

HALF YEAR RESULTS

Condensed Consolidated Profit and Loss Account

		Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	Notes	HK\$'million	HK\$'million
TURNOVER	2	486.6	342.6
Cost of sales		<u>(285.4)</u>	<u>(290.7)</u>
Gross profit		201.2	51.9
Other revenue	4	0.5	0.3
Administrative expenses		(22.3)	(25.2)
Other operating expenses	5	(61.0)	(28.4)
Loss on disposal of overseas subsidiary companies		–	(34.4)
Write-back of impairment of a hotel property		<u>165.8</u>	<u>–</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	2	284.2	(35.8)
Finance costs	6	(50.5)	(82.0)
Share of profits less losses of:			
Jointly controlled entity		59.3	(0.1)
Associates		(6.9)	(1.5)
PROFIT/(LOSS) BEFORE TAX		286.1	(119.4)
Tax	7	(1.0)	50.3
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		285.1	(69.1)
Minority interests		<u>–</u>	<u>–</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>285.1</u>	<u>(69.1)</u>
Earnings/(Loss) per ordinary share (HK\$):	8		
Basic		<u>0.036</u>	<u>(0.011)</u>
Diluted		<u>0.035</u>	<u>N/A</u>

**Condensed Consolidated Balance Sheet**

		30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Fixed assets		7,354.8	7,182.0
Interest in a jointly controlled entity		1,319.3	1,226.5
Interests in associates		13.9	20.5
Long term investments		50.6	42.9
Other loan		78.0	78.0
Deferred expenditure		33.6	38.7
Deferred tax assets		10.8	10.4
		8,861.0	8,599.0
CURRENT ASSETS			
Hotel and other inventories		20.6	21.4
Debtors, deposits and prepayments	10	90.3	123.8
Pledged time deposits		5.1	25.9
Time deposits		92.6	14.8
Cash and bank balances		15.4	8.4
		224.0	194.3
CURRENT LIABILITIES			
Creditors and accruals	11	196.2	198.9
Tax payable		11.4	10.1
Interest bearing bank and other borrowings		923.9	903.9
		1,131.5	1,112.9
NET CURRENT LIABILITIES			
		(907.5)	(918.6)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		7,953.5	7,680.4

Condensed Consolidated Balance Sheet (Cont'd)

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES	7,953.5	7,680.4
NON-CURRENT LIABILITIES		
Interest bearing bank and other borrowings	(3,456.6)	(3,546.7)
Deferred tax liabilities	(65.7)	(64.4)
Other payable	(28.7)	(28.7)
	<u>(3,551.0)</u>	<u>(3,639.8)</u>
Minority interests	(0.3)	(0.1)
	<u>4,402.2</u>	<u>4,040.5</u>
CAPITAL AND RESERVES		
Issued capital	82.8	76.5
Reserves	4,319.4	3,964.0
	<u>4,402.2</u>	<u>4,040.5</u>



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2004

	Share capital (Unaudited)	Ordinary shares to be issued (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)
	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million
At 1st January, 2004	76.5	-	513.2	-	1,062.3	2,281.5	1.4	105.6	4,040.5
Issue of shares	6.3	-	23.7	-	-	-	-	-	30.0
Movement in fair value of long term investments	-	-	-	-	-	7.7	-	-	7.7
Net profit for the period	-	-	-	-	-	-	-	285.1	285.1
Exchange realignments	-	-	-	-	-	-	(0.1)	-	(0.1)
Ordinary shares to be issued (Note)	-	39.0	-	-	-	-	-	-	39.0
At 30th June, 2004	82.8	39.0	536.9	-	1,062.3	2,289.2	1.3	390.7	4,402.2

	Share capital (Unaudited)	Ordinary shares to be issued (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million
At 1st January, 2003	64.2	-	467.1	71.9	1,062.3	1,563.6	(14.3)	(102.2)	3,112.6
Issue of shares	2.3	-	8.8	-	-	-	-	-	11.1
Share issue expenses	-	-	(0.2)	-	-	-	-	-	(0.2)
Movement in fair value of long term investments	-	-	-	-	-	7.1	-	-	7.1
Net loss for the period	-	-	-	-	-	-	-	(69.1)	(69.1)
Release on disposal of overseas subsidiary companies	-	-	-	(71.9)	-	52.4	7.9	-	(11.6)
Exchange realignments	-	-	-	-	-	-	7.7	-	7.7
At 30th June, 2003	66.5	-	475.7	-	1,062.3	1,623.1	1.3	(171.3)	3,057.6

Note: Following the termination of the sale and purchase agreement, as supplemented, in respect of the disposal of a hotel property of the Group (the "SP Agreement"), which took effect on 24th June, 2004, the Company was committed to issue certain new ordinary shares in settlement of the termination fee in the amount of HK\$39.0 million payable to the purchaser under the terms of the SP Agreement. In this connection, subsequent to the balance sheet date, on 12th July, 2004, 195.0 million new ordinary shares of HK\$0.01 each were issued by the Company at an issue price of HK\$0.20 per share.

