



HALF YEAR RESULTS (Unaudited)

	Six months ended 30th June, 2000	Six months ended 30th June, 1999
	HK\$'M	HK\$'M
TURNOVER	903.5	2,181.7
Cost of sales	(716.5)	(1,732.7)
Gross profit	187.0	449.0
Other revenue (Note 2)	462.4	203.6
Administrative expenses	(95.5)	(118.1)
Other operating expenses (Note 3)	(31.9)	(154.7)
PROFIT FROM OPERATING ACTIVITIES	522.0	379.8
Finance costs	(466.6)	(594.4)
Share of profits less losses of		
– Jointly controlled entity	(71.2)	–
– Associates	(0.2)	7.4
LOSS BEFORE TAX	(16.0)	(207.2)
Tax (Note 4)		
– Group	(10.9)	(25.6)
– Associates	(0.1)	(0.1)
LOSS BEFORE MINORITY INTERESTS	(27.0)	(232.9)
Minority interests	140.6	77.7
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	113.6	(155.2)
Earnings/(Loss) per share (Note 5)		
Basic	HK3.5 cents	HK(5.1) cents
Diluted	N/A	N/A

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Notes:

1. Due to the adoption of the revised Statements of Standard Accounting Practice, the presentation of the profit and loss account has been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform to the current period's presentation.

2. Other revenue includes the following major items:

	<u>2000</u>	<u>1999</u>
	HK\$'M	HK\$'M
Interest income	39.5	152.0
Write back of provision for indemnity given	340.4	—
Gain on disposal of an associate	58.0	—
Compensation received from cancellation of a tenancy agreement	—	23.0
	<u> </u>	<u> </u>

3. Other operating expenses include the following major items:

	<u>2000</u>	<u>1999</u>
	HK\$'M	HK\$'M
Depreciation	29.8	81.9
Provision for loss on disposal of a subsidiary company	—	37.9
	<u> </u>	<u> </u>

4. Hong Kong taxation is calculated at the rate of 16% (1999 - 16%) on the estimated assessable profits earned in or derived from Hong Kong. Taxation on profits assessable overseas is calculated at the rates prevailing in the respective jurisdictions in which the Group operates, based on existing law, practices and interpretations thereof.

5. The calculation of basic earnings/loss per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$113.6 million (1999 - net loss of HK\$155.2 million) and on the weighted average of 3,255.6 million (1999 - 3,068.8 million) shares of the Company in issue during the period.

No diluted earnings per share is presented for the period ended 30th June, 2000, as there were no potential shares in issue during the period. No diluted loss per share is presented for the period ended 30th June, 1999, as the exercise of warrants of the Company then outstanding was anti-dilutive.

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

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the financial year ending 31st December, 2000 (1999 - nil).



DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2000, the interests of the Directors in the share capital of the Company and its associated corporations as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

	Name of Director	Class of Shares Held	Number of Shares Held			Total
			Personal Interests	Family Interests	Corporate Interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary	531,434,843	-	1,395,994,246	1,927,429,089
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	1,510,000	-	-	1,510,000
	Mr. Jimmy Lo Chun To	Ordinary	1,659,800	-	-	1,659,800
	Mr. Ng Siu Chan	Ordinary	-	15,453,000	-	15,453,000
	Name of Associated Corporation					
2. Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary	222,765	-	1,401,024,977 (Notes a & b)	1,401,247,742
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	100,000	-	-	100,000
	Mr. Jimmy Lo Chun To	Ordinary	284,000	-	-	284,000
	Mr. Ng Siu Chan	Ordinary	-	536,500	-	536,500
3. Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary	220,000	-	2,907,644,944 (Notes a & c)	2,907,864,944
		Preference	-	-	3,440 (Note a)	3,440
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,370,000	-	-	2,370,000
4. Argosy Capital Corporation	Mr. Lo Yuk Sui	Ordinary	-	-	1,130,349 (Note a)	1,130,349



