

ANNOUNCEMENT OF 2000 GROUP RESULTS

	Year ended 31st Dec., 2000	Year ended 31st Dec., 1999
	HK\$'M	HK\$'M
TURNOVER (Note 1)	1,815.0	4,674.3
Cost of sales	(1,354.7)	(3,618.2)
Gross profit	460.3	1,056.1
Other revenue (Note 2)	105.1	151.7
Gain on disposal of an overseas associate	58.8	—
Administrative expenses	(160.1)	(205.7)
Other operating income/(expenses), net (Note 3)	225.1	(635.1)
Loss on disposal of overseas subsidiary companies/partnerships (Note 4)	(13.8)	(1,014.0)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES (Note 1)	675.4	(647.0)
Finance costs (Note 5)	(959.1)	(1,267.7)
Share of profits less losses of		
— Jointly controlled entity	(142.3)	(138.4)
— Associates	2.3	21.5
LOSS BEFORE TAX	(423.7)	(2,031.6)
Tax (Note 6)	(18.9)	(54.7)
LOSS BEFORE MINORITY INTERESTS	(442.6)	(2,086.3)
Minority interests	321.0	824.7
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(121.6)	(1,261.6)
Loss per share (Note 7)		
Basic	HK\$(0.04)	HK\$(0.41)
Diluted	N/A	N/A
Net asset value per share as at year end date	HK\$0.47	HK\$0.55

Notes:

1. An analysis of the Group's turnover and contribution to trading results during the year by each principal activity and by geographical location is as follows:

	Turnover		Contribution	
	2000 HK\$'M	1999 HK\$'M	2000 HK\$'M	1999 HK\$'M
By activity:				
Property investment and management	216.7	271.1	68.3	124.3
Property development	46.1	1,041.8	(88.2)	(209.7)
Construction and construction-related businesses	433.4	252.3	(0.4)	(16.8)
Development consultancy and project management	0.1	6.0	(9.1)	(3.8)
Hotel ownership and management	1,000.2	2,966.3	184.3	475.1
Other operations and investments	118.5	136.8	520.5	(1,016.1)
	<u>1,815.0</u>	<u>4,674.3</u>	<u>675.4</u>	<u>(647.0)</u>
By geographical location:				
Hong Kong	1,658.0	2,408.0	628.6	392.3
U.S.A.	—	2,098.4	58.8	(644.1)
Canada	127.3	134.9	10.0	14.2
Others	29.7	33.0	(22.0)	(409.4)
	<u>1,815.0</u>	<u>4,674.3</u>	<u>675.4</u>	<u>(647.0)</u>

An analysis of profit/(loss) on sale of investments or properties of the Group is as follows:

	2000 HK\$'M	1999 HK\$'M
Gain/(Loss) on disposal of listed investments	26.5	(5.2)
Profit on sale of properties	<u>3.9</u>	<u>261.2</u>

2. Other revenue includes the following major items:

	2000 HK\$'M	1999 HK\$'M
Interest income	84.1	80.5
Compensation received from cancellation of a tenancy agreement	<u>—</u>	<u>22.8</u>

3. Other operating income/(expenses), net, include the following major items:

	2000 HK\$'M	1999 HK\$'M
Depreciation	(60.2)	(156.4)
Loss on disposal of ordinary shares in the listed subsidiary companies	—	(8.0)
Realised losses and provisions for losses in short term investments	(0.4)	(22.5)
Write off/Provisions against investments and advances	(13.1)	(101.7)
Provisions for losses against properties	(106.0)	(406.7)
Provision for guarantee and indemnity given	(18.1)	(124.4)
Provision for tax indemnity in respect of the disposal of overseas subsidiary companies/partnerships in the prior year	(24.2)	—
Write back of provision against advances and interest receivable	9.6	—
Write back of provision for guarantee given	29.9	—
Write back of provision for loss on deposit paid	10.0	—
Write back of deficit on revaluation of hotel properties previously charged to profit and loss account	65.8	187.0*
Write back of provision for indemnity given	<u>340.4</u>	<u>—</u>

* The amount in the prior year was classified as other revenue. To accord with the presentation adopted in the current year, which in the opinion of the Directors, better reflects the underlying nature of the transaction, it has been reclassified to other operating income/(expenses), net.

4. Included in the loss in the prior year was a net deficit of HK\$320.6 million resulting from the realisation of the Company's attributable hotel property revaluation reserve.

5. Included in the Group's finance costs is an amount of HK\$23.4 million (1999 - HK\$89.9 million) representing the amortisation of loan costs.

6. The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16% (1999 - 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

Tax on the profits of subsidiary companies/partnerships operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing law, 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 year.

7. The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$121.6 million (1999 - HK\$1,261.6 million) and on the weighted average of 3,288.5 million (1999 - 3,068.8 million) shares of the Company in issue during the year.

No diluted loss per share is presented for the year ended 31st December, 2000, as no diluting events existed during the year. No diluted loss per share was presented for the year ended 31st December, 1999, as the exercise of warrants of the Company then outstanding was anti-dilutive.

