

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiary companies are hotel ownership and management, property investment and other investments.

There have been no significant changes in these activities during the year.

The turnover and contribution to trading results by each principal activity and by geographical location are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 91 to 150.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

The Group's significant investments constitute primarily its ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of the Group's operations during the year under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance as well as the progress and prospects on the Regalia Bay development are contained in the Chairman's Report preceding this report.

Cash Flow and Capital Structure

During the year under review, net cash inflow from operating activities totalled HK\$409.2 million (2003 – HK\$148.3 million). Net interest payment for the year amounted to HK\$100.8 million (2003 – HK\$135.6 million).

In January 2004, Richtech Holdings Limited, a wholly owned subsidiary company of the Company, issued additional 5% guaranteed convertible bonds due 2004 ("5% Convertible Bonds") in an aggregate principal amount of HK\$30.0 million ("5% Optional Bonds") to a third party purchaser (the "CB Purchaser"), who subscribed for the HK\$30.0 million 5% Optional Bonds pursuant to the relevant subscription agreement dated 12th September, 2002 relating to the issue of the 5% Convertible Bonds. During January and February 2004, Guo Yui Investments Limited ("Guo Yui"), a wholly owned subsidiary company of Paliburg Holdings Limited, acquired from the CB Purchaser 5% Optional Bonds in an aggregate principal amount of HK\$28.0 million. In March 2004, such HK\$28.0 million 5% Optional Bonds acquired by Guo Yui and the remaining HK\$2.0 million 5% Optional Bonds held by the CB Purchaser were all converted and, as a result, a total of 624,999,999 new ordinary shares were issued based on the adjusted conversion price of HK\$0.048 per ordinary share.



On 12th July, 2004, 195.0 million new ordinary shares were issued by the Company to the relevant purchaser under the SP Agreement (as supplemented) (as referred to in the sub-section headed "Material Disposals of Subsidiary Companies" below) at the issue price of HK\$0.20 per ordinary share in settlement of the termination fee payable by the Group for the termination of the SP Agreement. The 195.0 million new ordinary shares were issued pursuant to the general mandate granted to the Directors of the Company at the annual general meeting of the Company held on 12th June, 2003. Further details relating to the issue of the 195.0 million new ordinary shares were disclosed in the sub-section headed "Material Disposals of Subsidiary Companies" below.

On 3rd June, 2004, two conditional subscription agreements (the "Subscription Agreements") were entered into between Cheerview Limited (the "Issuer"), a wholly owned subsidiary company of the Company, the Company and certain third party purchasers in relation to the issue by the Issuer of 2% Guaranteed Convertible Bonds due 2007, guaranteed by, and convertible into ordinary shares of, the Company (the "2% Convertible Bonds") up to an aggregate principal amount of HK\$400.0 million, comprising firm bonds in an aggregate principal amount of HK\$200.0 million (the "2% Firm Bonds") and optional bonds of up to an aggregate principal amount of HK\$200.0 million (the "2% Optional Bonds"). The 2% Firm Bonds together with the 2% Optional Bonds, if fully subscribed for and issued, are convertible into a total of 1,600.0 million new ordinary shares of the Company at the initial conversion price of HK\$0.25 per ordinary share (subject to adjustments).

At the special general meeting of the Company held on 19th July, 2004 (the "SGM"), an ordinary resolution was duly passed by the shareholders of the Company with respect to the issue of the 2% Convertible Bonds pursuant to the Subscription Agreements. The issue of the 2% Convertible Bonds was also approved by the respective shareholders of Century City International Holdings Limited ("CCIHL"), the then ultimate listed holding company of the Company, and Paliburg Holdings Limited ("PHL"), the then immediate listed holding company of the Company, at their special general meetings both held on 19th July, 2004. Since 31st July, 2004, the Company has become the listed associate of PHL.

On 21st July, 2004, the 2% Firm Bonds were subscribed for by, and issued to, the relevant third party purchasers under the Subscription Agreements. The cash proceeds arising therefrom were applied substantially for repayment of bank indebtedness of the Group.

At the SGM, an ordinary resolution was duly passed by the shareholders of the Company with respect to a bonus issue of warrants ("Warrants") of the Company to its shareholders, on the basis of one unit of Warrants carrying a subscription right of HK\$0.25 for every ten ordinary shares of the Company held by the shareholders on the register of ordinary shareholders of the Company on 19th July, 2004.

On 2nd August, 2004, Warrants carrying aggregate subscription rights of approximately HK\$208.5 million were issued to the shareholders of the Company. The Warrants confer on their holders the rights to subscribe for up to approximately 834.0 million new ordinary shares of the Company at the initial subscription price of HK\$0.25 per ordinary share (subject to adjustments). The Warrants are exercisable at any time from the date falling 6 months after the date of issue, i.e. 2nd February, 2005, to the date falling 7 days prior to the third anniversary of the date of issue, i.e. 26th July, 2007.



At the SGM, an ordinary resolution was duly passed by the shareholders of the Company with respect to the increase in the authorised share capital of the Company by the creation of an additional 10,000.0 million new ordinary shares of par value HK\$0.01 each of the Company. As a result, the authorised share capital of the Company now comprises HK\$200.0 million divided into 20,000.0 million ordinary shares and US\$167,480 divided into 16,748 5¼% convertible cumulative redeemable preference shares of par value US\$10 each.

Details relating to the issue of the 2% Convertible Bonds, the bonus issue of the Warrants and the increase in the authorised share capital of the Company were disclosed in the announcement dated 8th June, 2004 and the circular dated 30th June, 2004 of the Company.

Borrowings

On 31st December, 2004, the Group completed the refinancing of its outstanding bank loans, including the attributable share of the outstanding bank loan of a jointly controlled entity (thereby also discharging its several guarantee in relation thereto), by a new syndicated loan facility of HK\$4,750.0 million ("New Syndicated Loan").

As at 31st December, 2004, the Group's gross borrowings net of cash and bank balances amounted to HK\$4,597.1 million (2003 – HK\$4,401.5 million). The Group's gearing ratio based on the total assets of HK\$12,433.4 million (2003 – HK\$8,793.3 million) was about 37.0% (2003 – 50.1%).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 39 and 40, respectively, to the financial statements. As disclosed in note 39, most of the Group's assets have been pledged to secure general banking facilities granted to the Group. As at 31st December, 2004, the Company has contingent liabilities in the aggregate amount of HK\$4,950.0 million under the respective corporate guarantees given by the Company in respect of the New Syndicated Loan granted to the Group and the 2% Convertible Bonds.

