies above.

On disposal of subsidiary companies, associates or jointly controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill/negative goodwill which remains unamortised/has not been recognised in the consolidated profit and loss account and any relevant reserves, as appropriate. Any attributable goodwill/negative goodwill previously eliminated against consolidated reserves/credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

(d) Subsidiary companies

A subsidiary company is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiary companies are included in the Company's profit and loss acount to the extent of dividends received and receivable. The Company's interests in subsidiary companies are stated in the Company's balance sheet at cost less any impairment losses.

(e) Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(i) a subsidiary company, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(ii) a jointly controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(iii) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(iv) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

(f) Jointly controlled entity

A jointly controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's share of the post-acquisition results and reserves of the jointly controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in the jointly controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

(g) Associates

An associate is a company, not being a subsidiary company or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

(h) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(i) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed fittings which are collectively used in the operation of hotels and are stated at their open market values for existing use on the basis of professional valuations. Movements in the carrying values of the hotel properties are dealt with in the hotel property revaluation reserve, unless this reserve is exhausted, in which case any excess of the decrease is charged to the profit and loss account as incurred. When a hotel property is determined to be impaired, the cumulative gain or loss derived from the hotel property recognised in the hotel property revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account in the period in which the impairment arises.

It is the Group's policy to maintain the hotel properties in such condition that their residual values are not currently diminished by the passage of time and that any element of depreciation is insignificant. The related maintenance and repairs expenditure is charged to the profit and loss account in the year in which it is incurred. The costs of significant improvements are capitalised. Accordingly, the Directors consider that depreciation is not necessary for the hotel properties. Depreciation is, however, provided on hotel furniture and fixtures at the rates stated in (m) below.

On disposal of a hotel property, the relevant portion of the hotel property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

(j) Deferred expenditure

Deferred expenditure represents expenses incurred in connection with the raising or rescheduling of long-term finance and is amortised on the straight-line basis over the terms of the relevant underlying borrowings.

(k) Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis. These are determined by the Directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities and/or the most recent financial statements or other financial data considered relevant in respect of such investments.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises.

(l) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value, which is determined by reference to prevailing market prices, on an individual property basis.

(m) Fixed assets and depreciation

Fixed assets, other than hotel properties and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

The gain or loss on disposal or retirement of a fixed asset, other than hotel properties, recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation of fixed assets, other than hotel properties, is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the remaining lease terms
Freehold and leasehold properties	Over the shorter of 40 years or the remaining lease terms
Leasehold improvements	Over the remaining lease terms
Other furniture, fixtures and equipment	10% - 25% or replacement basis
Motor vehicles	25%

(n) Construction in progress

Construction in progress represents fixed assets under construction or renovation, and is stated at cost less any impairment losses. Cost comprises the direct costs of construction or renovation and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for commercial use.

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for any obsolete or slow-moving items. Cost is determined on a first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any further costs expected to be incurred to disposal.

(p) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) hotel and other service income, in the period in which such services are rendered;

(ii) rental income, in the period in which the property is let and on the straight-line basis over the lease terms;

(iii) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;

(iv) dividend income, when the shareholders' right to receive payment has been established; and

(v) proceeds from the sale of short term and long term investments in listed shares, on the transaction dates when the relevant contract notes are exchanged.

(q) Foreign currencies

The financial records of the Company and its subsidiary companies operating in Hong Kong are maintained and the financial statements are stated in Hong Kong dollars.

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiary companies and associates denominated in foreign currencies are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiary companies and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiary companies denominated in foreign currencies are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiary companies which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

(r) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiary companies, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

(s) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

(t) Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment falls within the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as certain current employees have achieved the required number of years of service to the Group as at the balance sheet date, entitling them to long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Staff retirement scheme
The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary companies which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiary companies are required to contribute 29% of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Share option scheme
The Company operates an executive share option scheme for the purpose of providing incentives and rewards to selected eligible participants. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting ordinary shares issued are recorded by the Company as additional ordinary share capital at the nominal value of the ordinary shares, and the excess of the exercise price per ordinary share over the nominal value of the ordinary shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(u) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;

(b) the property development and investment segment invests in properties for sale and for its rental income potential;

(c) the brewery operations segment represents the Group's brewery operations in Mainland China; and

(d) the others segment mainly comprise the Group's laundry services and restaurant operations.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Hotel ownership and management 2003 HK$'m	Hotel ownership and management 2002 HK$'m	Property development and investment 2003 HK$'m	Property development and investment 2002 HK$'m	Brewery operations 2003 HK$'m	Brewery operations 2002 HK$'m	Others 2003 HK$'m	Others 2002 HK$'m	Eliminations 2003 HK$'m	Eliminations 2002 HK$'m	Consolidated 2003 HK$'m	Consolidated 2002 HK$'m (Restated)
Segment revenue:												
Sales to external customers	747.2	964.7	–	0.2	24.8	17.3	2.9	6.4	–	–	774.9	988.6
Intersegment sales	–	0.4	0.4	0.3	–	–	9.2	12.5	(9.6)	(13.2)	–	–
Total	**747.2**	**965.1**	**0.4**	**0.5**	**24.8**	**17.3**	**12.1**	**18.9**	**(9.6)**	**(13.2)**	**774.9**	**988.6**
Segment results	124.3	(412.6)	(0.2)	(6.0)	(3.0)	(16.4)	0.4	(4.6)	–	–	121.5	(439.6)
Interest income and unallocated non-operating and corporate gains											2.2	6.9
Unallocated non-operating and corporate expenses, net											(24.2)	(136.9)*
Profit/(Loss) from operating activities											**99.5**	**(569.6)**
Finance costs											**(144.1)**	**(182.7)**
Share of profits less losses of:												
Jointly controlled entity	–	–	206.6	–	–	–	–	–	–	–	**206.6**	**–**
Associates	(0.1)	(0.7)	–	–	–	–	(1.9)	(14.0)	–	–	**(2.0)**	**(14.7)**
Profit/(Loss) before tax											**160.0**	**(767.0)**
Tax											**47.8**	**(13.8)**
Profit/(Loss) before minority interests											**207.8**	**(780.8)**
Minority interests											**–**	**–**
Net profit/(loss) from ordinary activities attributable to shareholders											**207.8**	**(780.8)**

* Inclusive of a write-back of provision against a loan receivable amounting to HK$10.6 million (note 9)

(a) Business segments (continued)

Group

	Hotel ownership and management		Property development and investment		Brewery operations		Others		Eliminations		Consolidated	
	2003 HK$'m	2002 HK$'m	2003 HK$'m	2002 HK$'m	2003 HK$'m	2002 HK$'m	2003 HK$'m	2002 HK$'m	2003 HK$'m	2002 HK$'m	2003 HK$'m	2002 HK$'m (Restated)
Segment assets	7,241.4	6,848.5	4.1	31.8	48.4	47.0	1.7	3.8	(0.5)	(8.4)	7,295.1	6,922.7
Interests in associates	5.1	5.0	–	–	–	–	15.4	16.3	–	–	20.5	21.3
Interest in a jointly controlled entity	–	–	1,226.5	990.5	–	–	–	–	–	–	1,226.5	990.5
Cash and unallocated assets											251.2	595.4
Total assets											8,793.3	8,529.9
Segment liabilities	(116.8)	(161.9)	–	–	(20.5)	(22.6)	(0.2)	(8.5)	0.5	8.4	(137.0)	(184.6)
Bank and other borrowings and unallocated liabilities											(4,615.7)	(5,232.7)
Total liabilities											(4,752.7)	(5,417.3)
Other segment information:												
Depreciation	35.1	36.9	0.1	0.1	4.9	5.0	0.1	0.7				
Impairment losses/ (Write-back of impairment losses) recognised in the profit and loss account	(11.4)	618.9	–	–	–	–	–	–				
Capital expenditure	15.1	47.3	–	–	0.8	0.4	–	0.2				
Other non-cash expenses	2.5	0.7	–	5.6	–	–	–	–				

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Canada		Mainland China		Eliminations		Consolidated	
	2003 HK$'m	**2002 HK$'m**	**2003 HK$'m**	**2002 HK$'m**	**2003 HK$'m**	**2002 HK$'m**	**2003 HK$'m**	**2002 HK$'m**	**2003 HK$'m**	**2002 HK$'m**
Segment revenue:										
Sales to external customers	717.9	882.5	32.2	88.6	24.8	17.5	–	–	774.9	988.6
Other segment information:										
Segment assets	7,240.7	6,610.4	–	233.7	54.4	78.6	–	–	7,295.1	6,922.7
Capital expenditure	14.8	47.2	0.3	0.3	0.8	0.4				

6. DISCONTINUED OPERATION

As previously reported, on 3rd September, 2002, the Group entered into a sale and purchase agreement with a purchaser (the "CH Purchaser") to dispose of its 100% interest in a hotel property in Canada. Based on the expected amount recoverable from the disposal, an impairment loss relating to the hotel property amounting to HK$437.0 million was included in the prior year's financial statements. The CH Purchaser subsequently defaulted to proceed to complete the sale and purchase. Since the default by the CH Purchaser, on 25th June, 2003, the Group disposed of its 100% shareholding interest in the Canadian subsidiary company then indirectly holding the hotel property to an independent third party for a nominal consideration of CAD2.00, with sharing arrangements on any recovery from the defaulted purchaser. Accordingly, a loss on disposal of HK$34.4 million was accounted for in the current year's profit and loss account. The principal repayment obligations of the bank loans secured on the hotel property in the principal sum of approximately CAD33.85 million (approximately HK$195.8 million) have no recourse against the Group.