	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
				Personal Interests	Family Interests	Corporate Interests	
5.	Century King Investment Limited	Mr. Lo Yuk Sui	Ordinary	-	-	5,000 (Note a)	5,000
6.	Century Win Investment Limited	Mr. Lo Yuk Sui	Ordinary	-	-	9,000 (Note a)	9,000
7.	Cheerjoy Development Limited ("Cheerjoy")	Mr. Lo Yuk Sui	Ordinary	-	-	(Note d)	(Note d)
8.	Chest Gain Development Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,000 (Note a)	7,000
9.	Chi Cheung Investment Company, Limited	Mr. Lo Yuk Sui	Ordinary	-	-	209,918,951 (Note a)	209,918,951
10.	Chinatrend (Holdings) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,500 (Note a)	7,500
11.	Chinatrend (Nankai) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	85 (Note a)	85
12.	Hanoi President Hotel Company Limited	Mr. Lo Yuk Sui	Ordinary	-	-	75 (Note a)	75
13.	Polarfine Inc	Mr. Lo Yuk Sui	Ordinary	-	-	3,000,000 (Notes a & c)	3,000,000
14.	Rapid Growth Holdings Limited	Mr. Lo Yuk Sui	Ordinary	-	-	25,000 (Note a)	25,000
15.	Supreme Idea Enterprise Limited	Mr. Lo Yuk Sui	Ordinary	-	-	125 (Note a)	125
16.	Villawood Developments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	65 (Note a)	65



Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
			Personal Interests	Family Interests	Corporate Interests	
17. Wealth Link Investments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	1 (Note a)	1

Notes:

- (a) The shares were held through companies controlled by the Company, of which Mr. Lo Yuk Sui is the Chairman and controlling shareholder.
- (b) Including the retained balance, i.e. 6,444,444 shares, (the "Retained Shares") of the consideration shares agreed to be sold at HK\$4.50 per share for the acquisition of the remaining 51% shareholding interest in The New China Hong Kong Financial Services Limited (now known as Century City Financial Services Limited) by a wholly-owned subsidiary company of the Company from a wholly-owned subsidiary company of The New China Hong Kong Group Limited (the "NCHK Company") pursuant to the conditional agreement dated 7th September, 1998 in respect of the said acquisition, which was completed on 17th September, 1998 (the "Completion Date"). The Retained Shares are retained by the Group until the first anniversary of the Completion Date in connection with the indemnity given by the NCHK Company under the said agreement.
- (c) A total of 536,755,200 shares were charged by a wholly-owned subsidiary company of PHL in favour of a trustee, covering the exchange rights of the holders of the Exchangeable Bonds issued by another wholly-owned subsidiary company of PHL. The Exchangeable Bonds are exchangeable into those existing ordinary shares of RHIHL during the period from 6th April, 1996 to 23rd January, 2001 at an adjusted effective exchange price of HK\$2.0144 per share (cum entitlements as provided in the relevant trust deed).
- (d) A wholly-owned subsidiary company of PHL holds 30% attributable shareholding interest in Cheerjoy through Point Perfect Investments Limited ("Point Perfect") which is a 30% owned associate of such subsidiary company. Point Perfect holds all the issued shares of Cheerjoy, i.e. 2 shares.
- (e) Including security interest over 600,000 shares under a share mortgage held by a subsidiary company of the Company.

No right has been granted to, or exercised by, any Director of the Company, or his spouse and children under 18 years of age, to subscribe for shares in or debentures of the Company during the period.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2000, the interests of those persons (other than the Directors) in the share capital of the Company as recorded in the register kept under Section 16 of the Securities (Disclosure of Interest) Ordinance were as follows:

Name of Shareholder	Number of Shares Held
Shui To Co., Limited (Note)	440,269,831
YSL International Holdings Limited (Note)	931,998,340

Note: These companies are controlled by Mr. Lo Yuk Sui and their said shareholdings were included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under Directors' Interests in Share Capital.

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DISCLOSURE PURSUANT TO PRACTICE NOTE 19

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Practice Note 19 ("PN19") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As at the date of this report, the Company owns a 60.4% shareholding interest in Paliburg Holdings Limited ("PHL") and PHL owns a 73.8% shareholding interest in Regal Hotels International Holdings Limited ("RHIHL"). For the purpose of this section, RHIHL and its subsidiary companies will be referred to as the "RHIHL Group"; PHL and its subsidiary companies, excluding the RHIHL Group, will be referred to as the "PHL Group"; PHL and its subsidiary companies, including the RHIHL Group, will be referred to as the "PHL/RHIHL Group"; the Company and its subsidiary companies, excluding both the PHL Group and the RHIHL Group, will be referred to as the "CCIHL Group"; and the Company and its subsidiary companies, including both the PHL Group and the RHIHL Group, will be referred as the "Group".