Details of the maturity profile of the Group's borrowings are set out in note 24 to the financial statements.

Material Disposals of Subsidiary Companies

As previously disclosed in the interim report for the six months ended 30th June, 2004 of the Company, as contemplated under the financial restructuring proposal leading to the loan rescheduling agreement dated 30th September, 2003 between the Group and its then bank lenders (the "Rescheduling Agreement"), on 29th August, 2003, the Group entered into a sale and purchase agreement (the "SP Agreement") for the disposal of its 100% interest in a subsidiary company which indirectly owns the Regal Oriental Hotel. Subsequently, on 30th March, 2004, the parties to the SP Agreement entered into a supplemental agreement to the SP Agreement to extend the completion date of the SP Agreement to 30th June, 2004 and to reinstate the termination option (in a revised form) to the Group to terminate the SP Agreement (the "ROH Option"). 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.



On 3rd June, 2004, the Group exercised the ROH Option and served the termination notice on the relevant purchaser to terminate the SP Agreement. The termination became effective on 24th June, 2004 and the Group had returned the HK\$30.0 million deposit and all interest earned thereon to the purchaser in accordance with the terms of the SP Agreement. A termination fee of HK\$39.0 million was paid to the purchaser pursuant to the terms of the SP Agreement, which was satisfied by the issue of 195.0 million new ordinary shares of the Company to the purchaser at an issue price of HK\$0.2 each, as agreed between the parties to the SP Agreement, on 12th July, 2004.

Details of the SP Agreement, the supplemental agreement to the SP Agreement and the termination of the SP Agreement were disclosed in the announcements of the Company dated 4th September, 2003, 31st March, 2004 and 8th June, 2004, respectively.

Save as otherwise disclosed in the Chairman's Report preceding this report, the Group has no immediate plans for material investments or capital assets.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. As the Group's borrowings are primarily denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest determined with reference to interbank offered rates, the use of hedging instruments for currency or interest rates purposes is not considered to be necessary.

Remuneration Policy

The Group employs approximately 1,550 staff in Hong Kong and 800 staff in Mainland China. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance.

The Company adopted in 1990 an Executive Share Option Scheme under which share options had been granted to selected eligible executives.



DIVIDENDS

No interim dividend was paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK0.5 cent per ordinary share in respect of the year ended 31st December, 2004, payable to shareholders on the Register of Ordinary Shareholders on 16th June, 2005. This recommendation has been incorporated in the financial statements.

No dividend was paid to preference shareholders for the year ended 31st December, 2004. Information relating to the cumulative unpaid preference share dividends as of 13th December, 2004 is set out in note 14 to the financial statements. The Directors have also resolved that the unpaid preference dividends cumulated up to 13th December, 2004 be paid to the preference shareholders on or about 10th June, 2005.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Dr. Francis Choi Chee Ming
Mr. Donald Fan Tung
Ms. Alice Kan Lai Kuen
Mr. Tommy Lam Chi Chung
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan
Mr. Kai Ole Ringenson
Mr. Wong Chi Keung
Ms. Belinda Yeung Bik Yiu

On 1st January, 2004, Mr. Kai Ole Ringenson, having resigned from his executive duties with the Group, was appointed as a Non-Executive Director.

On 6th January, 2004, Mr. Daniel Bong Shu Yin resigned as a Non-Executive Director and Dr. Alex Wu Shu Chih was appointed as an Independent Non-Executive Director.

On 18th August, 2004, Mrs. Kitty Lo Lee Kit Tai resigned as a Non-Executive Director, and on the same date, Dr. Francis Choi Chee Ming was appointed as a Non-Executive Director and elected as the Vice Chairman and Miss Lo Po Man was appointed as an Executive Director.

On 21st September, 2004, Mr. Dominic Lai and Mr. Thomas Ng Wai Hung both resigned as Independent Non-Executive Directors, and on the same date, Ms. Alice Kan Lai Kuen and Mr. Wong Chi Keung were both appointed as Independent Non-Executive Directors.

On 10th January, 2005, Dr. Alex Wu Shu Chih, an Independent Non-Executive Director, unfortunately passed away.

On 22nd March, 2005, Mr. Ng Siu Chan was appointed as an Independent Non-Executive Director.

In accordance with Bye-law 100 of the Bye-laws of the Company, Dr. Francis Choi Chee Ming, Ms. Alice Kan Lai Kuen, Miss Lo Po Man, Mr. Ng Siu Chan and Mr. Wong Chi Keung shall hold office until the forthcoming Annual General Meeting (the "AGM") and will retire at the AGM.

In accordance with Bye-law 109(A) of the Company's Bye-laws and for compliance with the Code on Corporate Governance Practices under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Mr. Lo Yuk Sui, the Chairman and Managing Director, and Mr. Kenneth Ng Kwai Kai, an Executive Director, will retire from office by rotation at the AGM.

All of the above retiring Directors, being eligible, have offered themselves for re-election at the AGM. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Listing Rules, are set out in the circular of the Company, sent to shareholders together with the 2004 Annual Report, relating to, inter alia, re-election of Directors.

The Company has received from each of the three incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its then holding companies, or any of its subsidiary companies or fellow subsidiary companies was a party at the balance sheet date or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiary companies during the year.

At no time during the year was the Company or any of its then holding companies, or any of its subsidiary companies or fellow subsidiary companies a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than under the Executive Share Option Schemes (the "Share Option Schemes") of the Company and PHL, its then listed holding company, pursuant to which options have been granted to certain Directors under the Share Option Schemes of the Company and PHL respectively.

During the year, none of the Directors exercised options to subscribe for shares under the Share Option Schemes of the Company and PHL, and all of the outstanding options granted to the Directors under the Share Option Scheme of PHL had lapsed.



DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, were as follows:

	Name of Director	Class of Shares Held	Number of Shares Held			Total (Approximate percentage of the Issued Shares as at 31st December, 2004)
			Personal Interests	Corporate Interests	Family/ Other Interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	220,000	3,753,511,610 (Note c(i))	—	3,753,731,610
		(ii) unissued	22,000 (Note c(iii))	374,805,453 (Notes c(ii) to (iv))	—	374,827,453
					Total (i) & (ii):	4,128,559,063 (49.50%)
		Preference (issued)	—	3,440 (Notes c(ii) & (iv))	—	3,440 (20.54%)
	Dr. Francis Choi Chee Ming	Ordinary (i) issued	115,274,000	—	—	115,274,000
		(ii) unissued	—	800,000,000 (Note d)	—	800,000,000
					Total (i) & (ii):	915,274,000 (10.97%)
	Miss Lo Po Man	Ordinary (i) issued	3,000,000	—	2,503,898 (Note e)	5,503,898
		(ii) unissued	—	—	187,792 (Note e)	187,792
					Total (i) & (ii):	5,691,690 (0.068%)
	Ms. Belinda Yeung Bik Yiu	Ordinary (unissued)	1,080,000 (Note f)	—	—	1,080,000 (0.013%)



Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Family/ Other Interests	Total (Approximate percentage of the Issued Shares as at 31st December, 2004)
			Personal Interests	Corporate Interests			
2. CCIHL	Mr. Lo Yuk Sui	Ordinary (i) issued	543,344,843	9,785,994,246 (Note a(i))	—	10,329,339,089	
		(ii) unissued	—	2,610,000,000 (Note a(ii))	—	2,610,000,000	
					Total (i) & (ii):	12,939,339,089 (93.72%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	1,659,800	—	—	1,659,800 (0.012%)	
	Miss Lo Po Man	Ordinary (issued)	740,437	—	—	740,437 (0.005%)	
	Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	2,000	—	—	2,000 (0.00001%)	
3. PHL	Mr. Lo Yuk Sui	Ordinary (issued)	442,765	4,250,774,001 (Note b)	—	4,251,216,766 (58.98%)	
	Mr. Donald Fan Tung	Ordinary (issued)	2,718	—	—	2,718 (0.00004%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	284,000	—	—	284,000 (0.0039%)	
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1,000 (Note g)	—	1,000 (100%)	



Notes:

- (a) (i) These issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.
- (ii) The interests in 2,610,000,000 unissued ordinary shares of CCIHL related to the rights to put attached to the 2,610,000,000 Series A exchangeable preference shares ("Almighty Series A Shares") of Almighty International Limited ("Almighty"), a wholly owned subsidiary of CCIHL, held by Grand Modern Investments Limited ("Grand Modern"). Grand Modern may exercise such rights to put during the period from 31st December, 2002 to 15th December, 2009 (as extended), requiring CCIHL to acquire the 2,610,000,000 Almighty Series A Shares at the consideration of the issuance by CCIHL to Grand Modern of 2,610,000,000 new ordinary shares of CCIHL on the basis of one new ordinary share for one Almighty Series A Share.

The interests in 2,610,000,000 unissued ordinary shares of CCIHL were held through corporations controlled by Mr. Lo as detailed below:

(a)	Name of corporation	Controlled by	% of control
	CCIHL	Mr. Lo	74.81
	Century City BVI Holdings Limited	CCIHL	100.00
	8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern	Century Digital Holdings Limited	100.00

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo	100.00
	Secure Way Technology Limited	Mr. Lo	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern	Century Digital Holdings Limited	100.00

- (b) (i) The interests in 3,944,018,001 issued ordinary shares of PHL were held through companies (including Almighty) wholly owned by CCIHL, in which Mr. Lo held 74.81% shareholding interests.

The interests in 306,756,000 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00



The interests in 200,000,000 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (ii) Under the debt restructuring in respect of CCIHL and its subsidiaries (excluding PHL and the Company and their respective subsidiaries) (the "CCIHL Group") with the financial creditors of the CCIHL Group (the "Creditors"), which was completed on 15th December, 2004, (the "Restructuring"), part of the indebtedness had been refinanced into the secured bilateral loans with an aggregate principal amount of HK\$13.78 million (the "HK\$13.78 million Secured Bilateral Loans") granted by certain Creditors for a term of two years. The HK\$13.78 million Secured Bilateral Loans were secured by, among others, a total of 137,800,000 issued ordinary shares of PHL (the "137.8 million Charged PHL Shares") held by the CCIHL Group. Under the terms of the HK\$13.78 million Secured Bilateral Loans, the relevant Creditors granting such loans have the right to opt to receive the 137.8 million Charged PHL Shares at a price of HK\$0.10 each for the settlement of the relative amount of the HK\$13.78 million Secured Bilateral Loans proposed to be prepaid by the CCIHL Group in lieu of cash repayment. Such Creditors also have a similar right of electing to receive the 137.8 million Charged PHL Shares upon final repayment at maturity of the HK\$13.78 million Secured Bilateral Loans.

On completion of the Restructuring, a wholly owned subsidiary of CCIHL issued exchangeable notes with an aggregate principal amount of approximately HK\$13.78 million (the "Exchangeable Notes") at their principal value to certain Creditors. The Exchangeable Loans, which are for a term of two years and non-interest bearing, are exchangeable into a total of 55,120,000 issued ordinary shares of PHL held by the CCIHL Group at a price of HK\$0.25 per ordinary share, subject to adjustment. The holders of the Exchangeable Notes do not have any right to demand for cash repayment of the Exchangeable Notes. Except in the occurrence of an event of default as defined in the terms of the Exchangeable Notes, the Exchangeable Notes are only exchangeable into ordinary shares of PHL upon maturity on a mandatory basis. However, prior to maturity, the CCIHL Group have the right to repay any of the Exchangeable Notes at their principal amount.