The carrying amounts of the total assets and liabilities relating to the discontinued operation at 31st December, 2002, are as follows:

	2002 **HK$'million**
Total assets	226.9
Total liabilities	(170.7)
Net assets	56.2

The turnover, expenses and results attributable to the discontinued operation for the year ended 31st December, 2002 and for the period from 1st January, 2003 to 25th June, 2003 (date of completion of disposal of the Canadian hotel operation) are as follows:

	2003 HK$'million	**2002 HK$'million**
TURNOVER	**32.2**	88.6
Cost of sales	**(37.3)**	(87.4)
Gross profit/(loss)	**(5.1)**	1.2
Administrative expenses	**(1.9)**	(3.5)
Other operating expenses	**(1.1)**	(2.3)
LOSS FROM OPERATING ACTIVITIES	**(8.1)**	(4.6)
Finance costs	**(4.2)**	(6.4)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(12.3)**	(11.0)
The net cash flows attributable to the discontinued operation are as follows:		
Operating	**0.1**	5.1
Investing	**(0.3)**	(0.2)
Financing	**(5.4)**	(11.4)
Net cash outflows	**(5.6)**	(6.5)

7. TURNOVER AND REVENUE

Turnover represents the aggregate of gross hotel income, rental income, laundry services revenue, restaurant revenue, and income from brewery operations after elimination of all significant intra-group transactions.

Revenue from the following activities has been included in turnover:

	GROUP	
	2003 HK$'million	**2002 HK$'million**
Hotel operations and management services	**724.2**	938.6
Other operations, including laundry services, restaurant and brewery operations	**27.7**	23.7
Rental income:		
Hotel properties	**23.0**	26.1
Properties held for sale	**–**	0.2
Turnover	**774.9**	988.6

8. OTHER OPERATING EXPENSES

	GROUP	
	2003 HK$'million	**2002 HK$'million**
Other operating expenses include the following items:		
Loss on disposal of long term listed investments (after a transfer from the revaluation reserve of a deficit of HK$0.3 million)	**0.5**	–
Loss on disposal of long term unlisted investments (after a transfer from the revalutaion reserve of a deficit of HK$1.7 million)	**–**	95.0

9. PROVISIONS FOR WRITE-DOWNS AND IMPAIRMENTS, NET

	GROUP	
	2003 HK$'million	2002 HK$'million
Provisions for write-downs and impairments, net, represent the following items:		
Write-down in values of properties held for sale	–	5.6
Impairment of long term investments previously eliminated against long term investment revaluation reserve (note 36)	–	12.4
Write-back of provision against a loan receivable	–	(10.6)
	–	7.4

10. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	GROUP	
	2003 **HK$'million**	**2002** **HK$'million**
Cost of inventories sold and services provided	**394.1**	524.7
Staff costs (exclusive of directors' remuneration disclosed in note 12):		
Wages and salaries*	**269.0**	341.6
Staff retirement scheme contributions	**14.3**	15.4
Less: Forfeited contributions	**(0.8)**	(1.3)
Net retirement scheme contributions	**13.5**	14.1
	282.5	355.7
Auditors' remuneration	**3.3**	3.8
Loss on disposal of fixed assets	**–**	1.1
Minimum lease payments under operating leases:		
Land and buildings	**8.4**	10.3
Other equipment	**0.5**	1.0
Depreciation	**40.2**	42.7
and after crediting:		
Gross rental income	**23.0**	26.3
Less: Outgoings	**(5.4)**	(6.1)
Net rental income	**17.6**	20.2
Interest income from:		
Bank balances	**0.2**	0.6
Other loans	**–**	1.3
	0.2	1.9
Gain on disposal of fixed assets	**5.4**	–
Negative goodwill recognised as income during the year**	**0.2**	0.1

* Inclusive of an amount of HK$263.8 million (2002 - HK$339.1 million) classified under cost of inventories sold and services provided.

** The movements in negative goodwill recognised in the consolidated profit and loss account for the year were included in "Other revenue" on the face of the consolidated profit and loss account.

11. FINANCE COSTS

	GROUP	
	2003 **HK$'million**	**2002** **HK$'million**
Interest on bank loans, convertible bonds and other loans wholly repayable within five years	**138.4**	175.4
Amortisation of deferred expenditure	**5.7**	7.0
Write off of deferred expenditure	**–**	0.3
Total finance costs	**144.1**	182.7

12. DIRECTORS' REMUNERATION

Details of Directors' remuneration charged to the Group's profit and loss account are set out below:

	GROUP	
	2003 **HK$'million**	**2002** **HK$'million**
Fees	**1.2**	1.0
Salaries and other allowances	**8.7**	6.0
Performance related/discretionary bonuses	**0.7**	0.1
Staff retirement scheme contributions	**0.5**	0.4
	11.1	7.5

The remuneration of the Directors fell within the following bands:

HK$	**2003** **Number of Directors**	**2002** **Number of Directors**
Nil - 1,000,000	**7**	9
1,000,001 - 1,500,000	**2**	2
1,500,001 - 2,000,000	**1**	–
3,000,001 - 3,500,000	**–**	1
4,000,001 - 4,500,000	**1**	–

The independent Non-Executive Directors of the Company were entitled to a total sum of HK$0.3 million (2002 - HK$0.3 million) as Directors' fees, including the fees entitled by those independent Non-Executive Directors for serving as audit committee members, for the year ended 31st December, 2003.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

During the year, no share options were granted to the Directors in respect of their services to the Group (2002 - Nil). Further details of the Company's share option scheme are set out in note 31 to the financial statements.

13. SENIOR EXECUTIVES' EMOLUMENTS

The five highest-paid individuals included four (2002 - four) Directors, details of whose remuneration are disclosed in note 12 to the financial statements. The emoluments of the remaining one (2002 - one) individual, who was not a Director, are as follows:

	GROUP	
	2003 HK$'million	**2002 HK$'million**
Salaries and other emoluments	**0.9**	0.7
Performance related/discretionary bonuses	**0.1**	–
Staff retirement scheme contributions	**0.1**	0.1
	1.1	0.8

HK$	**2003 Number of individuals**	**2002 Number of individuals**
Nil - 1,000,000	**–**	1
1,000,000 - 1,500,000	**1**	–

During the year, no share options were granted to the non-director, highest paid employee in respect of her service to the Group (2002 - Nil). Further details of the Company's share option scheme are set out in note 31 to the financial statements.

14. TAX

	GROUP	
	2003 **HK$'million**	**2002** **HK$'million** **(Restated)**
Group:		
Current - Hong Kong		
Prior year overprovision	**–**	(2.1)
Current - Overseas		
Provision for tax in respect of profits for the year	**0.3**	0.3
Prior year overprovision	**–**	(0.3)
Deferred tax expenses/(income)	**(48.2)**	15.8
	(47.9)	13.7
Associate:		
Hong Kong	**0.1**	0.1
Total tax charge/(credit) for the year	**(47.8)**	13.8

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year (2002 - Nil).

Tax on the profits of subsidiary companies operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

The provision for Hong Kong profits tax for an associate has been calculated by applying the applicable tax rate of 17.5% to the estimated assessable profits which were earned in or derived from Hong Kong during the year (2002 - 16%).

No provision for tax is required for the jointly controlled entity as no assessable profits were earned by the jointly controlled entity during the year (2002 - Nil).

A reconciliation of the tax expenses/(income) applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and its subsidiary companies, jointly controlled entity and associates are domiciled to the tax expenses at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	GROUP			
	2003 **HK$' million**	**%**	**2002** **HK$'million**	**%**
Profit/(Loss) before tax	**160.0**		(767.0)	
Tax at the statutory tax rate	**28.0**	17.5	(122.7)	16.0
Effect on opening deferred tax of increase in tax rates	**9.6**	6.0	–	0.0
Adjustments in respect of current tax of previous years	**–**	0.0	(2.4)	0.3
Higher tax rates of other countries	**(0.8)**	(0.5)	(2.4)	0.3
Income not subject to tax	**(39.8)**	(24.9)	(2.5)	0.3
Expenses not deductible for tax	**11.4**	7.1	127.0	(16.6)
Tax losses utilised from previous periods	**(2.6)**	(1.6)	(4.9)	0.6
Increase/(Decrease) in deferred tax assets not recognised during the year	**(53.8)**	(33.6)	19.5	(2.5)
Others	**0.2**	0.1	2.2	(0.2)
Tax charge/(credit) at the Group's effective rate	**(47.8)**	(29.9)	13.8	(1.8)

15. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$767.3 million (2002 - net loss of HK$1,850.8 million).

16. DIVIDENDS ON PREFERENCE SHARES

At 31st December, 2003, there were cumulative unpaid dividends in arrears of HK$34.7 million (2002 - HK$27.8 million) for the Company's outstanding convertible redeemable cumulative preference shares. Pursuant to the terms of the issuance of these preference shares, if any dividend is six months or more in arrears, this event will confer on the holders thereof the right to receive notice of and, unless all such arrears have been paid prior to the time for holding the meeting, to attend and vote at general meetings of the Company. These unpaid dividends have not been incorporated in the financial statements.

