

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, 2005.

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, 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 98 to 186.



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 hotel 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\$455.9 million (2004 – HK\$409.2 million). Net interest payment for the year amounted to HK\$182.5 million (2004 – HK\$100.8 million). The increase in net interest payment was largely due to rising interest rate and the settlement during the year of the accrued preference dividends in arrears of HK\$40.8 million (2004 – Nil).

During the year under review, a total of 118.9 million new ordinary shares of the Company were allotted and issued to the holders of the 2007 Warrants of the Company who exercised the subscription rights in an aggregate amount of HK\$29.7 million attaching to certain 2007 Warrants at the subscription price of HK\$0.25 per ordinary share. As at the date of this report, a total of 130.7 million new ordinary shares of the Company have been allotted and issued upon exercise of the 2007 Warrants, and the aggregate amount of the 2007 Warrants remaining outstanding was HK\$175.8 million exercisable into 703.2 million new ordinary shares of the Company at the prevailing subscription price of HK\$0.25 per ordinary share (subject to adjustments).

Up to the date of this report, none of the 2% Guaranteed Convertible Bonds due 2007 (the "Bonds"), in an aggregate principal amount of HK\$200.0 million, (the "Firm Bonds") issued by Cheerview Limited, a wholly owned subsidiary company of the Company, in July 2004 have been converted into new ordinary shares of the Company. The optional Bonds of up to an additional aggregate principal amount of HK\$200.0 million (the "Optional Bonds") have not been subscribed for and issued. The Firm Bonds and the Optional Bonds, if fully subscribed for and issued, are convertible into a total of 1,600 million new ordinary shares of the Company at the prevailing conversion price of HK\$0.25 per ordinary share (subject to adjustments).

Assets Value

As previously reported in the interim report of the Company for the six months ended 30th June, 2005 (the "2005 Interim Report"), prior to 1st January, 2005, it was the Group's policy to state the value of its owned and operated hotel properties at their open market valuations for existing use appraised annually and not depreciated. Under the new applicable Hong Kong Financial Reporting Standards ("HKFRSs") which became effective as from 1st January, 2005, owner-occupied leasehold land interests can no longer be carried at fair market valuations. Accordingly, in the financial statements herein presented, the Group's five hotel properties in Hong Kong have been stated at cost less accumulated depreciation on buildings and amortisation on the leasehold land interests.

Aggregate depreciation and amortisation provided for the year under review amounted to HK\$131.5 million (2004 - HK\$130.4 million, as restated). Additional depreciation on the hotel buildings and amortisation of the prepaid land lease payments charged to the income statement for the year due to the adoption of the new HKFRSs aggregated to HK\$99.2 million (2004 - HK\$98.4 million, as restated), but this has no actual impact on the operating cash flows.

Moreover, there is significant difference between the fair market values of the Group's hotel properties in Hong Kong based on their annual open market valuations and the values as stated in the financial statements herein presented, particularly that some of these properties were acquired and/or developed by the Group many years ago at relatively low costs. Due to its significant impact on the Group's net assets position, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on a proforma basis to adjust for the open market valuations as at 31st December, 2005 of the Group's hotel properties in Hong Kong, which should more fairly reflect the underlying economic values of the property interests.

Statement of Proforma Net Assets

	31st December, 2005 (Unaudited) HK\$'million	31st December, 2004 (Unaudited) HK\$'million
NON-CURRENT ASSETS		
Property, plant and equipment	2,920.2	2,990.7
Prepaid land lease payments	1,088.0	1,110.2
Add: Revaluation surplus relating to hotel properties based on open market valuations *	10,500.0	5,743.7
	14,508.2	9,844.6
Other non-current assets	2,366.4	2,082.8
TOTAL NON-CURRENT ASSETS	16,874.6	11,927.4
CURRENT ASSETS	543.4	508.3
CURRENT LIABILITIES	(2,044.7)	(320.9)
NET CURRENT ASSETS/(LIABILITIES)	(1,501.3)	187.4
TOTAL ASSETS LESS CURRENT LIABILITIES	15,373.3	12,114.8
NON-CURRENT LIABILITIES	(3,104.1)	(5,035.4)
PROFORMA NET ASSETS	12,269.2	7,079.4
MINORITY INTERESTS	(1.3)	(0.8)
PROFORMA NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12,267.9	7,078.6
Proforma net asset value per ordinary share	HK\$1.47	HK\$0.85

* Surplus of independent professional valuations as at 31st December, 2005 over the carrying values of hotel properties (including furniture, fixture and equipment) at the respective balance sheet dates.