Condensed Consolidated Cash Flow Statement

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Net cash inflow from operating activities	160.0	55.8
Net cash inflow/(outflow) from investing activities	(25.4)	38.1
Net cash outflow from financing activities	(49.8)	(105.8)
Net increase/(decrease) in cash and cash equivalents	84.8	(11.9)
Cash and cash equivalents at beginning of period	23.2	21.3
Effect of foreign exchange rate changes, net	–	1.1
Cash and cash equivalents at end of period	<u>108.0</u>	<u>10.5</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	15.4	6.9
Non-pledged time deposits with original maturity of less than three months when acquired	<u>92.6</u>	<u>3.6</u>
	<u>108.0</u>	<u>10.5</u>



Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31st December, 2003.

2. Segment Information

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

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

- (a) the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;
- (b) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;
- (c) the brewery operations segment represents the Group's brewery operations in Mainland China; and
- (d) the others segment mainly comprises the Group's laundry services, bakery operations and other investments.

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

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

(a) Business segments

The following table presents revenue and profit/(loss) information for the Group's business segments.

Group

	Hotel ownership and management		Property development and investment		Brewery operations		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003
	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m
Segment revenue:												
Sales to external customers	454.3	323.0	5.1	-	26.1	17.6	1.1	2.0	-	-	486.6	342.6
Intersegment sales	1.2	0.1	0.2	0.2	-	-	4.9	4.1	(6.3)	(4.4)	-	-
Total	455.5	323.1	5.3	0.2	26.1	17.6	6.0	6.1	(6.3)	(4.4)	486.6	342.6
Segment results	289.2	(16.7)	2.9	-	(0.1)	(3.9)	0.8	0.2	-	-	292.8	(20.4)
Interest income and unallocated non-operating and corporate gains											0.5	0.2
Unallocated non-operating and corporate expenses											(9.1)	(15.6)
Profit/(Loss) from operating activities											284.2	(35.8)
Finance costs											(50.5)	(82.0)
Share of profits less losses of:												
Jointly controlled entity	-	-	59.3	(0.1)	-	-	-	-	-	-	59.3	(0.1)
Associates	(0.2)	(0.5)	-	-	-	-	(6.7)	(1.0)	-	-	(6.9)	(1.5)
Profit/(Loss) before tax											286.1	(119.4)
Tax											(1.0)	50.3
Profit/(Loss) before minority interests											285.1	(69.1)
Minority interests											-	-
Net profit/(loss) from ordinary activities attributable to shareholders											285.1	(69.1)





(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Canada		Eliminations		Consolidated	
	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003
	HK\$'m		HK\$'m		HK\$'m		HK\$'m		HK\$'m	
Segment revenue:										
Sales to external customers	460.5	292.8	26.1	17.6	-	32.2	-	-	486.6	342.6

3. Discontinued Operation

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

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

	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million
TURNOVER	32.2
Cost of sales	<u>(37.3)</u>
Gross loss	(5.1)
Administrative expenses	(1.9)
Other operating expenses	<u>(1.1)</u>
LOSS FROM OPERATING ACTIVITIES	(8.1)
Finance costs	<u>(4.2)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u><u>(12.3)</u></u>

The net cash flows attributable to the discontinued operation were as follows:

Operating	0.1
Investing	(0.3)
Financing	<u>(5.4)</u>
Net cash outflows	<u><u>(5.6)</u></u>

4. Other Revenue

Other revenue includes the following major item:

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Interest income	<u><u>0.2</u></u>	<u><u>0.1</u></u>

**5. Other Operating Expenses**

Other operating expenses include the following major items:

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Depreciation	19.9	21.2
Termination fee in respect of cancellation of the disposal of a hotel property	39.0	-
	<u> </u>	<u> </u>