17. EARNINGS/(LOSS) PER ORDINARY SHARE

(a) Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share is based on the net profit from ordinary activities attributable to ordinary shareholders for the year of HK$207.8 million (2002 - net loss of HK$780.8 million, as restated), adjusted for the unpaid preference dividend for the year of HK$6.9 million (2002 - HK$6.9 million), and on the weighted average of 6,847.4 million (2002 - 4,483.8 million) ordinary shares of the Company in issue during the year.

(b) Diluted earnings/(loss) per ordinary share

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2003 is based on the adjusted net profit from ordinary activities attributable to ordinary shareholders for the year of HK$201.5 million as adjusted for the interest savings arising from the conversion of the convertible bonds into ordinary shares of the Company, and on the adjusted weighted average of 7,999.7 million ordinary shares of the Company that would have been in issue during the year assuming all outstanding convertible bonds (including optional convertible bonds) of the Company were converted into ordinary shares of the Company at the beginning of the year. The conversion of the outstanding convertible preference shares of the Company is anti-dilutive for the year. In addition, the exercise price of the share options of the Company outstanding during the year is higher than the average market price of the Company's ordinary shares and, accordingly, they have no dilutive effect on the basic earnings per share.

No diluted loss per ordinary share was presented for the year ended 31st December, 2002 as the exercise of share options and the conversion of convertible preference shares and convertible bonds of the Company were anti-dilutive for that year.

18. FIXED ASSETS

GROUP

	1st January, 2003 HK$'million	Exchange adjustments HK$'million	Additions/ Depreciation for the year HK$'million	Disposal of subsidiary companies HK$'million	Other disposals HK$'million	Surplus on revaluation HK$'million	31st December, 2003 HK$'million
At valuation:							
Hotels, including furniture, fixtures and equipment	7,046.5	45.3	15.1	(312.9)	–	663.2	**7,457.2**
At cost:							
Leasehold properties	40.9	–	–	–	–	–	**40.9**
Other furniture, fixtures and equipment	57.2	–	0.7	–	(0.8)	–	**57.1**
Motor vehicles	2.8	–	0.1	(0.2)	(0.4)	–	**2.3**
Construction in progress	28.4	–	–	–	(19.8)	–	**8.6**
	7,175.8	45.3	15.9	(313.1)	(21.0)	663.2	**7,566.1**
Accumulated depreciation and impairment:							
Hotel furniture, fixtures and equipment	328.9	7.6	34.4	(53.3)	–	–	**317.6**
Leasehold properties	7.3	–	1.0	–	–	–	**8.3**
Other furniture, fixtures and equipment	43.1	–	4.6	–	(0.4)	–	**47.3**
Motor vehicles	2.7	–	0.2	(0.2)	(0.4)	–	**2.3**
Construction in progress	28.4	–	–	–	(19.8)	–	**8.6**
	410.4	7.6	40.2	(53.5)	(20.6)	–	**384.1**
Net book value	6,765.4						**7,182.0**

If the carrying value of the revalued properties had been reflected in these financial statements at cost less accumulated depreciation and impairment losses, the following amounts would have been shown:

	2003 HK$'million	2002 HK$'million
Hotel properties	**4,859.6**	4,978.3

Analysis of net book value by geographical location:

	2003 HK$'million	2002 HK$'million
Leasehold land and buildings situated in Hong Kong:		
Hotel properties, at valuation at balance sheet date:		
Long term	**2,738.0**	2,598.0
Medium term	**4,401.6**	3,897.0
Medium term leasehold property, at cost	**3.7**	3.8
	7,143.3	6,498.8
Properties situated in Mainland China:		
Medium term leasehold properties, at cost	**28.9**	29.8
Properties situated overseas:		
Freehold land and hotel property in Canada, at valuation at balance sheet date	**–**	222.6
	7,172.2	6,751.2

As at 31st December, 2003, all of the hotel properties and leasehold properties situated in Hong Kong and certain leasehold properties situated in Mainland China were mortgaged to secure banking and other credit facilities granted to the Group.

As disclosed in the prior year's financial statements, the Group had intended to dispose of two of its hotel properties in Hong Kong, which were contemplated as part of its financial restructuring proposal. Accordingly, these hotels were stated at their then expected realisable amounts on a quick sale basis, calculated at a discount to their valuation at 31st December, 2002 performed by an independent valuer with an RICS qualification on an open market, existing use basis. The discount rate was determined by the Directors based on professional advice obtained from the independent valuer and the resultant revaluation deficit of HK$181.9 million was charged to the prior year's profit and loss account as an impairment loss. The valuations of the remaining hotel properties in Hong Kong as at 31st December, 2002 were performed by the same independent valuer on an open market, existing use basis.

As further explained in note 3 to the financial statements, the SP Agreement was entered into by the Group during the year for the disposal of the Regal Oriental Hotel to an independent third party for a consideration of HK$350.0 million (subject to adjustments). Pursuant to a supplemental agreement to the SP Agreement entered into in March 2004, the completion date under the SP Agreement, originally scheduled on 31st March, 2004, was deferred to 30th June, 2004 and an option was reinstated for the Group to terminate the SP Agreement, exercisable by the Group prior to the extended completion date. While the SP Agreement continues to subsist, the Directors consider it appropriate to state the Regal Oriental Hotel at its carrying value of HK$286.6 million, which approximates the net amount realisable by the Group under the SP Agreement should it proceed to completion. In light of the enhancement achieved in the overall financial position of the Group since the loans rescheduling arrangement was implemented in September 2003, the Group is presently exploring alternative proposals for a further rescheduling and/or refinancing of its outstanding bank loans, with a view to preserving its hotel properties in Hong Kong. Accordingly, the Directors consider it appropriate that all the other hotel properties of the Group should be stated at their valuations as at 31st December, 2003, which were performed by an independent valuer with an RICS qualification on an open market, existing use basis. Consequently, a write-back of impairment loss of HK$11.4 million was recognised in the current year's profit and loss account.

At 31st December, 2002, the hotel property situated overseas, representing the major asset in the Group's discontinued operation as detailed in note 6 to the financial statements, was stated at its expected recoverable amount as, in the opinion of the Directors, this approximated the open market value as at that date.

Certain of the Group's shop units in the hotel properties are leased to third parties under operating leases, further summary details of which are included in note 45(a) to the financial statements.

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	GROUP	
	2003	**2002**
	HK$'million	**HK$'million**
Share of net liabilities	**(1,870.5)**	(2,077.1)
Loans to the jointly controlled entity	**2,730.3**	2,700.9
Amount due from the jointly controlled entity	**366.7**	366.7
	1,226.5	990.5

The share of net liabilities in the prior year included a provision for foreseeable loss in respect of a property development project amounting to HK$1,633.3 million, of which an amount of HK$225.7 million was reversed during the year. As at 31st December, 2003, the provision for foreseeable loss included in the share of net liabilities was HK$1,407.6 million.

The loans to the jointly controlled entity are unsecured, bear interest at Hong Kong prime rate per annum and are not repayable within one year. The amount due from the jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

Details of the Group's interest in the jointly controlled entity are as follows:

Name	Business structure	Place of incorporation and operation	Percentage of equity interest attributable to the Group 2003	2002	Principal activity
Chest Gain Development Limited ("Chest Gain")	Corporate	Hong Kong	70	70	Property development

The jointly controlled entity is indirectly held by the Company.

Despite the Group's holding of 70% interest in Chest Gain, the Directors confirm that neither the Group nor the other shareholder of Chest Gain has unilateral control over the operating and financing decisions of Chest Gain in accordance with the agreed terms under the shareholders' agreement of Chest Gain. Accordingly, the Directors consider it appropriate to continue to account for the Group's interest therein as a jointly controlled entity.

The summarised state of affairs and income and losses of Chest Gain are as follows:

	2003 HK$'million	2002 HK$'million
State of affairs		
Current assets	**5,486.8**	4,534.7
Current liabilities	**(3,547.0)**	(232.3)
Non-current liabilities	**(5,835.6)**	(8,336.9)
Net liabilities attributable to venturers	**(3,895.8)**	(4,034.5)
Income and losses		
Income	**648.2**	–
Net profit from ordinary activities attributable to venturers	**138.7**	–

At the balance sheet date, the Group's share of capital commitments of Chest Gain in respect of a property development project was as follows:

	2003 HK$'million	2002 HK$'million
Authorised and contracted for	**15.1**	359.0
Authorised, but not contracted for	**–**	16.4
	15.1	375.4

20. INTERESTS IN ASSOCIATES

	GROUP	
	2003 HK$'million	**2002 HK$'million**
Unlisted companies:		
Share of net liabilities	**(12.6)**	(10.5)
Negative goodwill	**(2.8)**	(3.0)
Loans to associates	**35.9**	34.8
	20.5	21.3
At the balance sheet date:		
Share of post-acquisition undistributed deficits	**(19.6)**	(17.5)

The amount of negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of an associate, is as follows:

	HK$'million
Cost:	
At beginning and at end of year	3.1
Recognition as income:	
At beginning of year	(0.1)
Recognised as income during the year	(0.2)
At end of year	(0.3)
Net book value:	
At 31st December, 2003	2.8
At 31st December, 2002	3.0

The loans to associates are unsecured, interest-free and not repayable within one year.