On completion of the Restructuring, Mr. Lo provided a personal guarantee in favour of one of the Creditors (the "Relevant Creditor") in respect of the secured bilateral loan of HK\$12.38 million (the "HK\$12.38 million Secured Bilateral Loan") granted by the Relevant Creditor to the CCIHL Group under the Restructuring and in return the Relevant Creditor granted to Mr. Lo the right to purchase or procure the purchase of the HK\$12.38 million Secured Bilateral Loan at any time within two years from completion of the Restructuring. Under the terms of the HK\$12.38 million Secured Bilateral Loan, the Relevant Creditor has the right to opt to receive the 123,800,000 issued ordinary shares of PHL (the "123.8 million Charged PHL Shares"), which form part of the security for the HK\$12.38 million Secured Bilateral Loan, at a price of HK\$0.10 each for the settlement of the relative amount of the HK\$12.38 million Secured Bilateral Loan proposed to be prepaid by the CCIHL Group in lieu of cash repayment. The Relevant Creditor also has a similar right of electing to receive the 123.8 million Charged PHL Shares upon final repayment at maturity of the HK\$12.38 million Secured Bilateral Loans. If Mr. Lo



exercises his right to acquire the HK\$12.38 million Secured Bilateral Loan, he will be entitled to have the rights to acquire the 123.8 million Charged PHL Shares. If Mr. Lo exercises his right to acquire the HK\$12.38 million Secured Bilateral Loan or is required to perform under his guarantee, 50% of the Exchangeable Notes issued to the Relevant Creditor under the Restructuring, which amounted to HK\$6.19 million and carrying the right to exchange into 24,760,000 million ordinary shares of PHL at a price of HK\$0.25 per ordinary share, subject to adjustment, will be transferred to Mr. Lo.

- (c) (i) The issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 54.71% shareholding interests.
 - (ii) The interests in 374,805,453 unissued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 54.71% shareholding interests.
 - (iii) The interests in 22,000 and 359,197,026 unissued ordinary shares of the Company related to the interests in the warrants of the Company (the "2007 Warrants") carrying subscription rights in an aggregate amount of HK\$89,804,756.50, which are exercisable during the period from 2nd February, 2005 to 26th July, 2007 to subscribe for a total of 359,219,026 new ordinary shares of the Company at an initial subscription price of HK\$0.25 per ordinary share (subject to adjustment).
 - (iv) The interests in 15,608,427 unissued ordinary shares of the Company related to the interests in 3,440 convertible cumulative preference shares of the Company carrying rights to convert into 15,608,427 new ordinary shares of the Company, based on the conversion price of HK\$1.7037 per ordinary share and on a reference amount of US\$1,000 per preference share at the fixed exchange rate of HK\$7.730255 to US\$1.00, during the period from 5th December, 1993 to 5th December, 2008.
- (d) The interests in 800,000,000 unissued ordinary shares of the Company were held by Clovering Enterprise Limited ("Clovering Enterprise"), which is a company controlled by Dr. Francis Choi Chee Ming, through its interests in and rights to subscribe for the 2% Guaranteed Convertible Bonds due 2007 (the "Bonds"), guaranteed by, and convertible into new ordinary shares of the Company, for an aggregate principal amount of HK\$200,000,000 issued and to be issued by Cheerview Limited ("Cheerview"), a wholly owned subsidiary of the Company, pursuant to a conditional subscription agreement dated 3rd June, 2004 between Cheerview, the Company and Clovering Enterprise (the "Subscription Agreement"). Such HK\$200,000,000 Bonds comprise the issued firm bonds of an aggregate principal amount of HK\$100,000,000 (the "Firm Bonds") and the optional bonds of up to an aggregate principal amount of HK\$100,000,000 which Clovering Enterprise may subscribe for pursuant to the Subscription Agreement (the "Optional Bonds"). The Firm Bonds are, and the Optional Bonds (when in issue) will be, convertible into a total number of 800,000,000 new ordinary shares of the Company at the initial conversion price of HK\$0.25 per share (subject to adjustment).
 - (e) The interests in 2,503,898 issued ordinary shares of the Company and the interests in 187,792 unissued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust. The interests in 187,792 unissued ordinary shares related to the interests in the 2007 Warrants carrying subscription rights in an aggregate amount of HK\$46,948.00, which are exercisable during the period from 2nd February, 2005 to 26th July, 2007 to subscribe for a total of 187,792 new ordinary shares of the Company at an initial subscription price of HK\$0.25 per ordinary share (subject to adjustment).



- (f) The interests in these unissued ordinary shares of the Company related to the interests in a share option granted by the Company, details of which are set out in note 28 to the financial statements.
- (g) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 74.81% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2004, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code in the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed in note 28 to the financial statements, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Share Option Scheme of the Company and no option granted to such persons under the Share Option Scheme of the Company has been cancelled and/or lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Share Option Scheme of the Company with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants under the Share Option Scheme of the Company.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2004, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Substantial Shareholder	Number of Issued Ordinary Shares Held	Number of Underlying Ordinary Shares (Unissued) Held	Total number of Ordinary Shares (Issued and Unissued) Held	Approximate percentage of the Issued Ordinary Shares as at 31st December, 2004
CCIHL (Note i)	3,753,511,610	380,988,786	4,134,500,396	49.57%
Century City BVI Holdings Limited (Note ii)	3,753,511,610	380,988,786	4,134,500,396	49.57%
Almighty International Limited ("Almighty") (Note ii)	3,753,511,610	380,988,786	4,134,500,396	49.57%
PHL (Note iii)	3,753,511,610	380,988,786	4,134,500,396	49.57%
Paliburg Development BVI Holdings Limited (Note iv)	3,753,511,610	380,988,786	4,134,500,396	49.57%
Guo Yui Investments Limited (Note iv)	898,041,333	79,833,333	977,874,666	11.72%
Paliburg International Holdings Limited (Note iv)	2,390,392,820	239,039,281	2,629,432,101	31.53%
Paliburg BVI Holdings Limited (Note iv)	2,390,392,820	239,039,281	2,629,432,101	31.53%
Taylor Investments Ltd. (Note iv)	1,402,111,870	140,211,187	1,542,323,057	18.49%
Glaser Holdings Limited (Note iv)	520,634,762	52,063,476	572,698,238	6.87%
Clovering Enterprise Limited ("CEL") (Note v)	-	800,000,000	800,000,000	9.59%

Notes:

- (i) The interests in ordinary shares held by CCIHL were duplicated in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) These companies are wholly owned subsidiary companies of CCIHL and their interests in the ordinary shares of the Company are included in the interests held by CCIHL.
- (iii) PHL is a listed subsidiary company of CCIHL (which, as at 31st December, 2004, held 54.71% shareholding interests in PHL) and its interests in the ordinary shares of the Company are included in the interests held by CCIHL.
- (iv) These companies are wholly owned subsidiary companies of PHL and their interests in the ordinary shares of the Company are included in the interests held by PHL.
- (v) The interests in unissued ordinary shares held by CEL were duplicated in the corporate interests of Dr. Francis Choi Chee Ming in the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.