8. For the year under review, an amount of HK\$5.0 million (1999 - HK\$5.9 million) was transferred from reserves to accumulated losses.

9. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year under review.

SUMMARY OF AUDITORS' REPORT

Fundamental uncertainty

— Provision against investments in two investee companies

- The Auditors, in forming their opinion, have considered the adequacy of the disclosures in the financial statements for the year ended 31st December, 2000 concerning the outcome of the negotiations with the relevant government authorities in the People's Republic of China in respect of a land site beneficially and collectively held by two investee companies (the "Investee Companies") of Paliburg Holdings Limited which is a principal listed subsidiary of the Group. The carrying value of Paliburg group's investments in the Investee Companies amounted to HK\$298.9 million as at 31st December, 2000. The directors of Paliburg are currently unable to determine with reasonable certainty the outcome of such negotiations and accordingly, it is not possible to determine at this stage as to whether any provision against Paliburg group's investments in the Investee Companies is necessary. The Auditors consider that appropriate disclosures have been made and their opinion is not qualified in this respect.

Fundamental uncertainties relating to the going concern basis

- The Auditors have considered the adequacy of the disclosures which explain the circumstances giving rise to the fundamental uncertainties, as set out below, relating to the appropriateness of the going concern basis, upon which the financial statements for the year ended 31st December, 2000 have been prepared:

- the outcome of the proposed restructuring of the existing outstanding indebtedness of the Company to replace the informal standstill arrangement presently in place;
- the outcome of the discussions with the bondholders for the proposed restructuring of two outstanding bonds of Paliburg group and the proposed arrangement with the financial creditors of Paliburg group to replace the existing informal standstill with new bilateral facilities;
- the successful implementation of further disposal of certain identified assets of Paliburg group; and
- the securing of the ongoing support from the relevant lenders of two loans aggregating HK\$4,894.1 million as at 31st December, 2000 owing by subsidiaries of Regal Hotels International Holdings Limited, a principal listed subsidiary of the Group (the "Regal Loans"), following the non-compliance with certain loan covenants of the Regal Loans.

The Auditors consider that appropriate disclosures have been made but the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are such that the Auditors are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2000 and of the loss and cash flows of the Group for the year then ended.

DIVIDEND

- The Directors have resolved not to recommend the payment of a final dividend for the year ended 31st December, 2000 (1999 - nil). No interim dividend was paid for the year ended 31st December, 2000 (1999 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

- As Regal had substantially disposed of its hotel interests in the United States in December 1999, the turnover and gross profit contribution from hotel operating activities included in the Group's results for the year under review were significantly lower than those in 1999. Moreover, since there was no major development property completed and sold by Paliburg during the year, the turnover from property development has also substantially contracted as compared with 1999.
- In January and March 2000, the Company successfully completed two share placements for the issue of 138 million and 120 million new shares at a price of HK\$0.37 per share and HK\$1.00 per share respectively. Total cash proceeds amounted to approximately HK\$170.0 million, out of which approximately HK\$135.0 million was applied in repayment of debts.
- In September 2000, Paliburg group completed a refinancing arrangement which involved a mortgage-backed securitisation of its two principal investment properties, namely Paliburg Plaza and Kowloon City Plaza. Out of the securitisation loan proceeds (before expenses) of HK\$1,247 million, approximately HK\$774 million was applied to fully repay the then existing bank loans attached to the two properties and the majority of the balance was applied to reduce other indebtedness of Paliburg group.
- Net cash inflow from operating activities during the year under review amounted to HK\$254.0 million (1999 - HK\$1,156.0 million) and in addition, further sums in an aggregate of HK\$287.7 million were received from Regal's disposal of the hotel interests in the United States. Net interest payment for the year amounted to HK\$748.1 million (1999 - HK\$879.1 million).
- As at 31st December, 2000, the Group's borrowings net of cash and bank balances amounted to HK\$9,969.4 million (1999 - HK\$9,610.3 million). Gearing ratio based on total assets of HK\$17,873.5 million (1999 - HK\$18,840.0 million) was 56% (1999 - 51%).

OPERATING HIGHLIGHTS

- For the year ended 31st December, 2000, the Group recorded an audited consolidated net loss attributable to shareholders of HK\$121.6 million, as compared with a net loss of HK\$1,261.6 million for the 1999 financial year. As referred to in the Interim Report, the results for the year under review included the write back of a provision in the sum of HK\$340.4 million made in prior years. The provision was related to certain contingent liability in respect of a guarantee and indemnity given by the Group, which has been favourably resolved during the year.
- At a special general meeting held on 22nd September, 2000, the independent shareholders of the Company approved the proposal for the possible acquisition of up to a 30% effective interest in Century Digital Enterprise Limited for a consideration of up to HK\$2,475 million, to be satisfied by the issue of new shares of the Company at an issue price of HK\$0.55 per share. The proposed acquisition can be effected either by the exercise of a call option by the Company or a put option by the Founder Group which beneficially owns the existing issued shares of Century Digital.
- Century Digital and Beijing Century Union Digital Technology Limited, a sino-foreign equity joint venture 90% owned by Century Digital, are involved in information technology business in connection with a broadband national railway fibre optic network in the PRC. The Company presently owns an attributable interest of approximately 4.9% of Century Digital through the Founder Group. The acquisition proposal was intended to provide to the Company an opportunity to increase its involvement in information technology businesses and, more importantly, to revitalize the Company so that it may gradually restore its financial stability.
- On 16th February, 2001, the Company announced that both the Company and the Founder Group agreed that all the conditions precedent to the first exercise of the call option and the put option have been fulfilled to their reasonable satisfaction. As such, both the call option and the put option can be exercised during the 24-month period to 15th February, 2003 in accordance with the stated terms.