Details of the Group's principal associates are as follows:

Name	Business structure	Place of incorporation and operation	Class of equity interest held	Percentage of equity interest attributable to the Group 2003	2002	Principal activities
8D International (BVI) Limited ("8D-BVI")	Corporate	British Virgin Islands	Ordinary shares	30.0	30.0	Investment holding
8D International Limited	Corporate	Hong Kong	Ordinary shares	36.0(1)	36.0(1)	Promotions and information technology
8D Matrix Limited	Corporate	British Virgin Islands	Ordinary shares	36.0(1)	36.0(1)	Investment holding
Bright Future (HK) Limited*	Corporate	Hong Kong	Ordinary shares	50.0	50.0	Investment holding
Mira Technology Limited	Corporate	Hong Kong	Ordinary shares	33.0(2)	33.0(2)	Software development
Regala Management Limited	Corporate	Hong Kong	Ordinary shares	25.0	–	Light refreshment operation

* not audited by Ernst & Young

(1) The percentage of equity interest includes a 6% attributable interest held through 8D-BVI.

(2) The percentage of equity interest includes a 3% attributable interest held through 8D-BVI.

All associates were indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

21. LONG TERM INVESTMENTS

	GROUP 2003 HK$'million	2002 HK$'million
Listed equity investments in Hong Kong, at market value	**42.9**	30.0
Unlisted equity investments, at fair value:		
Carrying value	**–**	55.0
Provision for impairment	**–**	(55.0)
	–	–
	42.9	30.0

Long term listed investments with market values amounting to HK$42.9 million (2002 - HK$29.5 million) were pledged to secure general credit facilities granted to the Group.

22. OTHER LOAN

The balance represents a loan of US$10.0 million (HK$78.0 million) (2002 - HK$78.0 million) advanced to a hotel owner to assist in financing the interior decoration and pre-operating expenditure of its hotel in Shanghai, the People's Republic of China (the "PRC"), which is managed by the Group. The loan is unsecured, interest free and is repayable commencing from the date of the hotel opening, by way of payments equivalent to 28% of the hotel's net operating profit determined in accordance with the PRC accounting standards after appropriation of the statutory reserves, over the tenure of the management contract for the hotel of 15 years, subject to the possible renewal thereof for a further 5 years.

23. PROPERTIES HELD FOR SALE

On 10th March, 2003, the Group disposed of its properties held for sale in Mainland China to an independent third party at a consideration of HK$28.0 million.

At 31st December, 2002, the properties held for sale were stated at their subsequent selling price which was below cost and the sale proceeds in respect of these properties were assigned to lenders to secure loan facilities granted to the Group.

At 31st December, 2002, certain of the Group's properties held for sale were leased to third parties under operating leases, further summary details of which are included in note 45(a) to the financial statements.

24. HOTEL AND OTHER INVENTORIES

	GROUP	
	2003 **HK$'million**	**2002** **HK$'million**
Hotel merchandise	**13.4**	19.8
Raw materials	**5.8**	1.6
Work in progress	**0.8**	0.3
Finished goods	**1.4**	0.7
	21.4	22.4

As at 31st December, 2003, the carrying amount of the inventories of the Group pledged to secure general banking facilities granted to the Group amounted to HK$20.9 million (2002 - HK$21.8 million).

25. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$38.2 million (2002 - HK$49.5 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	GROUP	
	2003 **HK$'million**	**2002** **HK$'million**
Outstanding balances with ages:		
Within 3 months	**35.9**	46.0
Between 4 to 6 months	**2.8**	2.4
Between 7 to 12 months	**3.0**	2.2
Over 1 year	**8.0**	8.3
	49.7	58.9
Provisions	**(11.5)**	(9.4)
	38.2	49.5

The prior year debtors, deposits and prepayments also included a receivable amount of approximately HK$400.1 million, comprising (i) deferred consideration of US$45.0 million (approximately HK$351.0 million) which arose in connection with the Group's disposal of its hotel interests in the United States of America to a third party purchaser (the "Purchaser") in December 1999 (the "Disposal"); and (ii) certain interest aggregating HK$49.1 million accrued thereon at 7% per annum (collectively, the "Consideration Receivable"). Under the Disposal agreement, the deferred consideration and the interest accrued thereon were due to be paid by the Purchaser on 17th December, 2001.

As previously disclosed, the Group had instituted legal proceedings against the Purchaser to recover the Consideration Receivable. In September 2003, a settlement agreement was concluded with the Purchaser and a settlement amount of US$48.8 million (approximately HK$380.6 million) was received by the Group in total resolution and release of all claims by and between the Group and the Purchaser under or in connection with the Disposal agreement.

The Group's receipt of the settlement amount effectively settled the Consideration Receivable and certain other related receivable of HK$0.7 million, and at the same time eliminated a provision made against certain tax indemnity in the amount of HK$24.2 million included in the prior year creditors and accruals under current liabilities.

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amount less provisions for doubtful debts which are made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

26. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK$57.5 million (2002 - HK$81.7 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	GROUP	
	2003	**2002**
	HK$'million	**HK$'million**
Outstanding balances with ages:		
Within 3 months	**46.3**	67.0
Between 4 to 6 months	**6.0**	12.3
Between 7 to 12 months	**0.4**	1.3
Over 1 year	**4.8**	1.1
	57.5	81.7

27. INTEREST BEARING BANK AND OTHER BORROWINGS

	GROUP	
	2003 HK$'million	**2002 HK$'million**
Secured bank loans	**4,446.4**	5,003.9
Secured other loans wholly repayable within five years	**4.2**	4.2
	4,450.6	5,008.1
Portion of borrowings due within one year included under current liabilities:		
Bank loans	**(899.7)**	(2,969.4)
Other loans	**(4.2)**	(4.2)
	(903.9)	(2,973.6)
Long term borrowings	**3,546.7**	2,034.5
The bank loans and other loans are repayable in varying instalments within a period of:		
On demand or not exceeding 1 year	**903.9**	2,973.6
More than 1 year but not exceeding 2 years	**360.0**	1,670.1
More than 2 years but not exceeding 5 years	**2,622.5**	364.4
More than 5 years	**564.2**	–
	4,450.6	5,008.1

At 31st December, 2003, the other loans carried fixed interest at a rate of 7.97% (2002 - 8.78%) per annum.

At the balance sheet date, secured bank loans in an aggregate amount of HK$4,428.0 million were classified as current and non-current liabilities in accordance with the terms in the Rescheduling Agreement as described in note 3 to the financial statements.

At 31st December, 2002, the Group was under a standstill arrangement with its bank creditors with respect to such loans in a then aggregate amount of HK$4,816.6 million and, accordingly, they were classified as current or non-current liabilities in accordance with their original maturity terms under the loan agreements, as adjusted for the revised terms pursuant to the standstill agreement.

28. CONVERTIBLE BONDS

On 15th October, 2002, the Group issued HK$50.0 million 5% guaranteed convertible bonds (the "Convertible Bonds"), with an option to the bondholder to subscribe, on the same terms, for further Convertible Bonds in an additional principal amount of HK$50.0 million (the "Optional Bonds") in whole or in part (the "Subscription Option"), which would mature on 15th April, 2004. The issue price of the Convertible Bonds was 100% of their principal amount.

When the Convertible Bonds were first issued, the Convertible Bonds were convertible, at the option of the bondholder, into an aggregate of 500.0 million fully paid ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.10 per ordinary share, subject to adjustments. The conversion period for the Convertible Bonds is from 15th October, 2002 to 14th April, 2004, both dates inclusive. The conversion price of HK$0.10 per ordinary share was first adjusted to HK$0.065 per ordinary share following the issue of 310.0 million new ordinary shares of the Company at a price of HK$0.065 per ordinary share upon a share placement completed on 9th December, 2002 (note 31(iv)), and was further adjusted to HK$0.048 per ordinary share following the issue of 210.0 million new ordinary shares of the Company at a price of HK$0.048 per ordinary share upon a share placement completed on 16th June, 2003 (note 31(v)).

During the year, in January, the Convertible Bonds in the principal amount of HK$30.0 million (together with interest accrued thereon) were repurchased and cancelled by the Group. In the respective months of June and July, the Convertible Bonds in the principal amounts of HK$1.0 million and HK$19.0 million were converted into new ordinary shares of the Company at HK$0.048 each. In addition, in the months of July and August, the Subscription Option was partially exercised by the bondholder to subscribe for additional Optional Bonds in a total principal amount of HK$20.0 million, which were subsequently converted into new ordinary shares of the Company at HK$0.048 each. The Company has in total issued 833.3 million new ordinary shares as a result of the conversions of the Convertible Bonds during the year.

Subsequent to the balance sheet date, in January 2004, the Subscription Option for the remaining Optional Bonds was exercised and further Optional Bonds in a principal amount of HK$30.0 million were issued. Part of these Optional Bonds in a principal amount of HK$28.0 million were subsequently acquired by a wholly owned subsidiary company of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company. All such Optional Bonds in a principal amount of HK$30.0 million have since been converted into 625.0 million new ordinary shares of the Company at HK$0.048 each.

The Convertible Bonds were secured by certain receivables, fixed time deposits, interests in associates and shares in certain subsidiary companies of the Company. Security over such assets had been released in January 2004.