Save as disclosed herein, there is no person who, as at 31st December, 2004, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Messrs. Lo Yuk Sui and Kenneth Ng Kwai Kai are directors of CCIHL.
- (2) Messrs. Lo Yuk Sui, Donald Fan Tung and Kenneth Ng Kwai Kai are directors of all the above-named companies which are controlled by CCIHL.
- (3) Mr. Tommy Lam Chi Chung is a director of CCIHL and Almighty.
- (4) Mr. Jimmy Lo Chun To is a director of CCIHL and PHL.

ISSUE OF NEW SHARES UNDER THE 20% GENERAL MANDATE

On 3rd June, 2004, Dragon Root Inc. ("Dragon Root"), a wholly owned subsidiary of the Company, served the termination notice on Sino Bright Group Limited (the "Purchaser") to terminate the conditional sale and purchase agreement dated 29th August, 2003 entered into between Dragon Root, the Company and the Purchaser in respect of the sale by Dragon Root of its 100% interest in Chasehill Limited, which indirectly owns 100% interest in the Regal Oriental Hotel, to the Purchaser (as supplemented by a supplemental agreement dated 30th March, 2004) (the "SP Agreement"). The termination of the SP Agreement became effective on 24th June, 2004. Dragon Root had returned the HK\$30 million deposit and all interest earned thereon to the Purchaser in accordance with the terms of the SP Agreement. Pursuant to the terms of the SP Agreement, a termination fee of HK\$39 million was payable on or before 24th July, 2004 by Dragon Root to the Purchaser and was satisfied by the issue of 195 million new ordinary shares of the Company ("Regal Shares") to the Purchaser on 12th July, 2004 at an issue price of HK\$0.2 each, as agreed between the parties to in SP Agreement.

The issue price of HK\$0.2 per Regal Share represented a discount of approximately 14.2% to the closing price of HK\$0.233 per Regal Share as quoted on the Stock Exchange on 3rd June, 2004 (being the last trading day prior to the announcement of the Company dated 8th June, 2004) and a discount of approximately 18.4% to the average closing price of HK\$0.245 per Regal Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 3rd June, 2004.

The 195 million new Regal Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company on 12th June, 2003, ranking pari passu in all respects with the then existing issued Regal Shares, including the entitlements to the bonus issue of the 2007 Warrants of the Company issued on 2nd August, 2004.



Details relating to the termination of the SP Agreement and the issue of the 195 million new Regal Shares were disclosed in the announcement dated 8th June, 2004 and the circular dated 30th June, 2004 of the Company.

Save as previously disclosed in the annual report of the Company for the year ended 31st December, 2003 and in this report, up to the date of this report, the Company has not issued any new ordinary shares pursuant to the respective general mandates granted to the Directors at the annual general meetings of the Company held on 12th June, 2003 and 18th June, 2004.

Details of movements in the share capital of the Company during the year are set out in note 28 of the financial statements.

CONNECTED TRANSACTIONS

ON-GOING TRANSACTIONS

For the purpose of this sub-section, the "PHL Group" refers to PHL and its subsidiary companies other than those comprising the Group, and the "CCIHL Group" refers to CCIHL and its subsidiary companies other than those comprising the PHL Group and the Group.

On 9th February, 1998, the Company issued a circular (the "Circular") regarding, inter alia, various on-going transactions ("On-going Transactions") and future similar transactions ("Future Connected Transactions") between respective subsidiary companies of the CCIHL Group, the PHL Group and the Group, (collectively, the "Connected Transactions"), all conducted within their ordinary and normal course of businesses.

The Connected Transactions constituted or would constitute connected transactions for the Company under the relevant Listing Rules then in force. The Stock Exchange, on application by the Company, issued a letter to the Company granting a waiver (the "1998 Waiver") of strict compliance by the Company with the announcing requirement under the Listing Rules in respect of Future Connected Transactions, subject to, inter alia, the approval by independent shareholders of the Company of the authority to be granted to the Directors in relation to such transactions. At the Special General Meeting held on 26th February, 1998 (the "SGM"), the required approvals were given by independent shareholders in respect of the Future Connected Transactions.

Development Consultancy Services

During year 1997, Bauhinia Hotels Limited ("Bauhinia"), a wholly owned subsidiary company of the Company, formally appointed Paliburg Development Consultants Limited ("PD Consultants"), a wholly owned subsidiary company of PHL, as the development consultant for architectural design, and co-ordinating and supervising the construction of the development of the new Regal Airport Hotel (the "Hotel Development") at a consultancy fee of 5% of the total construction cost (excluding professional fees) of this development. Based on the contracted construction cost of the development, the consultancy fee would amount to approximately HK\$86.3 million. The fee was payable in stages according to the progress of the development. The term of this appointment was until completion of the development including the making good of defects therein, if any. In addition, the appointment was extended to cover services rendered in connection with the settlement of certain claims with the Airport Authority Hong Kong (the "Airport Authority") relating to the construction of the Hotel Development. Consequently, a consultancy fee in the amount of HK\$18.7 million was paid during the year, which comprised a basic fee and a success fee calculated by reference to the term of the sub-lease extension concluded with the Airport Authority upon settlement of all claims. The total consultancy fees paid till 2004 amounted to HK\$116.9 million.

Miscellaneous Connected Transaction

An associate of the CCIHL Group provided advertising and promotion services to the Group on retainers of about HK\$2.1 million for the year 2004 and at a standard fee of about HK\$1.2 million based on total costs involved, with actual costs and out-of-pocket expenses incurred reimbursed. The associate is owned as to 10% by the CCIHL Group, 30% by the Group (the Group also holds an additional 6% attributable interest through its holding in 8D-BVI) and 60% indirectly by Mr. Lo Yuk Sui through his associates (as defined in the Listing Rules), including 8D-BVI.