6. Finance Costs

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans, convertible bonds and other loans wholly repayable within five years	45.4	78.5
Amortisation of deferred expenditure	5.1	3.5
	<u> </u>	<u> </u>
Total finance costs	<u>50.5</u>	<u>82.0</u>

7. Tax

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Group:		
Current - overseas		
Provision for tax in respect of profits for the period	0.1	0.1
Deferred tax expenses/(income)	0.9	(50.4)
	<u> </u>	<u> </u>
Tax charge/(credit) for the period	<u>1.0</u>	<u>(50.3)</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits or had available tax losses brought forward from prior years to offset the assessable profits, derived from or earned in Hong Kong during the period (2003 - nil).

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

No provision for tax is required for the associates or the jointly controlled entity as no assessable profits were earned by these associates or the jointly controlled entity during the period (2003 - nil).

Deferred tax expenses/(income) have been calculated by applying the rate that is expected to apply in the period when the asset is realised or the liability is settled.

8. Earnings/(Loss) Per Ordinary Share

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

The calculation of basic earnings/(loss) per ordinary share is based on the net profit from ordinary activities attributable to ordinary shareholders for the period of HK\$285.1 million (2003 - net loss of HK\$69.1 million), adjusted for the unpaid preference dividend for the period of HK\$3.4 million (2003 - HK\$3.4 million), and on the weighted average of 7,885.1 million (2003 - 6,330.1 million) ordinary shares of the Company in issue during the period (including the effect of additional ordinary shares to be issued arising from the termination of the SP Agreement for the period from 24th June, 2004, the effective date of the termination of the SP Agreement, to 30th June, 2004).

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

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2004 is based on the adjusted net profit from ordinary activities attributable to ordinary shareholders for the period of HK\$281.7 million as used in the basic earnings per ordinary share calculation, and on the adjusted weighted average of 8,152.9 million ordinary shares of the Company that would have been in issue during the period assuming all outstanding optional convertible bonds of the Group were converted into ordinary shares of the Company at the beginning of the period. The conversion of the outstanding convertible preference shares of the Company is anti-dilutive for the period. In addition, the exercise price of the share options of the Company outstanding during the period is higher than the average market price of the Company's ordinary shares and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

No diluted loss per ordinary share was presented for the period ended 30th June, 2003 as the exercise of share options and the conversion of convertible preference shares and convertible bonds of the Company were anti-dilutive for that period.

9. Dividend

The Directors have resolved not to declare the payment of any interim dividend in respect of the ordinary shares for the financial year ending 31st December, 2004 (2003 - nil).

At 30th June, 2004, there was cumulative unpaid dividend in arrears of HK\$38.1 million (31st December, 2003 - HK\$34.7 million) for the outstanding preference shares. Pursuant to the terms of the preference shares, if preference dividend is six months or more in arrears, the holders of the preference shares will have the right to receive notice of and, unless all such arrears have been paid prior to the time for holding the meeting, to attend and vote at general meetings of the Company. This unpaid dividend has not been incorporated in the interim condensed consolidated financial statements.



10. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$41.6 million (31st December, 2003 - HK\$38.2 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	36.5	35.9
Between 4 to 6 months	2.5	2.8
Between 7 to 12 months	4.0	3.0
Over 1 year	8.8	8.0
	<hr/>	<hr/>
	51.8	49.7
Provisions	(10.2)	(11.5)
	<hr/>	<hr/>
	41.6	38.2
	<hr/> <hr/>	<hr/> <hr/>

Credit terms

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

11. Creditors and Accruals

Included in the balance is an amount of HK\$52.4 million (31st December, 2003 - HK\$57.5 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	41.2	46.3
Between 4 to 6 months	5.2	6.0
Between 7 to 12 months	2.4	0.4
Over 1 year	3.6	4.8
	<hr/>	<hr/>
	52.4	57.5
	<hr/> <hr/>	<hr/> <hr/>

12. Related Party Transactions

The Group had the following material related party transactions during the period:

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Consultancy fees in respect of hotel property development projects paid to a wholly-owned subsidiary company of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company (Note)	18.7	–
Advertising and promotion fees (including cost reimbursements) paid to an associate	3.4	2.9
Management costs allocated from Century City International Holdings Limited ("CCIHL"), the listed ultimate holding company of the Company	4.5	5.7
	<u> </u>	<u> </u>

Note: During the period, consultancy fees were paid to a subsidiary company of PHL for 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 Regal Airport Hotel at Chek Lap Kok. The fees include a basic fee plus 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 nature and terms of other related party transactions above are similar to those disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2003.