29. DEFERRED TAX

The movement in deferred tax assets and liabilities of the Group during the year is as follows:

Deferred tax assets

Group

	Losses available for offset against future taxable profits	
	2003	2002
	HK$'million	HK$'million
Deferred tax credited to the profit and loss account during the year and gross deferred tax assets at end of year	**70.1**	–

Deferred tax liabilities

Group

	Accelerated tax depreciation	
	2003	2002
	HK$'million	HK$'million
Balance at beginning of year:		
As previously reported	**–**	–
Prior year adjustment	**102.2**	86.4
As restated	**102.2**	86.4
Deferred tax charged to the profit and loss account during the year	**21.9**	15.8
Gross deferred tax liabilities at end of year	**124.1**	102.2
Net deferred tax liabilities at end of year	**(54.0)**	(102.2)

	GROUP	
	2003 **HK$'million**	**2002** **HK$'million**
Deferred tax assets and liabilities at end of year, presented after appropriate offsetting:		
Deferred tax assets	**10.4**	–
Deferred tax liabilities	**(64.4)**	(102.2)
Net deferred tax liabilities at end of year	**(54.0)**	(102.2)

The Group had tax losses arising in Hong Kong and Mainland China amounting to HK$2,536.9 million (2002 - HK$2,468.6 million) and HK$21.1 million (2002 - HK$15.9 million), respectively, as at 31st December, 2003. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, whilst that arising in Mainland China are available for a maximum period of five years. No deferred tax assets in respect of the Group's tax losses had been recognised in prior years on account of the unpredictability of future profit streams due primarily to the uncertainty over the outcome of the financial restructuring then being undertaken by the Group. As detailed in note 3 to the financial statements, while the Group has successfully concluded a financial restructuring proposal with its bank creditors, the financial and liquidity positions of the Group have also been significantly improved during the year and expected to be further enhanced in the foreseeable future. In the opinion of the Directors, future profit streams of the Group became more predictable and, accordingly, deferred tax assets have been recognised for such unused tax losses to the extent that it is probable that sufficient future taxable profits will be available against which the unused tax losses can be utilised.

At the balance sheet date, deferred tax assets in respect of tax losses not recognised in the financial statements amounted to HK$380.9 million (2002 - HK$400.2 million).

At 31st December, 2003, there is no significant unrecognised deferred tax liability (2002 - Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiary companies, associates or jointly controlled entity as the Group has no liability to additional tax should such amounts be remitted.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in (i) an increase in the Group's deferred tax asset as at 31st December, 2003 by HK$10.4 million; and (ii) an increase in the Group's deferred tax liability as at 31st December, 2003 and 2002 by HK$64.4 million and HK$102.2 million, respectively. As a consequence, the consolidated net loss attributable to shareholders for the year ended 31st December, 2002 has been increased by HK$15.8 million, and the consolidated accumulated losses at 1st January, 2003 and 2002 have been increased by HK$102.2 million and HK$86.4 million, respectively, as detailed in the consolidated summary statement of changes in equity and note 40 to the financial statements.

30. OTHER PAYABLE

The other payable represents loan restructuring fees payable to the bank creditors due on 31st December, 2006 pursuant to the terms of the Rescheduling Agreement as more fully described in note 3 to the finanical statements. Accordingly, it is classified as a non-current liability at the balance sheet date.

31. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2003 HK$'million	**2002 HK$'million**
Shares		
Authorised:		
10,000 million ordinary shares of HK$0.01 each	**100.0**	100.0
0.1 million 5¼% convertible cumulative redeemable preference shares of US$10 each	**1.3**	1.3
	101.3	101.3
Issued and fully paid:		
7,520.4 million (2002 – 6,297.1 million) ordinary shares of HK$0.01 each	**75.2**	62.9
0.1 million 5¼% convertible cumulative redeemable preference shares of US$10 each	**1.3**	1.3
	76.5	64.2
Share premium		
Ordinary shares	**513.2**	467.1

The movements of the Company's share capital and share premium during the period from 1st January, 2002 to 31st December, 2003 were as follows:

(i) 90.0 million new ordinary shares of HK$0.10 each were issued to Taylor Investments Ltd. ("Taylor"), a wholly owned subsidiary company of PHL, the immediate listed holding company of the Company, at a price of HK$0.14 per share pursuant to a share placement on 7th March, 2002 for a total consideration of HK$12.6 million to raise general working capital.

(ii) Pursuant to the board resolution passed on 31st July, 2002 and a special resolution passed at a special general meeting of the Company held on 18th September, 2002, a capital reorganisation (the "Capital Reorganisation") involving, inter alia, the following was implemented on 16th October, 2002:

(a) a reduction of the nominal value of each issued ordinary share of the Company (involving 4,028.8 million ordinary shares) from HK$0.10 to HK$0.01 each by the cancellation of HK$0.09 of the paid-up capital for each issued ordinary share (the "Capital Reduction"), and a transfer of the credit arising from the Capital Reduction of approximately HK$362.6 million to a special reserve of the Group (note 35) and contributed surplus of the Company (note 39);

(b) the cancellation of the entire amount standing to the credit of the share premium account of the Company, comprising ordinary share premium of HK$1,528.9 million and preference share premium of HK$128.2 million, and a transfer of the total premium of HK$1,657.1 million to a special reserve of the Group (note 35) and contributed surplus of the Company (note 39);

(c) the cancellation of the existing authorised and unissued 1,971.2 million ordinary shares of HK$197.1 million and 0.2 million preference shares of HK$21.9 million and a subsequent increase of the authorised ordinary share capital of the Company to HK$100.0 million comprising 10,000 million ordinary shares of HK$0.01 each by the creation of 5,971.2 million additional shares of HK$0.01 each, ranking pari passu in all respects with the then existing ordinary share capital of the Company; and

(d) the cancellation of the entire amount standing to the credit of the capital redemption reserve (note 33) and a transfer of the credit totalling HK$13.5 million arising therefrom to a special reserve of the Group (note 35) and contributed surplus of the Company (note 39).

(iii) On 31st October, 2002, 1,958.3 million new ordinary shares of HK$0.01 each were issued by the Company to nominee(s) of Paliburg Development BVI Holdings Limited, a wholly owned subsidiary company of PHL, at a price of HK$0.24 per share on 31st October, 2002 to satisfy the consideration of HK$470.0 million in relation to the Group's acquisition of an additional 40% interest in Chest Gain, which represented share capital of HK$19.6 million and share premium of HK$450.4 million.

(iv) 155.0 million new ordinary shares of HK$0.01 each were issued to each of Taylor and Guo Yui Investments Limited ("Guo Yui"), also a wholly owned subsidiary company of PHL, pursuant to a share placement at HK$0.065 per share for a total consideration of HK$20.1 million on 9th December, 2002 to raise general working capital.

(v) On 16th June, 2003, 210.0 million new ordinary shares of HK$0.01 each were issued by the Company to Guo Yui at a price of HK$0.048 per ordinary share to raise general working capital, following a placement by Guo Yui of 150.0 million issued ordinary shares in the Company at a price of HK$0.048 per ordinary share. Furthermore, on 21st July, 2003, 180.0 million new ordinary shares of HK$0.01 each were issued by the Company through placement to certain independent investors at a price of HK$0.048 per ordinary share to raise general working capital.

(vi) During the year, 833.3 million new ordinary shares of HK$0.01 each were issued by the Company upon conversion of the Convertible Bonds, including the Optional Bonds, in a total principal amounts of HK$40.0 million at an adjusted conversion price of HK$0.048 each (note 28).

A summary of the above movement of the Company's share capital and share premium is as follows:

	Notes	Authorised No. of shares 'million	Authorised Amount HK$'million	Issued and fully paid No. of shares 'million	Issued and fully paid Amount HK$'million	Share premium HK$'million
Ordinary shares						
At 1st January, 2002		6,000.0	600.0	3,938.8	393.8	1,525.6
Issue of new shares in March 2002	(i)	—	—	90.0	9.0	3.6
Capital Reduction	(ii)(a)	—	(362.6)	—	(362.6)	—
Cancellation of share premium	(ii)(b)	—	—	—	—	(1,528.9)
Cancellation of unissued share capital	(ii)(c)	(1,971.2)	(197.1)	—	—	—
Increase of authorised share capital	(ii)(c)	5,971.2	59.7	—	—	—
Issue of new shares for acquisition of additional interest in Chest Gain	(iii)	—	—	1,958.3	19.6	450.4
Issue of new shares in December 2002	(iv)	—	—	310.0	3.1	17.0
Share issue expenses		—	—	—	—	(0.6)
At 31st December, 2002 and at 1st January, 2003		10,000.0	100.0	6,297.1	62.9	467.1
Issue of new shares in June and July 2003	(v)	—	—	390.0	3.9	14.8
Issue of new shares upon conversion of convertible bonds	(vi)	—	—	833.3	8.4	31.6
Share issue expenses		—	—	—	—	(0.3)
At 31st December, 2003		10,000.0	100.0	7,520.4	75.2	513.2
5¼% convertible cumulative redeemable preference shares of US$10 each						
At 1st January, 2002		0.3	23.2	0.1	1.3	128.2
Cancellation of share premium	(ii)(b)	—	—	—	—	(128.2)
Cancellation of unissued share capital	(ii)(c)	(0.2)	(21.9)	—	—	—
At 31st December, 2002 and 31st December, 2003		0.1	1.3	0.1	1.3	—
Total issued share capital						
At 31st December, 2003			**101.3**		**76.5**	**513.2**
At 31st December, 2002			101.3		64.2	467.1

Preference shares

The outstanding preference shares at the beginning of the year represented 16,748 5¼% convertible cumulative redeemable preference shares of US$10 each issued for cash on 13th December, 1993 at US$1,000 each. The preference shares are redeemable on 13th December, 2008 at US$1,000 each (the "Reference Amount"). The Company has the right to redeem, on or at any time after 13th December, 1996, either part or all of the preference shares, subject to certain conditions, at a redemption price of not less than the Reference Amount, with such amount to be determined by reference to specified percentages applicable to the year in which the redemption takes place. The redemption can be made either in United States dollars, or by issuing such number of the Company's ordinary shares calculated by reference to 95% of the average daily closing price of the ordinary shares for the five dealing days ending on the seventh day prior to the date on which notice of such redemption (the "Redemption Notice") is first given to the preference shareholders, at the fixed exchange rate of HK$7.730255 to US$1.00.