Compliance with the 1998 Waiver Conditions

The On-going Transactions relating to the transactions under Development Consultancy Services and Miscellaneous Connected Transaction disclosed above were carried out on normal commercial terms and on an arm's length basis. The relevant amounts payable under such On-going Transactions for the period from 1st January, 2004 to 30th March, 2004 (i.e. the date immediately before the date on which the new Chapter 14A of the Listing Rules came into force) when the 1998 Waiver remained in force (the "Waiver Period") were within the respective caps set out in the 1998 Waiver, as detailed below:

- (a) the aggregate amount payable to PD Consultants for Development Consultancy Services rendered during the Waiver Period did not exceed 1.5% of the latest published audited consolidated net tangible assets of the Group as at 31st December, 2003 adjusted to take into account of the results for the six-month period ended 30th June, 2004 (the "Consolidated NTA"); and



- (b) the aggregate amount payable for Miscellaneous Connected Transaction during the Waiver Period did not exceed 0.25% of the Consolidated NTA.

The above transactions have been reviewed by the Directors and separately by the Independent Non-Executive Directors, and the Independent Non-Executive Directors have confirmed that they considered the above transactions to have been entered into in the ordinary and usual course of business, on normal commercial terms and on a fair and reasonable basis so far as the shareholders of the Company are concerned.

The Auditors of the Company have confirmed to the Directors in writing in respect of the above On-going Transactions that they considered the above transactions to have been entered into on normal commercial terms and in accordance with the terms of the agreement relating to such transactions in question or, if there is no such agreement, on terms no less favourable than terms available to or from independent third parties.

Pursuant to Rule 14A.31(2)(a) of the new Chapter 14A of the Listing Rules, which came in force on 31st March, 2004, the Miscellaneous Connected Transaction during the financial year of 2004 amounted to HK\$3.3 million fell under the de minimis exemption and was not subject to the requirements of announcement and independent shareholders' approval.

Corporate Services Transactions

As disclosed in a joint announcement of CCIHL, PHL and the Company dated 12th January, 2004, details of the changed arrangements and the new waiver applicable to the On-going Connected Transactions previously covered by the 1998 Waiver with respect to the sharing of the corporate management services and the rental arrangement among the CCIHL Group, the PHL Group and the Group (the "New Wavier") are as follows:

Corporate Management Services shared by the CCIHL Group with the PHL Group and the Group

The CCIHL Group has been sharing corporate management services with members of the PHL Group and the Group, such as finance and accounting as well as administrative and secretarial services. Up to 31st December, 2002, the fees for such services were charged by apportionment of actual costs among the companies on a proportionate basis by reference to individual consolidated turnover, profit (before interest and tax) (as applicable) and gross asset value (excluding listed subsidiary(ies), if applicable) of CCIHL, PHL and the Company for each financial year. Due to the significant change in the business and asset holding structure of the PHL Group and the Group as a result of the corporate restructuring transactions jointly announced by CCIHL, PHL and the Company on 2nd August, 2002 and completed in the 4th quarter of 2002, the previous cost sharing basis was subsequently



reviewed by CCIHL, PHL and the Company in early 2003. While management expenses incurred directly for each individual group's respective operations or operational functions will continue to be subject to specific allocation, it has been agreed that the general corporate management expenses relating to those operational functions that are shared amongst the CCIHL Group, the PHL Group and the Group will be allocated 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. The new sharing basis had been reviewed and approved, in principle, by the respective audit committees of CCIHL, PHL and the Company in May 2003 and it was agreed that the new sharing basis should be applied in the allocation of management expenses amongst the CCIHL Group, the PHL Group and the Group commencing retrospectively from 1st January, 2003. The relevant ratio of allocations will be reviewed and re-assessed (if necessary) on an annual basis by the board of directors (including the independent non-executive directors) and the audit committee of each of CCIHL, PHL and the Company.

The sharing of corporate management services by the CCIHL Group with the PHL Group and the Group has been and will continue to be conducted on normal commercial terms and in the ordinary and usual course of business of all of the companies concerned.

The Directors (including Independent Non-Executive Directors) of the Company are of the view that sharing of corporate management services enables the three group companies to reduce operating cost and improve efficiency.

Based on the new sharing basis amongst the three listed groups, the amount of services fee that was shared by the Group for the sharing of corporate management services was HK\$7.7 million for the year ended 31st December, 2004.

Rental Arrangement between the CCIHL Group, the PHL Group and the Group

The CCIHL Group, the PHL Group and the Group have been using the offices at 18th to 22nd Floors of Paliburg Plaza (the "Offices") as their management and administrative offices. Before the closing of the bonds settlement of the PHL Group on 31st October, 2002 (the "Bonds Settlement"), the Offices were owned by a member of the PHL Group. The relevant rentals for the Offices were directly assumed by each of the CCIHL Group, the PHL Group and the Group. As part of the Bonds Settlement, the Paliburg Plaza, in which the Offices were located, was transferred in October 2002 from a member of the PHL Group to an independent third party not connected with CCIHL, PHL or the Company and/or any directors, chief executive and substantial shareholders of each of the three companies or their respective subsidiaries or any of their respective associates. In order to simplify the administrative procedures and as a facilitation to the new landlord of the Offices, the CCIHL Group acts as the named tenant of the Offices and the rental is then allocated to the CCIHL Group, the PHL Group and the Group. CCIHL does not receive any consideration from PHL and the Company for collecting and paying the rent on their behalf under the rental arrangement.



Prior to 1st January, 2003, the rental was allocated among the three groups on the following basis:

- (1) according to the floor areas of the Offices specifically occupied and used by each of the CCIHL Group, the PHL Group and the Group (the "Specific Areas"); and
- (2) according to fair estimates of proportional use by each of the CCIHL Group, the PHL Group and the Group as agreed by the boards of directors of CCIHL, PHL and the Company from time to time in respect of the floor areas of the Offices which are occupied and used by the CCIHL Group, the PHL Group and the Group on a communal basis (the "Communal Area") by reference to individual consolidated turnover, profit (before interest and tax) (as applicable) and gross asset values (excluding listed subsidiary(ies), if applicable) of CCIHL, PHL and the Company for each financial year.

CCIHL, PHL and the Company reviewed the rental allocation basis after completion of the Bonds Settlement. With effect from 1st January, 2003, the rent for the Specific Area continues to be allocated based on the actual floor areas occupied by each of the listed groups, and the rent for Communal Area is shared amongst CCIHL, PHL and the Company by reference to a predetermined ratio assessed by the management of the three groups based on distribution of job responsibilities and the estimated time to be spent by those operating departments in serving each of the three listed groups and approved by each of the audit committee of CCIHL, PHL and the Company. The relevant ratio of allocations is to be reviewed and re-assessed (if necessary) on an annual basis by the directors (including the independent non-executive directors) and the audit committee of each of the three listed groups. The Directors (including Independent Non-Executive Directors) of the Company consider that the above rental allocation basis is fair and reasonable to its shareholders.