Borrowings

As at 31st December, 2005, the Group's borrowings net of cash and bank balances amounted to HK\$4,367.5 million (2004 – HK\$4,747.0 million, as restated). The Group's gearing ratio based on total assets of HK\$6,918.0 million per financial statements herein presented (2004 – HK\$6,692.0 million, as restated) was 63.1% (2004 – 70.9%, as restated). However, based on the proforma total assets of HK\$17,418.0 million as at 31st December, 2005 (2004 – HK\$12,435.7 million), as adjusted for the revaluation surplus relating to the hotel properties as aforesaid, the gearing ratio would be 25.1% (2004 – 38.2%).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 36 and 37, respectively, to the financial statements. As disclosed in note 36, most of the Group's assets have been pledged to secure general banking facilities granted to the Group. As at 31st December, 2005, the Company has contingent liabilities in the aggregate amount of HK\$4,668.7 million under the respective corporate guarantees given by the Company in respect of the outstanding syndicated loan facility of HK\$4,468.7 million granted to the Group and the Firm Bonds.

Details of the maturity profile of the Group's borrowings are set out in note 27 to the financial statements.

Material Acquisitions or Disposals of Subsidiary Companies or Associates

As previously reported in the Company's 2005 Interim Report, during the year under review, the Group completed the relevant transactions relating to the acquisition of a 50% equity interest in Hang Fok Properties Limited and the disposal of all of its shareholding interests in the Kaifeng Yatai Brewery located in Kaifeng City in Henan, PRC. Details of such transactions are disclosed in the Chairman's Report which precedes this report and notes 18 and 34 respectively to the financial statements.

Save as otherwise disclosed in the Chairman's Report, the Group has no immediate plan 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 1,650 staff in Hong Kong. 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.

With a view to providing long term incentives, the Company adopted in June 2005 a new share option scheme named as "The Regal Hotels International Holdings Limited Share Option Scheme", under which share options have been granted to selected eligible persons. During the year under review, the outstanding share option granted under the Executive Share Option Scheme of the Company adopted in 1990 and terminated in 2000 were surrendered and cancelled.



DIVIDENDS

An interim dividend of HK0.25 cent per ordinary share was paid to shareholders during the year.

The Directors now recommend the payment of a final dividend of HK0.55 cent per ordinary share in respect of the year ended 31st December, 2005 (2004 - HK0.5 cent), absorbing a total amount of approximately HK\$46.1 million (2004 - HK\$41.7 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 16th June, 2006. This recommendation has been incorporated in the financial statements.

During the year, the unpaid preference dividends cumulated up to 13th December, 2004, amounted to HK\$40.8 million, were paid to the holders of the 5½% Convertible Cumulative Redeemable Preference Shares of the Company (the "Preference Shares") in April 2005, and the fixed cumulative preference share dividend in respect of the twelve months period ended 13th December, 2005, amounted to HK\$6.8 million, was paid to the holders of the Preference Shares in December 2005.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Tuesday, 13th June, 2006 to Friday, 16th June, 2006, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed ordinary dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2007 warrants duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:00 p.m. on Monday, 12th June, 2006. The relevant dividend warrants are expected to be despatched on or about 30th June, 2006.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Dr. Francis Choi Chee Ming, JP
Mr. Donald Fan Tung
Ms. Alice Kan Lai Kuen
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 October, 2005, Mr. Tommy Lam Chi Chung resigned as an Executive Director.

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. Donald Fan Tung, Mr. Jimmy Lo Chun To and Ms. Belinda Yeung Bik Yiu, all being Executive Directors, and Mr. Kai Ole Ringenson, a Non-Executive Director, will retire from office by rotation at the forthcoming Annual General Meeting (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 2005 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 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 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 Scheme of the Company adopted in 1990 and terminated in 2000 (the "Regal Scheme") and the new share option scheme of the Company, named "The Regal Hotels International Holdings Limited Share Option Scheme", and adopted in June 2005 (the "New Scheme").

During the year, options have been granted to certain Directors under the New Scheme, and none of such Directors exercised options to subscribe for shares under the New Scheme. The outstanding option previously granted to a Director under the Regal Scheme was surrendered and cancelled during the year.



DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2005, 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	Personal Interests	Corporate Interests	Family/ Other Interests	Total (Approximate percentage of the Issued Shares as at 31st December, 2005)
1. The Company	Mr. Lo Yuk Sui ("Mr. Lo")	Ordinary (i) issued (ii) unissued	220,000 200,022,000 (Notes a(iii) & (v))	3,853,067,610 (Note a(i)) 369,805,453 (Notes a(ii) to (iv))	— —	3,853,287,610 569,827,453 Total (i) & (ii): 4,423,115,063 (52.84%)
		Preference (issued)	—	3,440 (Note a(iv))	—	3,440 (20.54%)
	Dr. Francis Choi Chee Ming	Ordinary (i) issued (ii) unissued	2,400,000 —	— 800,000,000 (Note b)	— —	2,400,000 800,000,000 Total (i) & (ii): 802,400,000 (9.59%)
	Mr. Donald Fan Tung	Ordinary (unissued)	20,000,000 (Note c)	—	—	20,000,000 (0.24%)
	Mr. Jimmy Lo Chun To	Ordinary (unissued)	15,000,000 (Note d)	—	—	15,000,000 (0.18%)
	Miss Lo Po Man	Ordinary (i) issued (ii) unissued	3,000,000 30,000,000 (Note f)	— —	2,503,898 (Note e) 187,792 (Note e)	5,503,898 30,187,792 Total (i) & (ii): 35,691,690 (0.43%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	20,000,000 (Note c)	—	—	20,000,000 (0.24%)
	Ms. Belinda Yeung Bik Yiu	Ordinary (unissued)	30,000,000 (Note f)	—	—	30,000,000 (0.36%)

Report of the Directors (Cont'd)

Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total (Approximate percentage of the Family/ Other Interests	Issued Shares as at 31st December, 2005)
			Personal Interests	Corporate Interests	Other Interests		
2. 8D International (BVI) Limited	Mr. Lo	Ordinary (issued)	—	1,000 (Note g)	—	—	1,000 (100%)

Notes:

- (a) (i) The issued ordinary shares of the Company were held through companies wholly owned by Paliburg Holdings Limited ("PHL"), in which Century City International Holdings Limited ("CCIHL") held 54.71% shareholding interests.
- (ii) The interests in 369,805,453 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 354,197,026 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\$88,554,756.50, which are exercisable during the period from 2nd February, 2005 to 26th July, 2007 to subscribe for a total of 354,219,026 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 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.
- (v) The interests in 200,000,000 unissued ordinary shares of the Company were held through the interests in the options conditionally granted to Mr. Lo, entitling Mr. Lo to subscribe for a total of 200,000,000 new ordinary shares of the Company at an exercise price of HK\$0.75 per ordinary share (subject to adjustments), under the New Scheme of the Company. The conditional grant of such options to Mr. Lo became unconditional on 21st July, 2005. The options will become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
12th May, 2007 to 11th May, 2011	80,000,000
12th May, 2008 to 11th May, 2011	40,000,000
12th May, 2009 to 11th May, 2011	40,000,000
12th May, 2010 to 11th May, 2011	40,000,000



Report of the Directors (Cont'd)



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(b) 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 adjustments).

(c) The interests in 20,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the New Scheme of the Company, entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of the Company at an exercise price of HK\$0.75 per ordinary share (subject to adjustments). The options became effective on 28th July, 2006 and will become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	8,000,000
25th July, 2008 to 24th July, 2011	4,000,000
25th July, 2009 to 24th July, 2011	4,000,000
25th July, 2010 to 24th July, 2011	4,000,000

(d) The interests in 15,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the New Scheme of the Company, entitling the holder thereof to subscribe for a total of 15,000,000 new ordinary shares of the Company at an exercise price of HK\$0.75 per ordinary share (subject to adjustments). The options became effective on 28th July, 2005 and will become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	6,000,000
25th July, 2008 to 24th July, 2011	3,000,000
25th July, 2009 to 24th July, 2011	3,000,000
25th July, 2010 to 24th July, 2011	3,000,000

(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 adjustments).

- (f) The interests in 30,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the New Scheme of the Company, entitling the holder thereof to subscribe for a total of 30,000,000 new ordinary shares of the Company at an exercise price of HK\$0.75 per ordinary share (subject to adjustments). The options became effective on 28th July, 2005 and will become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	12,000,000
25th July, 2008 to 24th July, 2011	6,000,000
25th July, 2009 to 24th July, 2011	6,000,000
25th July, 2010 to 24th July, 2011	6,000,000

- (g) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 72.62% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2005, 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 to be notified to the Company and the Stock Exchange.

Save as disclosed in note 31 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 Regal Scheme and the New Scheme of the Company and no option granted to such persons under the Regal Scheme and the New Scheme of the Company has been cancelled and lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Regal Scheme and the New 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 Regal Scheme and the New Scheme of the Company.





SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2005, the following substantial shareholders (as defined in the Listing Rules) (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 Shares Held	Number of Underlying Ordinary Shares	Total number of Ordinary Shares (Issued and Unissued)	Approximate percentage of the Issued Ordinary Shares as at 31st December, 2005
		(Unissued)	Held	
CCIHL (Note i)	3,853,067,610	369,805,453	4,222,873,063	50.44%
Century City BVI Holdings Limited (Note ii)	3,853,067,610	369,805,453	4,222,873,063	50.44%
Almighty International Limited (Note ii)	3,853,067,610	369,805,453	4,222,873,063	50.44%
PHL (Note iii)	3,853,067,610	369,805,453	4,222,873,063	50.44%
Paliburg Development BVI Holdings (Note iv)	3,853,067,610	369,805,453	4,222,873,063	50.44%
Guo Yui Investments Limited (Note iv)	997,597,333	74,833,333	1,072,430,666	12.81%
Paliburg International Holdings Limited (Note iv)	2,390,392,820	239,039,281	2,629,432,101	31.41%
Paliburg BVI Holdings Limited (Note iv)	2,390,392,820	239,039,281	2,629,432,101	31.41%
Taylor Investments Ltd. (Note iv)	1,402,111,870	140,211,187	1,542,323,057	18.42%
Glaser Holdings Limited (Note iv)	533,480,286	53,348,028	586,828,314	7.01%
Clovering Enterprise Limited ("CEL" (Note v))	-	800,000,000	800,000,000	9.56%

Notes:

- (i) The interests in ordinary shares held by CCIHL were included 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 held 54.71% shareholding interests in PHL, and PHL's 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, 2005, 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. Jimmy Lo Chun To is a director of CCIHL and PHL.



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, 2005 are set out below:

Advances	Group (HK\$'million)
(A) Principal Amount of Advances	2,960.3
(B) Interest Receivable	379.2
Total:(A)+(B)	3,339.5

The above advances to Chest Gain in an aggregate sum of HK\$3,339.5 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, 2005 provided by the Group to Chest Gain in the sum of HK\$3,339.5 million represented 48.3% of the consolidated total assets of the Company of HK\$6,918.0 million (the "Regal TA"), by reference to its latest audited consolidated financial statements for the year ended 31st December, 2005.

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

Details of the financial assistance provided to affiliated companies (including Chest Gain) by the Group as at 31st December, 2005 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Total (HK\$'million)
Chest Gain	2,960.3	379.2	3,339.5
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	1.5	–	1.5
	<hr/> <u>2,996.8</u>	<hr/> <u>379.2</u>	<hr/> <u>3,376.0</u>

Relevant details in respect of the financial assistance provided to 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. 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 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.



Report of the Directors (Cont'd)



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 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, 2005, the aggregate amount of financial assistance provided to affiliated companies by the Group in the sum of HK\$3,376.0 million represented 48.8% of the Regal TA.

Save as disclosed above, there were no other financial assistance provided to and guarantees given for affiliated companies by the Group as at 31st December, 2005, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

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	370.9	178.1
Current assets	3,073.8	2,041.8
Current liabilities	(285.4)	(147.8)
Non-current liabilities	(4,872.9)	(3,370.1)
Net liabilities	(1,713.6)	(1,298.0)

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased a total of 87,994,000 ordinary shares of the Company at an aggregate purchase price of HK\$43,785,260 on the Stock Exchange. Details of the repurchases of such shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
October 2005	40,864,000	0.510	0.475	19,963,480
November 2005	47,130,000	0.560	0.495	23,821,780
Total	87,994,000			43,785,260
		Total expenses on share repurchased		274,207
				44,059,467

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries companies, of any listed securities of the Company during the year.

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.



PROPERTY, PLANT AND EQUIPMENT

The details of movements in the Group's property, plant and equipment during the year are set out in note 15 to the financial statements.

PREPAID LAND LEASE PAYMENTS

The details of movements in the prepaid land lease payments accounts 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 27 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 31 to the financial statements.

SHARE PREMIUM ACCOUNT

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

SHARE OPTION RESERVE

The details of movements in the share option reserve account during the year are set out in consolidated statement of changes in equity.

CAPITAL REDEMPTION RESERVE

The details of movements in the capital redemption reserve account during the year are set out in consolidated statement of changes in equity.

SPECIAL RESERVE

The details of movements in the special reserve account during the year are set out in consolidated statement of changes in equity.

REVALUATION RESERVES

The details of movements in the revaluation reserves account during the year are set out in consolidated statement of changes in equity.

EXCHANGE EQUALISATION RESERVE

The details of movements in the exchange equalisation reserve account during the year are set out in consolidated statement of changes in equity.

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in note 33 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 32(b) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2005, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$1,118.3 million, of which HK\$46.1 million has been proposed as a final dividend for the year.

In addition, the Company's share premium account, in the amount of HK\$559.3 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 41 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

18th April, 2006