All preference shareholders have the right (the "Conversion Rights") to convert any or all of their preference shares into fully paid ordinary shares of the Company at an initial price of HK$2.0445 per share based on the Reference Amount of US$1,000 per preference share at the fixed exchange rate of HK$7.730255 to US$1.00. On 19th June, 1997, the conversion price of the preference shares was adjusted to HK$1.7037 per share as a result of a bonus issue of ordinary shares. The Conversion Right is exercisable on or after 28th December, 1993 until and including the eighth day prior to 13th December, 2008 or, if earlier, the date fixed for redemption thereof as set out in the Redemption Notice.

None of the preference shares was converted during the year. The exercise in full of the Conversion Rights attached to the outstanding 16,748 preference shares in issue at 31st December, 2003 would have, with the present capital structure of the Company, resulted in the issue of a further 76.0 million additional ordinary shares.

Share options

The Company operates an executive share option scheme (the "Share Option Scheme"). The Share Option Scheme was approved by the Company's shareholders on 28th June, 1990. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The summarised information on the Share Option Scheme is set out as follows:

(i) Purpose: As incentive to selected eligible executives

(ii)	Participants:	Eligible executive means any director and any person who is an employee of the Group (including the Company, its subsidiary companies and other bodies corporate in which the Company or its subsidiary companies, or a combination of them, hold not less than 40% of the issued voting shares), or of any other company or corporation forming part of the Century City International Holdings Limited Group ("CCIHL Group"), for so long as the Company is part of the CCIHL Group, and (in the opinion of the Board) who devotes a material amount of time to the management of the affairs of the Group
(iii)	Total number of ordinary shares subject to outstanding options under the Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2003 and at the date of this report:	1,080,000 ordinary shares (approximately 0.01%)
(iv)	Maximum entitlement of each participant under the Share Option Scheme:	Not exceeding 25% of the total number of ordinary shares included in options outstanding at the time of grant
(v)	The period within which the shares must be taken up under an option:	From the time when the options become vested no later than ten years after the date of grant
(vi)	Minimum period for which an option must be held before it can be exercised:	Not less than one year following the date of grant
(vii)	Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:	N/A
(viii)	The basis of determining the exercise price:	At the discretion of the Board but shall not be less than the par value of the shares nor at a discount of more than 10% below the average closing prices of the ordinary shares on the Stock Exchange on the five dealing days immediately preceding the date on which the invitation to apply for an option is resolved by the Board to be given
(ix)	The remaining life of the Share Option Scheme:	The life of the Share Option Scheme commenced from 28th June, 1990, date of adoption, and ended on 28th June, 2000.

During the year, movements in share options granted by the Company pursuant to the Share Option Scheme are as follows:

Date of grant of share options	Name or category of participant	Number of ordinary shares under share options** At 1st January, 2003	Lapsed during the year	At 31st December, 2003	Vesting period*/ Exercise period of share options	Exercise price of share options** HK$
	Directors					
5th August, 1993	Mr. Donald Fan Tung					
	Vested:	1,080,000	(1,200,000)	–	Note 1	1.1083
	Unvested:	120,000	–	–	Note 1	
5th August, 1993	Ms. Belinda Yeung Bik Yiu					
	Vested:	150,000	(180,000)	–	Note 1	1.1083
	Unvested:	30,000	–	–	Note 1	
		1,380,000	(1,380,000)	–		
	Directors					
22nd February, 1997	Ms. Belinda Yeung Bik Yiu					
	Vested:	540,000	–	648,000	Note 1	2.1083
	Unvested:	540,000	–	432,000	Note 1	
		1,080,000	–	1,080,000		
	Total:	**2,460,000**	**(1,380,000)**	**1,080,000**		

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.

Notes:

1. Vesting/Exercise Periods of Options:

On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a) 2 years after date of grant	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after date of grant)
(b) 3 years to 9 years after date of grant	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year (commencing from 3 years after date of grant))	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after date of grant) upon vesting (exercisable until 10 years after date of grant))
(c) 9½ years after date of grant	100%	100% (exercisable until 10 years after date of grant)

2. In the absence of a readily available market value, the Directors are unable to arrive at an accurate assessment of the value of the options granted.

The exercise in full of the outstanding rights which have vested with the holders of the options up to the date of approval of the financial statements by the Board of Directors, inclusive of those exercised since the year end date, would have, with the present capital structure of the Company, resulted in the issue of 0.8 million additional ordinary shares and share premium of HK$1.6 million (before issue expenses).

32. RESERVES

		GROUP		COMPANY	
	Notes	2003 HK$'million	2002 HK$'million (Restated)	2003 HK$'million	2002 HK$'million
Share premium	31	**513.2**	467.1	**513.2**	467.1
Capital redemption reserve	33	**–**	–	**–**	–
Capital reserve	34	**–**	71.9	**–**	–
Special reserve	35	**1,062.3**	1,062.3	**–**	–
Revaluation reserves	36	**2,281.5**	1,563.6	**–**	–
Exchange equalisation reserve	37	**1.4**	(14.3)	**–**	–
Contributed surplus	39	**–**	–	**2,683.5**	2,683.5
Retained profit/ (Accumulated losses)	40	**105.6**	(102.2)	**767.3**	–
		3,964.0	3,048.4	**3,964.0**	3,150.6

33. CAPITAL REDEMPTION RESERVE

	GROUP AND COMPANY	
	2003 **HK$'million**	**2002** **HK$'million**
Balance at beginning of year	**–**	13.5
Cancellation and transfer to special reserve/ contributed surplus (note 31(ii)(d))	**–**	(13.5)
Balance at and of year	**–**	–

34. CAPITAL RESERVE

	GROUP	
	2003 **HK$'million**	**2002** **HK$'million**
Balance at beginning of year	**71.9**	1,314.2
Release on disposal of overseas subsidiary companies	**(71.9)**	–
Share of impairment of goodwill of an associate previously eliminated against capital reserve	**–**	12.8
Transfer to special reserve (note 35)	**–**	(1,255.1)
Balance at end of year	**–**	71.9

Included in the Group's capital reserve as at 31st December, 2002 was an amount of HK$1,255.1 million which originally arose as a result of the Group reorganisation in 1989, representing the difference between the nominal value of the share capital of the subsidiary companies acquired and the nominal value of the share capital of the Company issued in exchange therefor, and was transferred to the Group's special reserve in the prior year (note 35).

As further explained below, the carrying amounts at 31st December, 2003 and 2002 included goodwill and negative goodwill arising from the acquisitions of subsidiary companies and the share of goodwill of an associate in prior years. As detailed in note 4(c) to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1st January, 2001, to remain eliminated against or credited to, respectively, to the capital reserve.

The amounts of goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisitions of subsidiary companies and that of an associate shared by the Group prior to 1st January, 2001, are as follows:

	Share of goodwill of an associate eliminated against capital reserve HK$' million	Goodwill eliminated against capital reserve HK$' million	Negative goodwill credited to capital reserve HK$' million
Cost:			
At beginning of year	12.8	120.4	(71.9)
Release on disposal of overseas subsidiary companies	–	–	71.9
	12.8	120.4	–
Accumulated impairment:			
At beginning and at end of year	(12.8)	(120.4)	–
Net amount:			
At 31st December, 2003	**–**	**–**	**–**
At 31st December, 2002	–	–	(71.9)

35. SPECIAL RESERVE

	GROUP	
	2003 HK$'million	**2002 HK$'million**
Balance at beginning of year	**1,062.3**	–
Transfer from share capital pursuant to Capital Reduction (note 31(ii)(a))	**–**	362.6
Transfer from share premium (note 31(ii)(b))	**–**	1,657.1
Transfer from capital redemption reserve (note 31(ii)(d))	**–**	13.5
Transfer from capital reserve (note 34)	**–**	1,255.1
Elimination of accumulated losses (note 40)	**–**	(2,226.0)
Balance at end of year	**1,062.3**	1,062.3

The special reserve represents reserve arising from the Company's Capital Reorganisation in 2002.

On 17th April, 2003, it was approved by the Directors that special reserve amounting to HK$2,226.0 million was applied towards elimination of the Group's accumulated losses as at 31st December, 2002.