PALIBURG HOLDINGS LIMITED

- For the year ended 31st December, 2000, Paliburg recorded an audited consolidated net loss attributable to shareholders of HK\$641.3 million (1999 - HK\$1,363.6 million).
- As stated in its Interim Report issued in September 2000, Paliburg group had outstanding Exchangeable Guaranteed Bonds due for maturity in February 2001 and it was mentioned that depending on circumstances developing, it may need to enter into discussions with the bondholders with a view to restructuring the terms of the bonds. Since October 2000, informal meetings and discussions have been held with the holders of the Exchangeable Bonds and the Guaranteed Convertible Bonds and a restructuring proposal involving, among others, an extension of the maturity date of the bonds to February 2004 was presented to the bondholders for their consideration.
- As announced by Paliburg in its announcement dated 6th February, 2001, the Exchangeable Bonds involving a total outstanding principal amount, premium and interest accrued of US\$161,488,405 matured on 6th February, 2001 and remain unpaid. This non-payment has caused a cross-default to the Convertible Bonds with an outstanding principal amount of approximately US\$210,000,000, which together with the accrued premium have now become due and payable. Paliburg is in discussions with the holders of the bonds with a view to putting in place a consensual restructuring of the terms of the bonds to avoid any enforcement action being taken by the trustees of the bonds.
- Further information on the operations of Paliburg, including management discussion and analysis, is contained in its announcement separately released today.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

- For the year ended 31st December, 2000, Regal reported an audited consolidated net loss attributable to shareholders of HK\$227.5 million (1999 - HK\$1,085.7 million).
- Further information on the operations of Regal, including management discussion and analysis, is contained in its announcement separately released today.

OUTLOOK

- With brighter prospects setting in for local tourism, the hotel industry in Hong Kong is anticipated to sustain further recovery in 2001. The directors of Regal are hopeful that as the overall economic condition in Hong Kong improves, Regal will be able to gradually restore its profitability.
- Paliburg group as a whole will continue with its asset disposal programmes in order to further reduce its gearing levels and to provide funding for its future commitment. In the meantime, Paliburg is engaging in active discussions with the holders of the Exchangeable Bonds and Convertible Bonds with a view to restructuring the terms of the bonds. The outcome of the discussions is yet uncertain, but if the restructuring proposal can be satisfactorily concluded, the overall stability of Paliburg group going forward will be ensured.
- Most of the Company's creditors have continued to participate in the standstill on an informal basis. In March this year, a proposal was presented to the creditors of the Company through its financial adviser for a restructuring of the loan indebtedness. The proposal was contingent upon the successful restructuring by Paliburg of its outstanding bonds, as the controlling shareholding interest in Paliburg represents the most significant asset of the Company. The drastic turn of the economy during the past few years has seriously affected the financial position of the Group. While the Group's management will use every possible effort to achieve a successful outcome of the restructuring discussions, this is however dependent on the support of the relevant creditor groups.

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 17th April, 2001

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website on or before 27th April, 2001.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in the Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 12th June, 2001 at 12:00 noon for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31st December, 2000.
2. To elect Directors.
3. To appoint Auditors and authorise the Board of Directors to fix their remuneration.
4. To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(A) **"THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase shares of HK\$0.10 each in the capital of the Company, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the expiration of the period within which the next Annual General Meeting is required by the Bye-laws of the Company or The Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders in general meeting."

- (B) **"THAT** the exercise by the Directors during the Relevant Period (as defined in Resolution 4(A) set out in the Notice of this Meeting) of all the powers of the Company to issue, allot and dispose of additional shares of the Company (including making and granting offers, agreements and options which would or might require shares to be issued, allotted or disposed of, whether during or after the end of the Relevant Period) be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong), the additional shares issued, allotted or disposed of (including shares agreed conditionally or unconditionally to be issued, allotted or disposed of, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly."

- (C) **"THAT** the general mandate granted to the Directors under Resolution 4(B) above be and is hereby extended by the addition of an amount representing the aggregate nominal amount of shares purchased by the Company pursuant to the general mandate approved in Resolution 4(A) above.

By Order of the Board
ELIZA LAM SAU FUN
Secretary

Hong Kong, 17th April, 2001

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The form of proxy must be deposited with the Company's Registrars in Hong Kong, Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the Meeting.
3. An explanatory statement containing further details as regarding Resolution 4(A) above will be sent to shareholders shortly together with the 2000 Annual Report.