Advances to an Entity (Paragraph 3.2.1 of PN19)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 40% by PHL, 30% by RHIHL and 30% by China Overseas Land & Investments Limited, which is independent of, and not connected with the Company, PHL and RHIHL, the respective directors, chief executive and substantial shareholders of the Company, PHL and RHIHL and any of their respective subsidiary companies or any of their



respective associates (as defined in the Listing Rules), by the PHL Group and the RHIHL Group as at 30th June, 2000 are set out below:

Advances	PHL Group (HK\$'million)	RHIHL Group (HK\$'million)	PHL/RHIHL Group (HK\$'million)
(A) Principal Amount of Advances	1,472.7	1,104.6	2,577.3
(B) Interest Receivable	216.7	162.5	379.2
(C) Several Guarantees for:			
(a) Principal Amount of Bank Facilities	1,320.0	990.0	2,310.0
(b) Amount of Bank Facilities Drawdown	1,004.4	753.3	1,757.7
Total: (A)+(B)+(C)(a)	<u>3,009.4</u>	<u>2,257.1</u>	<u>5,266.5</u>
(A)+(B)+(C)(b)	<u>2,693.8</u>	<u>2,020.4</u>	<u>4,714.2</u>

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The above advances to Chest Gain including interest receivable thereon, in an aggregate sum of HK\$1,689.4 million (before a provision of HK\$933.3 million representing the PHL Group's attributable share of the provision for foreseeable loss in respect of the property development at the Stanley Site (as referred to below) of Chest Gain) were provided by the PHL Group. The above advances to Chest Gain, including interest receivable thereon, in an aggregate sum of HK\$1,267.1 million (before a provision of HK\$700.0 million representing the RHIHL Group's attributable share of the provision for foreseeable loss in respect of the property development at the Stanley Site of Chest Gain) were provided by the RHIHL Group. Such contribution of funds to Chest Gain are 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, and related interest is being accrued at prime rate. The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of its property project at Rural Building Lot No. 1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Stanley Site"). The Stanley Site was acquired by Chest Gain at the government land auction held on 3rd June, 1997. The above guarantees were provided by PHL and RHIHL on 28th October, 1997 on a several basis in proportion to their respective shareholding interests in Chest Gain and were given in respect of the bank loan facilities of HK\$3,300.0 million made available to Chest Gain for the purposes of refinancing part of the consideration for the acquisition of the Stanley Site and financing the estimated construction costs required for the luxury residential development at the Stanley Site.



Calculated on the basis shown above, the aggregate of advances and other financial assistance as at 30th June, 2000 provided by the PHL/RHIHL Group to Chest Gain in the respective sums of (a) HK\$5,266.5 million (based on the total available amount of the bank facilities) and (b) HK\$4,714.2 million (based on the amount of bank facilities drawdown) represented (a) 307.2% and (b) 275.0% of the consolidated net tangible assets of the Company of HK\$1,714.3 million (the "Century NTA"), by reference to its latest audited financial statements for the year ended 31st December, 1999 as adjusted for the interim results for the six months ended 30th June, 2000.

Financial Assistance provided to and Guarantees given for Affiliated Companies (Paragraph 3.3 of PN19)

Details of the financial assistance provided to and guarantees given for affiliated companies (including Chest Gain) by the Group as at 30th June, 2000 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Bank Facilities	
			(i) Principal Amount of Bank Facilities (HK\$'million)	(ii) Amount of Bank Facilities Drawdown (HK\$'million)
Chest Gain	(A) 2,577.3	(B) 379.2	(C)(i) 2,310.0	(C)(ii) 1,757.7
Cheerjoy Development Limited	(D) 126.4 (Interest Rate: Prime Rate)	(E) 5.6	Nil	Nil
Century King Investment Limited	(F) 2.3 (Interest Rate: 10% p.a.)	(G) 0.5	Nil	Nil
8D International (BVI) Limited	(H) 18.8	—	Nil	Nil
			Total : (A)+(B)+(C)(i)+(D) to (H)	<u>5,420.1</u>
			(A)+(B)+(C)(ii)+(D) to (H)	<u>4,867.8</u>

Relevant details in respect of the financial assistance provided to and guarantees given for Chest Gain are disclosed above under Paragraph 3.2.1 of PN19 of the Listing Rules.