36. REVALUATION RESERVES

	GROUP		
	Hotel properties HK$'million	Long term investments HK$'million	Total HK$'million
At 1st January, 2002	2,685.5	(22.8)	2,662.7
Movement in fair value	–	(3.5)	(3.5)
Deficit on revaluation	(1,728.6)	–	(1,728.6)
Transfer to profit and loss account on impairment	618.9	12.4	631.3
Release on disposal	–	1.7	1.7
At 31st December, 2002 and 1st January, 2003	1,575.8	(12.2)	1,563.6
Movement in fair value	–	13.4	13.4
Surplus on revaluation	651.8	–	651.8
Release on disposal	52.4	0.3	52.7
At 31st December, 2003	**2,280.0**	**1.5**	**2,281.5**

37. EXCHANGE EQUALISATION RESERVE

	GROUP	
	2003 HK$'million	**2002 HK$'million**
Balance at beginning of year	**(14.3)**	(14.8)
Exchange adjustment on translation of the financial statements of overseas subsidiary companies	**7.8**	0.5
Release on disposal of overseas subsidiary companies	**7.9**	–
Balance at end of year	**1.4**	(14.3)

38. INTERESTS IN SUBSIDIARY COMPANIES

	COMPANY	
	2003 HK$'million	**2002 HK$'million**
Unlisted shares, at cost	**5,552.2**	5,552.2
Amount due from a subsidiary company	**2,136.1**	2,082.5
	7,688.3	7,634.7
Provision for impairment	**(3,644.7)**	(4,416.6)
	4,043.6	3,218.1

The amount due from a subsidiary company is unsecured, interest free and is not repayable within the next twelve months from the balance sheet date.

Details of the principal subsidiary companies are as follows:

Name	**Place of incorporation/ registration**	**Issued share capital/ registered capital**	**Percentage of equity interest attributable to the Company 2003**	**2002**	**Principal activities**
Bauhinia Hotels Limited	Hong Kong	HK$2	100	100	Hotel ownership
Camomile Investments Limited	Hong Kong	HK$2	100	100	Property investment
Charmwin Limited	Hong Kong	HK$2	100	100	Distribution of beer
Charter Capital Development Limited**	Hong Kong	HK$2	–	100	Property investment
Cityability Limited	Hong Kong	HK$10,000	100	100	Hotel ownership
Cranfield Investments Limited	Hong Kong	HK$2	100	100	Financing
Farah Investments Limited	Hong Kong	HK$2	100	100	Financing
Fortune Nice Investment Limited	Hong Kong	HK$2	100	100	Financing
Gala Hotels Limited	Hong Kong	HK$2	100	100	Hotel ownership

Name	Place of incorporation/ registration	Issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2003	2002	Principal activities
HK 168 Limited	Republic of Liberia	US$1	100	100	Securities investment
Kaifeng Yatai Brewery Co., Ltd.*	The People's Republic of China	RMB35,923,300	90	90	Production and distribution of beer
Kaifeng Yatai Brewery Second Co., Ltd.*	The People's Republic of China	RMB30,576,700	90	90	Production and distribution of beer
Kaybro Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Key Winner Investment Limited	Hong Kong	HK$2	100	100	Financing
Kingford View Investments Limited**	British Virgin Islands	US$1	–	100	Securities investment
Regal Century Investment Limited	Hong Kong	HK$2	100	100	Investment holding and management services
Regal Constellation Hotel Limited**	Canada	CAD1	–	100	Hotel ownership
Regal Estate Agents Limited	Hong Kong	HK$2	100	100	Estate agents
Regal Estate Management Limited	Hong Kong	HK$2	100	100	Estate management
Regal Hotels (Holdings) Limited	Hong Kong	HK$1,151,598,638	100	100	Investment holding
Regal Hotels International Limited	Hong Kong	HK$100,000	100	100	Hotel management
Regal Hotels Management (BVI) Limited	British Virgin Islands	US$1	100	100	Hotel management

Name	Place of incorporation/ registration	Issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2003	2002	Principal activities
Regal International Limited	British Virgin Islands	US$20	100	100	Investment and trademark holding
Regal International (BVI) Holdings Limited	British Virgin Islands	HK$10.1	100	100	Investment holding
Regal Laundry Services Limited	Hong Kong	HK$2	100	100	Laundry operations
Regal Pacific (Holdings) Limited**	Canada	CAD 2,005,000	–	100	Investment holding
Regal Riverside Hotel Limited	Hong Kong	HK$2	100	100	Hotel ownership
Regal Quality Foods Limited	Hong Kong	HK$2	100	100	Bakery and retail operations
Regal Supplies Limited	Hong Kong	HK$2	100	100	Bakery plant operation
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	100	100	Trademark holding
Richtech Holdings Limited	Hong Kong	HK$2	100	100	Financing
Ricobem Limited	Hong Kong	HK$2	100	100	Hotel ownership
World Way Management Limited	Hong Kong	HK$2	100	100	Management services

* These subsidiary companies are sino-foreign co-operative joint venture companies established in the PRC.

** These subsidiary companies were disposed of during the year.

Except for Regal International (BVI) Holdings Limited, all principal subsidiary companies are indirectly held by the Company.

All of the above subsidiary companies operate in the place of their incorporation/registration.

The above table lists the subsidiary companies of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiary companies would, in the opinion of the Directors, result in particulars of excessive length.

39. CONTRIBUTED SURPLUS

	COMPANY	
	2003 **HK$'million**	**2002** **HK$'million**
Balance at beginning of year	**2,683.5**	5,052.3
Transfer from share capital pursuant to Capital Reduction (note 31(ii)(a))	**–**	362.6
Transfer from share premium (note 31(ii)(b))	**–**	1,657.1
Transfer from capital redemption reserve (note 31(ii)(d))	**–**	13.5
Elimination of accumulated losses (note 40)	**–**	(4,402.0)
Balance at end of year	**2,683.5**	2,683.5

The contributed surplus originally represents reserve arising from (i) the Group reorganisation in 1989 representing the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiary companies; and (ii) the Company's Capital Reorganisation in 2002.

Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is distributable to shareholders under certain circumstances.

40. RETAINED PROFITS/(ACCUMULATED LOSSES)

	GROUP		COMPANY	
	2003 HK$'million	2002 HK$'million (Restated)	2003 HK$'million	2002 HK$'million
Balance at beginning of year:				
As previously reported	–	(1,461.0)	–	(2,551.2)
Prior year adjustment (note 29)	(102.2)	(86.4)	–	–
As restated	(102.2)	(1,547.4)	–	(2,551.2)
Net profit/(loss) for the year	207.8	(780.8)	767.3	(1,850.8)
Transfer from special reserve (note 35)	–	2,226.0	–	–
Transfer from contributed surplus (note 39)	–	–	–	4,402.0
Balance at end of year	105.6	(102.2)	767.3	–

	GROUP	
	2003 HK$'million	2002 HK$'million (Restated)
Retained profits/(Accumulated losses) at end of year retained by/(accumulated in):		
The Company and subsidiary companies	777.9	774.6
Associates	(19.6)	(17.5)
Jointly controlled entity	(652.7)	(859.3)
Balance at end of year	105.6	(102.2)

41. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before tax to net cash inflow from operating activities

	2003 HK$'million	2002 HK$'million
Profit/(Loss) before tax	**160.0**	(767.0)
Adjustments for:		
Finance costs	**144.1**	182.7
Share of profits less losses of a jointly controlled entity and associates	**(204.6)**	14.7
Interest income	**(0.2)**	(1.9)
Loss on disposal of overseas subsidiary companies attributable to discontinued operation	**34.4**	–
Loss /(Gain) on disposal of fixed assets	**(5.4)**	1.1
Depreciation	**40.2**	42.7
Negative goodwill recognised as income	**(0.2)**	(0.1)
Write-down in values of properties held for sale	**–**	5.6
Write-back of provision against a loan receivable	**–**	(10.6)
Write-back of impairment of hotel properties	**(11.4)**	–
Impairment of hotel properties previously eliminated against hotel property revaluation reserve	**–**	618.9
Impairment of long term investments previously eliminated against long term investments revaluation reserve	**–**	12.4
Provisions for doubtful debts	**2.5**	0.7
Loss on disposal of long term investments	**0.5**	95.0
Operating profit before working capital changes	**159.9**	194.2
Decrease in debtors, deposits and prepayments	**10.3**	–
Decrease/(Increase) in hotel and other inventories	**(3.0)**	2.6
Increase/(Decrease) in creditors and accruals	**(17.7)**	3.5
Exchange differences	**(1.4)**	0.3
Cash generated from operations	**148.1**	200.6
Overseas taxes paid	**(0.1)**	(0.4)
Overseas taxes refunded	**–**	3.1
Hong Kong taxes refunded	**0.3**	–
Net cash inflow from operating activities	**148.3**	203.3

(b) Major non-cash transactions

The Group had the following major non-cash transactions in the prior year:

(i) An amount of HK$9.8 million was deducted from the advance payment balance made to Chatwin Engineering Limited, a fellow subsidiary company of the Company, in prior years in respect of the settlement of construction work performed for the Group relating to the construction of the Regal Airport Hotel in Chek Lap Kok (note 42(a));

(ii) The Group acquired an additional 40% interest in a jointly controlled entity at a consideration of HK$470.0 million which was satisfied by the issue of 1,958.3 million new ordinary shares of the Company.