The Directors (including Independent Non-Executive Directors) of the Company also consider that the transactions are carried out in the ordinary and usual course of business of the Company and on normal commercial terms.

For the year ended 31st December, 2004, the actual rental for the Offices allocated by CCIHL to the Group was HK\$1.1 million.

New Waiver for Corporate Management Services and Rental Arrangement

As mentioned above, in 1998, the Company obtained from the Stock Exchange the 1998 Waiver in respect of, among other things, the Ongoing Connected Transactions relating to the Corporate Services Transactions. The 1998 Waiver was subject to the condition that the annual aggregate amounts of the corporate management costs payable by the Company for the Corporate Services Transactions would not exceed 0.50% of the latest published audited consolidated net tangible assets of the Company from time to time. Up to 31st December, 2002, the Company had complied with such cap amounts under the 1998 Waiver.



As stated above in the paragraph headed "Corporate Management Services shared by the CCIHL Group with the PHL Group and the Group", the cost sharing basis of the corporate management services has changed with effect from 1st January, 2003. In addition, the above rental arrangement between the CCIHL Group, the PHL Group and the Group constitutes an ongoing connected transaction for the Company. The Stock Exchange, on application by the Company, granted to the Company the New Waiver for the Ongoing Connected Transactions under (a) the sharing of the Corporate Management Services among the three listed groups and (b) the Rental Arrangement among the CCIHL Group, the PHL Group and the Group from strict compliance with the disclosure requirements under the relevant Listing Rules then in force in respect of the transactions subject to the conditions stated in the paragraph headed "Compliance with New Waiver Conditions" below.

Compliance with New Waiver Conditions

The Company has complied with the conditions of the New Waiver for the transactions under the sharing of Corporate Management Services and the Rental Arrangement set out below for the relevant period up to 30th March, 2004 (i.e. the date immediately before the date on which the new Chapter 14A of the Listing Rules came into force) (the "Relevant Period"):

- (1) the transactions were:
 - (i) entered into by the Group in the ordinary and usual course of its business; and
 - (ii) conducted on terms that are fair and reasonable so far as the shareholders of the Company are concerned and no less favourable to the Group than terms available from independent third parties;
- (2) the aggregate amount of each class of the transactions under the sharing of Corporate Management Services and the Rental Arrangement of the Group for the Relevant Period did not exceed 3% of the latest published consolidated net tangible asset value of the Company in the financial year of 2004;
- (3) the Independent Non-Executive Directors of the Company have reviewed the sharing of Corporate Management Services and the Rental Arrangement for the Relevant Period and confirmed in this annual report of the Company for the financial year of 2004 that the sharing of Corporate Management Services and the Rental Arrangement were conducted in the manner as stated in paragraphs (1) and (2) above;
- (4) the Auditors of the Company have reviewed the subject transactions for the Relevant Period and confirmed in a letter to the Board of Directors of the Company (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating:
 - (i) the transactions have received the approval of the Board of Directors of the Company;
 - (ii) the transactions have been carried out in accordance with the terms of the agreements governing such transactions, if any; and



- (iii) the aggregate amount of each class of the transactions under the sharing of Corporate Management Services and the Rental Arrangement for the Relevant Period has not exceeded the maximum amount as stated in paragraph (2) above; and
- (5) details of the transactions under the sharing of Corporate Management Services and the Rental Arrangement in the Relevant Period have been disclosed according to the relevant disclosure requirements under the Listing Rules in this annual report of the Company for the financial year of 2004 together with a statement of the opinion of its Independent Non-Executive Directors referred to in paragraph (3) above.

Pursuant to Rule 14A.31(8) of the new Chapter 14A of the Listing Rules, the sharing of corporate management services was exempted from the requirements of announcement and independent shareholders' approval.

Pursuant to Rule 14A.31(2)(a) of the new Chapter 14A of the Listing Rules, the Rental Arrangement during the financial year of 2004 fell under the de minimis exemption and was not subject to the requirements of announcement and independent shareholders' approval.

Information relating to the On-going Transactions is also contained in note 38 to the financial statements.



DISCLOSURE PURSUANT TO RULES 13.13 AND 13.16 OF CHAPTER 13 OF THE LISTING RULES

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rules 13.13 and 13.16 of Chapter 13 of the Listing Rules:

Advances to an Entity (Rule 13.13 of Chapter 13)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 70% by the Company and 30% by China Overseas Land & Investment Limited, which is independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules), by the Company and its subsidiary companies (the "Group") as at 31st December, 2004 are set out below:

Advances	Group (HK\$'million)
(A) Principal Amount of Advances	3,128.7
(B) Interest Receivable	379.2
	<hr/>
Total:(A)+(B)	3,507.9
	<hr/> <hr/>

The above advances to Chest Gain in an aggregate sum of HK\$3,507.9 million (before a provision of HK\$1,306.2 million) included an amount of HK\$1,701.1 million, which represented the gross amount of the advances attributable to the additional 40% interest in Chest Gain acquired from PHL in 2002 as detailed in the audited consolidated financial statements for the year ended 31st December, 2002. Such contributions of funds to Chest Gain are required to be provided in the form of shareholders' loans in proportion to the respective shareholding interests of the shareholders of Chest Gain. The advances are unsecured and have no fixed term of repayment, interest bearing at prime rate per annum (but related interest had only been accrued up to 31st December, 1998). The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of the "Regalia Bay" luxury residential project at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Regalia Bay Development"). The site for the Regalia Bay Development was acquired by Chest Gain at the government land auction held on 3rd June, 1997.



Calculated on the basis shown above, the aggregate of advances as at 31st December, 2004 provided by the Group to Chest Gain in the sum of HK\$3,507.9 million represented 28.2% of the consolidated total assets of the Company of HK\$12,433.4 million (the "Regal TA"), by reference to its latest audited consolidated financial statements for the year ended 31st December, 2004.