Cheerjoy Development Limited (“Cheerjoy”) was a wholly owned subsidiary company of PHL and became a 30% owned associate of PHL during 1999. Cheerjoy owns the development property at Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East, Hong Kong. The remaining 70% shareholding interest in Cheerjoy is owned by a third party, which is independent of, and not connected with PHL, the directors, chief executive and substantial shareholders of PHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the PHL Group in the form of shareholder’s loans and, according to the terms of the shareholders’ agreement in respect of this joint venture, would not be provided in proportion to PHL’s shareholding interest in Cheerjoy. The advances were provided for the purpose of funding the working capital requirements of Cheerjoy, are unsecured and have no fixed term of repayment.

Century King Investment Limited (“Century King”) is a 50% owned associate of RHIHL, which is engaged in the operation of a Japanese restaurant. The remaining 50% shareholding interest in Century King is owned by a third party, which is independent of, and not connected with RHIHL, the directors, chief executive and substantial shareholders of RHIHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the RHIHL Group in the form of shareholder’s loans in proportion to RHIHL’s shareholding interest in Century King, for the purpose of funding the capital requirements of Century King. The advances are unsecured and have no fixed term of repayment.

8D International (BVI) Limited (“8D-BVI”) is a 30% owned associate of RHIHL, which is involved in information technology business in connection with broadband national railway fibre optic network in the People’s Republic of China. The remaining shareholding interest in 8D-BVI is owned as to 10% by the Company and 60% by an associate (as defined in the Listing Rules) of Mr. Lo Yuk Sui. The advances were provided by the CCIHL Group and the RHIHL Group in the form of shareholder’s loans in proportion to the respective shareholding interests of the Company and RHIHL 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.

Calculated on the basis shown above, as at 30th June, 2000, the aggregate amount of financial assistance provided to and guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$5,420.1 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$4,867.8 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 316.2% and (b) 284.0% of the Century NTA.



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)	Group's attributable interest (HK\$'million)
Non-current assets	4,760.6	1,668.5
Current assets	0.9	0.2
Current liabilities	(85.9)	(31.8)
Non-current liabilities	(7,643.5)	(2,776.9)
Net liabilities	<u>(2,967.9)</u>	<u>(1,140.0)</u>

Covenants relating to specific performance obligation of the controlling shareholders contained in certain loan agreements (Paragraph 3.7.1 of PN19)

The agreements for the following loans to the PHL Group and the RHIHL Group impose specific performance obligations on the controlling shareholders of the Company, PHL and RHIHL:

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		Outstanding Balance of Bank Facilities as at 30th June, 2000 (HK\$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
PHL Group	(a)	117.9	September 1999	Note (i)
	(b)	<u>31.3</u>	September 1999	Note (ii)
Total:		<u>149.2</u>		
RHIHL Group	(a)	1,075.0	July 2007	Note (iii)
	(b)	<u>3,822.1</u>	September 2004	Note (iv)
Total:		<u>4,897.1</u>		



Notes:

- (i) (a) The Company, which owns a 60.4% shareholding interest in PHL, shall not, whether directly or indirectly, cease to be beneficially interested in at least 50.1% of shares in PHL in issue from time to time; or
- (b) The Company shall not cease to maintain the right to appoint or remove a majority of the directors on the board of directors of PHL.
- (ii) PHL shall not cease to be a subsidiary company of the Company.
- (iii) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of the Company, and/or members of his immediate family or a trust, or trusts under which they are beneficially interested (collectively, “Mr. Lo”) shall not cease to maintain controlling interest (directly or indirectly) in respect of shareholding (as defined under the Listing Rules) and management control in RHIHL.
- (iv) Mr. Lo shall not cease to maintain controlling interest (whether directly or indirectly) in RHIHL.

Breach of the above specific performance obligations will constitute events of default of the bank facilities. As a result, the bank facilities may become immediately due and payable on demand by the relevant lenders according to the respective terms and conditions of the bank facilities.