(iii) Part of the promissory notes receivable of HK$180.0 million as at 31st December, 2001 together with the interest accrued thereon was settled in the prior year, involving, inter alia, a 3-year convertible note of HK$132.0 million issued by one of the borrowers of the promissory notes.

There were no major non-cash transactions for the current year.

(c) Disposal of subsidiary companies

	2003 HK$'million	2002 HK$'million
Net assets disposed of:		
Fixed assets	**259.6**	–
Hotel and other inventories	**4.7**	–
Debtors, deposits and prepayments	**3.4**	–
Cash and bank balances	**2.5**	–
Creditors and accruals	**(28.4)**	–
Interest bearing bank and other borrowings	**(195.8)**	–
	46.0	–
Capital reserve released on disposal	**(71.9)**	–
Revaluation reserve released on disposal	**52.4**	–
Exchange equalisation reserve released on disposal	**7.9**	–
Loss on disposal	**(34.4)**	–
	–	–
Satisfied by:		
Cash	**–**	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of overseas subsidiary companies is as follows:

	2003 HK$'million	2002 HK$'million
Cash consideration	–	–
Cash and bank balances disposed of	(2.5)	–
Net outflow of cash and cash equivalents in respect of the disposal of overseas subsidiary companies	(2.5)	–

The overseas subsidiary companies disposed of in the current year contributed HK$32.2 million (2002 - HK$88.6 million) to turnover and net loss of HK$12.3 million (2002 - HK$11.0 million) to the consolidated profit after tax and before minority interests for the year ended 31st December, 2003.

(d) Restricted cash and cash equivalent balances

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1.1 million (2002 - HK$1.0 million). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

42. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2003 HK$'million	2002 HK$'million
Construction works performed by a subsidiary company of PHL	(a)	–	22.0
Minimum lease payment under operating leases in respect of land and buildings paid to wholly-owned subsidiary companies of PHL	(b)	–	7.3
Consultancy fees in respect of hotel property development projects paid to a wholly-owned subsidiary company of PHL	(c)	–	2.8
Advertising and promotion fees (including cost reimbursements) paid to an associate	(d)	**7.3**	11.2
Management costs allocated from CCIHL	(e)	**9.7**	22.6
Guarantee given in respect of a bank loan of a jointly controlled entity	(f)	**2,359.0**	2,310.0

Notes:

(a) The construction works related to the hotel foundation and superstructure, carpark and walkway, and footbridge constructions performed by Chatwin Engineering Limited ("Chatwin"), a subsidiary company of PHL, in connection with the Regal Airport Hotel and the airport in Chek Lap Kok. The amount payable was determined in accordance with the terms under the relevant construction contracts, in stages based on construction works certified by the architects.

At 31st December, 2001, an amount of HK$36.5 million was included in debtors, deposits and prepayments, which represented a reserve fund maintained by Chatwin against potential claims arising from litigation and arbitration proceedings with certain sub-contractors in connection with the construction work of the Regal Airport Hotel. In the prior year, HK$9.8 million was applied in settlement of claims and related expenses with a sub-contractor. With respect to the remaining balance of HK$26.7 million as at 31st December, 2002, HK$8.1 million would continue to be held by Chatwin as the reserve fund against potential claims from a sub-contractor and the balance of HK$18.6 million to be accounted for on completion of the final accounts. There was no movement in this reserve fund for the year ended 31st December, 2003.

In the prior year, there was another outstanding amount existing as at 31st December, 2002 which was included in creditors and accruals amounting to HK$2.7 million. This represented fees for construction works due to Chatwin in connection with the footbridge constructions. The amount was unsecured and payable in accordance with the terms of the respective contracts under which such amount was incurred. The balance was settled during the year.

(b) The rental expenses in the prior year related to the leasing of various offices and commercial spaces. The rental was determined by reference to market rental for offices and commercial spaces of similar qualities in the same district obtained from independent sources.

(c) In the prior year, consultancy service was provided by a subsidiary company of PHL for co-ordinating and supervising the litigation and arbitration proceedings noted in (a) above and the fees were charged as a basic fee plus a success fee calculated at 15% on the actual savings, subject to a cap, upon settlement of the related claims.

(d) The advertising and promotion fees comprised a retainer determined by reference to the estimated volume of advertising and promotional activities of the Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.

(e) The management costs included rentals and other overheads allocated from CCIHL, in the prior year, either on the basis of actual usage or on a proportionate basis by reference to individual consolidated turnover and asset values of the Group, the CCIHL group (excluding the PHL group and the Group) and the PHL group (excluding the Group). With effect from 1st January, 2003, such management costs were allocated from CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of the three groups based on the distribution of job responsibilities and the estimated time to be spent by the relevant staff in serving each of the three groups.

(f) Details of the guarantee are disclosed in note 44(a) to the financial statements.

(g) On 2nd August, 2002, the Company entered into a sale and purchase agreement with PHL and Paliburg Development BVI Holdings Limited, a wholly-owned subsidiary company of PHL, for the acquisition of its 40% interest in a property development project in Stanley, Hong Kong, in which the Group had a then existing 30% interest (the "Stanley Transfer"). The consideration for the acquisition was HK$470.0 million which was determined by reference to an independent professional valuation and was satisfied by the issuance of 1,958.3 million ordinary shares of the Company at HK$0.24 each. The Stanley Transfer, details of which were set out in the circular of the Company dated 26th August, 2002 to the Company's shareholders, was approved by independent shareholders of the Company at its special general meeting held on 18th September, 2002 and completed on 31st October, 2002.

The Directors of the Company are of the opinion that the above transactions set out in (a) to (f) were entered into in the normal and usual course of business.

The related party transactions set out in notes 42(a) to (e) and (g) above also constituted connected transactions as defined in the Listing Rules to the Company. Relevant disclosure and other requirements, including, inter alia, independent shareholders' approval (where required) in accordance with the Listing Rules with respect to such transactions have been made or met. Related details of the related party transactions set out in notes 42(a) to (e) are disclosed in the Directors' Report of the Company for the financial year ended 31st December, 2003 accompanying the financial statements.

Prior to the completion of the Stanley Transfer, the related party transaction set out in note 42(f) also constituted a connected transaction to the Company under Rule 14.25(2)(b) of the Listing Rules. Relevant details are disclosed in the Directors' Report of the Company for the financial year ended 31st December, 2002 accompanying the financial statements, according to the disclosure requirement under Rule 14.25(2)(b)(ii).

43. PLEDGE OF ASSETS

In addition to the balances set out elsewhere in the notes to the financial statements, at the balance sheet date, certain of the Group's time deposits, long term investments, interests in associates, hotel properties, leasehold properties and equipment, inventories and receivables with a total carrying value of HK$7,524.9 million (2002 - HK$7,521.1 million) and the shares in certain subsidiary companies and a jointly controlled entity were pledged to secure (i) general banking facilities granted to the Group and the jointly controlled entity; and (ii) the Group's Convertible Bonds.

44. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities:

	GROUP		COMPANY	
	2003 HK$'million	**2002 HK$'million**	**2003 HK$'million**	**2002 HK$'million**
(a) Corporate guarantees provided in respect of:				
Attributable share of outstanding bank borrowings of:				
- a jointly controlled entity	**2,255.4**	1,938.4	**2,255.4**	1,938.4
- subsidiary companies	**–**	–	**4,428.0**	4,816.6
Outstanding convertible bonds issued by a subsidiary company	**–**	–	**–**	50.0
	2,255.4	1,938.4	**6,683.4**	6,805.0

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of HK$11.1 million as at 31st December, 2003 (2002 - HK$13.5 million), as further explained in note 4(t) to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group, and are eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

45. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its properties (notes 18 and 23) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 31st December, 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	GROUP	
	2003	**2002**
	HK$'million	**HK$'million**
Within one year	**11.4**	15.7
In the second to fifth years, inclusive	**11.9**	6.7
	23.3	22.4

(b) As lessee

The Group leases certain office and shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms of 6 months, except for a lease which is negotiated for a term of 18 years and provides for periodic rent adjustments according to the then prevailing market conditions. Leases for office equipment in respect of the Group's discontinued operation in the prior year were negotiated for terms ranging between 5 months and 9 years.

At 31st December, 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2003 **HK$'million**	**2002** **HK$'million**
Land and buildings:		
Within one year	**3.9**	7.2
In the second to fifth years, inclusive	**10.1**	27.6
After the fifth year	**2.5**	15.0
	16.5	49.8
Other equipment:		
Within one year	**–**	3.6
In the second to fifth years, inclusive	**–**	0.6
	–	4.2
	16.5	54.0

At the balance sheet date, the Company had no outstanding operating lease commitments.

46. COMMITMENTS

In addition to the operating lease commitments detailed in note 45(b) above, the Group had the following outstanding commitments at the balance sheet date:

	GROUP	
	2003 **HK$'million**	**2002** **HK$'million**
Capital commitments in respect of the renovation of or improvements to the hotel properties:		
Authorised and contracted for	**3.4**	12.5
Authorised, but not contracted for	**86.9**	82.9
	90.3	95.4

At the balance sheet date, the Company had no outstanding capital commitments.

47. POST BALANCE SHEET EVENTS

Except for the events set out in notes 3, 18 and 28 to the financial statements, there were no other significant post balance sheet events.

48. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the revised SSAP 12 during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 15th April, 2004.