Financial Assistance provided to and Guarantees given for Affiliated Companies (Rule 13.16 of Chapter 13)

Details of the financial assistance provided to and guarantees given for affiliated companies (including Chest Gain) by the Group as at 31st December, 2004 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Total (HK\$'million)
Chest Gain	3,128.7	379.2	3,507.9
8D International (BVI) Limited	28.9	–	28.9
8D Matrix Limited	0.5	–	0.5
Bright Future (HK) Limited	5.6	–	5.6
Network Sky Limited	1.6	–	1.6
	<u>3,165.3</u>	<u>379.2</u>	<u>3,544.5</u>

Relevant details in respect of the financial assistance provided to and guarantees given for Chest Gain are disclosed above under Rule 13.13 of Chapter 13 of the Listing Rules.

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which is now principally involved in the development and distribution of technologically advanced security and building related systems and software development and promotions businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by CCIHL and 60% by Mr. Lo Yuk Sui. The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest-free and have no fixed term of repayment.



8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company (the Company also holds an additional 6% attributable interest through its holding in 8D-BVI), which is involved in promotions businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo Yuk Sui through his associates (as defined in the Listing Rules), including 8D-BVI. The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix. The advances are unsecured, interest-free and have no fixed term of repayment.

Bright Future (HK) Limited ("Bright Future"), a 50% owned associate of the Company, owns a 90% effective equity interest in a foreign enterprise engaged in the operation of a hotel in Qinghai in the People's Republic of China. The remaining 50% shareholding interest in Bright Future and the remaining 10% equity interest in the aforesaid foreign enterprise are owned by third parties respectively, which are independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances to Bright Future were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Bright Future, for the purpose of funding the working capital requirements of Bright Future. The advances to Bright Future are unsecured, interest-free and have no fixed term of repayment.

Network Sky Limited ("Network Sky") is a 25% owned associate of the Company, which through its wholly owned subsidiary company is engaged in the carrying on of a light refreshment operation. The other shareholding interests in Network Sky are owned as to 25% indirectly by PHL, 25% indirectly by Mrs. Kitty Lo Lee Kit Tai, a director of the Company (until 17th August, 2004) and PHL, through her associate (as defined in the Listing Rules) and 25% directly by a third party which is independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances to Network Sky were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Network Sky, for the purpose of financing the working capital of Network Sky. The advances are unsecured, interest-free and have no fixed term of repayment.

Calculated on the basis shown above, as at 31st December, 2004, the aggregate amount of financial assistance provided to affiliated companies by the Group in the sum of HK\$3,544.5 million represented 28.5% of the Regal TA.



A pro-forma combined balance sheet of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Pro-forma combined balance sheet (HK\$'million)	The Group's attributable interest (HK\$'million)
Non-current assets	63.7	22.2
Current assets	2,770.0	1,934.8
Current liabilities	(71.2)	(49.0)
Non-current liabilities	(6,650.5)	(4,612.0)
Net liabilities	<u>(3,888.0)</u>	<u>(2,704.0)</u>

CORPORATE GOVERNANCE

Code of Best Practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules then in force throughout the year ended 31st December, 2004, except that the Non-Executive Directors and the Independent Non-Executive Directors of the Company were not appointed for specific terms. However, they were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the Bye-laws of the Company.

In compliance with the requirement in the Code of Best Practice of the Listing Rules in respect of the establishment of an audit committee, the Company has formed an Audit Committee, which currently comprises the following members:

Mr. Wong Chi Keung

(Chairman of the Committee) *(Independent Non-Executive Director)*

Dr. Francis Choi Chee Ming *(Vice Chairman and Non-Executive Director)*

Ms. Alice Kan Lai Kuen *(Independent Non-Executive Director)*

Mr. Ng Siu Chan *(Independent Non-Executive Director)*

Details of changes in the members of the Audit Committee subsequent to those as disclosed in the interim report for six months ended 30th June, 2004 of the Company are set out below:

Mr. Dominic Lai and Mr. Thomas Ng Wai Hung ceased to act as the Chairman and a member of the Audit Committee respectively following their resignations as Independent Non-Executive Directors of the Company both on 21st September, 2004.

Ms. Alice Kan Lai Kuen and Mr. Wong Chi Keung, who were both appointed as Independent Non-Executive Directors on 21st September, 2004, were appointed as members of the Audit Committee on the same date.

Dr. Alex Wu Shu Chih, who was the Chairman of the Audit Committee since 21st September, 2004 unfortunately passed away on 9th January, 2005. On 22nd March, 2005, Mr. Wong Chi Keung was elected the Chairman of the Audit Committee. Mr. Ng Siu Chan, who was appointed as an Independent Non-Executive Director of the Company on 22nd March, 2005, was appointed as a member of the Audit Committee on the same date.

The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements for the year ended 31st December, 2004.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Regal Code during the year ended 31st December, 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda, being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's 5 largest suppliers and the percentage of turnover or sales attributable to the Group's 5 largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.



FIXED ASSETS

The details of movements in the Group's fixed assets during the year are set out in note 16 to the financial statements.

BORROWINGS

The details of the Group's borrowings at the balance sheet date are set out in note 24 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company during the year, together with the reasons therefor, are set out in note 28 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 28 to the financial statements.

CAPITAL RESERVE

The details of movements in the capital reserve account during the year are set out in note 30 to the financial statements.

SPECIAL RESERVE

The details of movements in the special reserve account during the year are set out in note 31 to the financial statements.

REVALUATION RESERVES

The details of movements in the revaluation reserve account during the year are set out in note 32 to the financial statements.

EXCHANGE EQUALISATION RESERVE

The details of movements in the exchange equalisation reserve account during the year are set out in note 33 to the financial statements.

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in note 34 to the financial statements.

JOINTLY CONTROLLED ENTITY AND ASSOCIATES

Particulars of the Group's interests in its jointly controlled entity and associates are set out in notes 17 and 18 to the financial statements, respectively.

CONTRIBUTED SURPLUS

The details of movements in the contributed surplus account during the year are set out in note 35 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2004, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$6,553.6 million, of which HK\$41.7 million has been proposed as a final dividend for the year and HK\$41.1 million has been declared in payment of cumulative unpaid preference shares dividend.

In addition, the Company's share premium account, in the amount of HK\$574.0 million, may be distributed in the form of fully paid bonus shares.

POST BALANCE SHEET EVENT

Details of the significant event which occurred subsequent to the balance sheet date are set out in note 43 to the financial statements.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
11th April, 2005