CORPORATE GOVERNANCE

The Directors of the Company are not aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except that the independent Non-Executive Directors of the Company were not appointed for specified 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 comprising Mr. Ng Siu Chan (Chairman of the Committee) and Mr. Anthony Chuang, both of whom are independent Non-Executive Directors of the Company. The Audit Committee is established with reference to “A Guide for the Formation of an Audit Committee” issued by the Hong Kong Society of Accountants.



REVIEW AND OUTLOOK

For the six months ended 30th June, 2000, the Group recorded an unaudited consolidated net profit attributable to shareholders of HK\$113.6 million, as compared with a net loss of HK\$155.2 million in the corresponding period in 1999.

The profit attained for the period under review was mainly attributable to a 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 matter has most recently been favourably resolved.

As reported before, the Company raised in January and March this year new equities in an aggregate sum of about HK\$170 million through two placements of shares at an issue price of HK\$0.37 and HK\$1.00 per share respectively. A majority part of the proceeds obtained was used to reduce outstanding borrowings and the remainder retained for working capital purposes. The Company is presently in discussions with its lenders to further extend the existing standstill arrangement.

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During the period under review, Paliburg Holdings Limited recorded an unaudited consolidated net loss attributable to its shareholders of HK\$279.0 million (1999 - HK\$114.8 million).

In Paliburg's announced interim results for 1999, the financing costs incurred by the jointly controlled entity which owns the Stanley development project had been capitalised. The jointly controlled entity is owned as to 40% by Paliburg and 30% by Regal Hotels International Holdings Limited, the listed subsidiary of Paliburg. Whereas in the period being reported, such financing costs were treated as expense in the profit and loss account due to the temporary suspension of development works. Consequently, the net loss recorded for the period under review was comparatively higher than that in the last corresponding period.

Paliburg is arranging through a financial institution a mortgage backed securitisation in the sum of approximately HK\$1,247 million based on its two principal investment properties at Kowloon City Plaza and Paliburg Plaza. The securitisation arrangement is in the final stage of implementation and anticipated to be completed around the end of this month. The net proceeds to be obtained will principally be used to repay or reduce borrowings owing to Paliburg's lenders, and Paliburg is discussing with its lenders on new bilateral facilities to replace the informal standstill arrangement presently in place.



With the continuing recovery of the local economy as well as the recent measures taken by the HKSAR Government to stabilise supply and demand, there are signs of growing confidence towards the local property market. Prospects for the luxury residential sector, particularly on the Hong Kong Island, are now much brighter, as supply is relatively limited. Having regard to the changed environment, Paliburg and Regal are now preparing for the resumption of development works on the luxury residential development at Rural Building Lot No.1138 in Stanley. The construction costs required to complete the development is expected to be financed by banking facilities previously arranged and it is hopeful that substantial cash surplus will be generated from the eventual sale of the house units.

As reported in May this year, Paliburg has put on hold development works on the two projects in Beijing, namely, the Beijing Century City and the Beijing Paliburg Plaza, in the People's Republic of China due to the liquidity strains faced by Paliburg.

In order to avoid any possible adverse consequences that may develop from the circumstances encountered, Paliburg has recently entered into an agreement with a third party in relation to the joint development of the Beijing Century City. Pursuant to that agreement, Paliburg will exclusively retain the hotel portion included in the subject site, with a developable gross floor area of about 860,000 sq. ft., to be delivered on a vacant and leveled basis. The remaining parts of the subject site will vest with the incoming third party partner. In view of the promising hotel market in Beijing, two hotels, including a top standard deluxe hotel and an international standard first class hotel, are being planned to be erected on the site retained. The hotel complex will be complemented with modern meeting and convention facilities as well as extensive food and beverage outlets and other amenities.

Paliburg is also considering to bring in new joint venture partners for the other project at the Beijing Paliburg Plaza, with the objective that the project can proceed expediently to take advantage of the recovering property market in Beijing, while the capital commitment required of Paliburg will be relatively limited.

Paliburg has made a provision of HK\$400 million on its development projects in the PRC in the financial year ended 31st December, 1999. Based on present circumstances, Paliburg does not expect that any further material provision will be required.