At the balance sheet date, the Group also had a guarantee given in respect of banking facilities granted to a jointly controlled entity as detailed in note 14(a).

13. Pledge of Assets

At 30th June, 2004, certain of the Group's time deposits, long term investments, hotel properties, leasehold properties and equipment, inventories and receivables with a total carrying value of HK\$7,620.7 million (31st December, 2003 - HK\$7,524.9 million) and the shares in certain subsidiary companies and a jointly controlled entity were pledged to secure general banking facilities granted to the Group and the jointly controlled entity.

**14. Contingent Liabilities**

- (a) At 30th June, 2004, a corporate guarantee in the amount of HK\$2,359.0 million (31st December, 2003 – HK\$2,359.0 million) had been given by the Company in respect of banking facilities granted to a jointly controlled entity. The amount outstanding on these facilities attributable to the Company at the end of the period amounted to HK\$720.8 million (31st December, 2003 – HK\$2,255.4 million).
- (b) The Group has a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of HK\$9.2 million as at 30th June, 2004 (31st December, 2003 – HK\$11.1 million). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group and are eligible for long service payments under the Employment Ordinance, if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

15. Operating Lease Arrangements

- (a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
Within one year	14.2	11.4
In the second to fifth years, inclusive	11.0	11.9
	<u>25.2</u>	<u>23.3</u>

- (b) As lessee

The Group leases certain office and shop units under operating lease arrangements. Leases for properties are negotiated for terms of 6 months, except for a lease which is negotiated for a term of 18 years and provides for periodic rent adjustments according to the then prevailing market conditions.

At 30th June, 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	2.4	3.9
In the second to fifth years, inclusive	8.8	10.1
After the fifth year	1.4	2.5
	<u>12.6</u>	<u>16.5</u>

16. Commitments

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following outstanding capital commitments:

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
Capital commitments in respect of the renovation of or improvements to the hotel properties:		
Authorised and contracted for	16.6	3.4
Authorised, but not contracted for	47.1	86.9
	63.7	90.3
	63.7	90.3

17. Post Balance Sheet Events

Subsequent to the balance sheet date, in addition to the events detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following significant transactions:

- (i) 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 by Cheerview Limited (the "Issuer"), a wholly owned subsidiary company of the Company, 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 "Firm Bonds") and optional bonds of up to an aggregate principal amount of HK\$200.0 million) (the "Optional Bonds") to the relevant third party purchasers pursuant to the two subscription agreements both dated 3rd June, 2004 (the "Subscription Agreements") relating to the issue of the 2% Convertible Bonds.

On 21st July, 2004, two of the purchasers subscribed for, and to whom the Issuer issued, the Firm Bonds. The cash proceeds arising therefrom were used substantially for repayment of bank indebtedness of the Group. The Firm Bonds will be convertible into a total of 800.0 million new ordinary shares of the Company, at the initial conversion price of HK\$0.25 per ordinary share (subject to adjustments).

Dr. Francis Choi Chee Ming, who was subsequently appointed as a non-executive director and the vice-chairman of the Company on 18th August, 2004, holds 100% equity interest in the purchaser under one of the Subscription Agreements which subscribed for HK\$100.0 million of the Firm Bonds and has the right to subscribe for Optional Bonds up to principal amount of HK\$100.0 million.

- (ii) 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 members 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 rights on their holders 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), at any time from the date falling 6 months after the date of issue to the date falling 7 days prior to the third anniversary of the date of issue.

- (iii) 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 5/4% convertible cumulative redeemable preference shares of par value US\$10 each.



18. Share Options

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

During the period, details of Directors' interests in and movements in the outstanding share option granted by the Company pursuant to the Share Option Scheme are as follows:

Date of grant of share option	Name of Director	Number of ordinary shares under share option**			Vesting period*/ Exercise period of share option	Exercise price of share option** HK\$
		At 1st January, 2004	Movement during the period	At 30th June, 2004		
22nd February, 1997	Ms. Belinda Yeung Bik Yiu					
	Vested:	648,000	-	756,000	Note 1	2.1083
	Unvested:	432,000	-	324,000	Note 1	
	Total:	1,080,000	-	1,080,000		

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

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

Notes:

1. Vesting/Exercise Periods of Option:

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

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

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