Paliburg is continuing with the contemplated disposal of certain of its assets in order to raise further funds. Paliburg will keep under review its overall position with regard to the Exchangeable Guaranteed Bonds which have maturity in February 2001. Depending on the progress of the assets disposals, Paliburg may consider entering into discussions with the bondholders with a view to restructuring the terms of the bonds.



For the six months ended 30th June, 2000, Regal recorded an unaudited consolidated net loss attributable to its shareholders of HK\$99.2 million (1999 - HK\$119.7 million).

Tourism business in Hong Kong continued to improve during the first half of 2000 and recorded an increase of 15.7% in visitor arrivals over the same period last year. Though visitors from Mainland China alone accounted for a substantial part of the increase attained, it is encouraging to see significant growth at the same time in most of the other major markets.

Benefiting from the reviving tourism business, both the overall hotel occupancy as well as the average room rate in Hong Kong gained some improvement during the period under review, as compared with the same period in the previous year. Excluding the Regal Airport Hotel, which is still under soft opening, the combined average occupancy for Regal's other four hotels in Hong Kong during the first six months was about 70.4%, representing an increase of 6.5% over the 66.1% recorded in the last corresponding period, while in respect of the average room rate, an increase of 6.2% was achieved. In order to enhance their competitiveness, staged renovation programmes for the Regal Kowloon Hotel and, to lesser extent, the other hotels have been planned. Relevant works for certain portions of the hotel guestrooms are already in progress. Furthermore, new additional facilities for the Regal Hongkong Hotel incorporating a business centre and function rooms fitted with modern equipment for conference and meeting purposes have recently been completed and put to operation.

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As for the Regal Airport Hotel, the total number of available rooms under operation has increased from a room count of 540 in the comparative period in 1999 to 843 during the period under review. Due to the enlarged size of operation, the gross operating profit generated by this hotel has improved very substantially. The remaining 259 guestrooms are anticipated to come on stream later this year.

Outside of Hong Kong, the Regal Constellation Hotel in Toronto, Canada and Regal's two managed hotels in Shanghai, namely, the Regal International East Asia Hotel and the Regal Shanghai East Asia Hotel, in the PRC all maintained steady performance.

The sale of the Regal Bostonian Hotel in the United States, deferred from December last year, was duly completed in June this year. The profit derived has been reflected in the interim accounts being presented.



The directors of Regal anticipate that the operating performance of its hotels in Hong Kong in the second half of this year will be better than that achieved in the first six months, as the second half is traditionally the higher season of the year. With the Regal Airport Hotel going gradually into full operation, it is expected that significant profits will be contributed by this hotel due to its unique location as well as the wide range of meeting, conference and resort facilities it offers. Overall, the directors of Regal are hopeful that Regal will regain its profitability in pace with the recovery of the local tourism and hotel business.

The Paliburg group as a whole has moved a long way to resolve the financial difficulties caused by the economic downturn during the past few years. Paliburg will use all its efforts to meet and overcome the remaining challenges, with a view to restoring gradually its former financial strength.

On 15th August, 2000, the Company announced a 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. The determination of the consideration was based on an independent professional valuation of approximately HK\$11.8 billion for the entire equity interest of Beijing Century Union Digital Technology Limited, a sino-foreign joint venture in which Century Digital owns a 90% interest. The consideration represents a discount of approximately 22.3% to the effective attributable value of the interest proposed to be acquired based on the independent valuation.

Century Digital is 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 4.92% of Century Digital via the Founder Group. The Company is one of the founders of Century Digital and wishes to increase its shareholding in Century Digital by acquiring interests from the other shareholders of Century Digital. The purpose of the proposal is to provide an opportunity to the Company to be further involved in information technology businesses and, more importantly, for revitalising the Company in order to enhance its capability to restore financial stability.



Further information on the transaction including details of the project involved were contained in a circular dated 6th September, 2000 despatched to shareholders. As the controlling shareholder of the Founder Group, I am personally interested in the proposed transaction. Accordingly, the proposal was put to approval by independent shareholders at a special general meeting held on 22nd September, 2000. In this connection, I am pleased to report that at the special general meeting held, the proposal was duly approved by the independent shareholders. Shareholders will be kept informed of further development on the progress of the transaction.

By Order of the Board

LO YUK SUI
Chairman

Hong Kong, 22nd September, 2000