

## ANNOUNCEMENT OF 2000 GROUP RESULTS

	Year ended 31st Dec., 2000	Year ended 31st Dec., 1999
	HK\$'M	HK\$'M
<b>TURNOVER</b> (Note 1)	<b>1,780.0</b>	4,664.3
<b>Cost of sales</b>	<b>(1,325.0)</b>	(3,577.6)
<b>Gross profit</b>	<b>455.0</b>	1,086.7
<b>Other revenue</b> (Note 2)	<b>87.0</b>	149.6
<b>Gain on disposal of an overseas associate</b>	<b>65.8</b>	—
<b>Administrative expenses</b>	<b>(154.5)</b>	(215.4)
<b>Other operating expenses, net</b> (Note 3)	<b>(161.5)</b>	(665.1)
<b>Loss on disposal of overseas subsidiary companies/partnerships</b>	<b>(13.8)</b>	(693.4)
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b> (Note 1)	<b>278.0</b>	(337.6)
<b>Finance costs</b> (Note 4)	<b>(827.8)</b>	(1,138.2)
<b>Share of profits less losses of</b>		
— Jointly controlled entity	<b>(142.3)</b>	(138.4)
— Associates	<b>2.5</b>	21.5
<b>LOSS BEFORE TAX</b>	<b>(689.6)</b>	(1,592.7)
<b>Tax</b> (Note 5)	<b>(18.9)</b>	(55.9)
<b>LOSS BEFORE MINORITY INTERESTS</b>	<b>(708.5)</b>	(1,648.6)
<b>Minority interests</b>	<b>67.2</b>	285.0
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>(641.3)</b>	(1,363.6)
<b>Loss per share</b> (Note 6)		
Basic	<b>HK\$(0.28)</b>	HK\$(0.59)
Diluted	<b>N/A</b>	N/A
<b>Net asset value per share as at year end date</b>	<b>HK\$2.02</b>	HK\$2.37

### 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	1999	2000	1999
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
By activity:				
Property investment and management	229.8	288.5	81.4	137.8
Property development	46.1	1,041.8	(88.2)	(213.9)
Construction and construction-related businesses	433.4	252.3	(1.6)	(17.2)
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	467.9
Other operations and investments	70.4	109.4	111.2	(708.4)
	<u>1,780.0</u>	<u>4,664.3</u>	<u>278.0</u>	<u>(337.6)</u>
By geographical location:				
Hong Kong	1,623.5	2,398.0	224.7	381.1
U.S.A.	—	2,098.4	65.8	(323.5)
Canada	127.3	134.8	10.0	14.2
Others	29.2	33.1	(22.5)	(409.4)
	<u>1,780.0</u>	<u>4,664.3</u>	<u>278.0</u>	<u>(337.6)</u>

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

	2000	1999
	HK\$'M	HK\$'M
Gain/(Loss) on disposal of listed investments	2.7	(5.0)
Profit on sale of properties	<u>3.9</u>	<u>261.2</u>

2. Other revenue includes the following major items:

	2000	1999
	HK\$'M	HK\$'M
Interest income	80.8	78.6
Compensation received from cancellation of a tenancy agreement	<u>—</u>	<u>22.8</u>

3. Other operating expenses, net, include the following major items:

	2000	1999
	HK\$'M	HK\$'M
Depreciation	(56.5)	(151.8)
Write off/Provisions against investments and advances	(13.1)	(100.2)
Provisions for losses against properties	(106.0)	(406.7)
Provision for tax indemnity in respect of the disposal of overseas subsidiary companies/partnerships in the prior year	(24.2)	—
Write back of provision for guarantee given	29.9	—
Write back of provision against advances and interest receivable	9.6	—
Write back of provision for loss on deposit paid	<u>10.0</u>	<u>—</u>

- 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.
- 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.
- The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$641.3 million (1999 - HK\$1,363.6 million) and on the weighted average of 2,318.5 million (1999 - 2,318.5 million) shares of the Company in issue during the year. No diluted loss per share is presented for the years ended 31st December, 1999 and 2000, as the exercise of share options of the Company and the conversion of bonds convertible into shares of the Company are anti-dilutive.
- For the year under review, an amount of HK\$8.4 million (1999 - HK\$9.9 million) was transferred from reserves to accumulated losses.
- 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"), which is more fully described under the section below headed "The People's Republic of China". The carrying value of the Group's investments in the Investee Companies amounted to HK\$298.9 million as at 31st December, 2000. The Directors 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 the 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 discussions with the bondholders for the proposed restructuring of two outstanding bonds of the Group;
- the outcome of the proposed arrangement with the financial creditors of the Group to replace the existing informal standstill with new bilateral facilities;
- the successful implementation of further disposal of certain identified assets of the 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 during the year, the turnover from property development has also substantially contracted as compared with 1999.
- In September 2000, the Group completed a refinancing arrangement which involved a mortgage-backed securitisation of the Group's 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 the Group.
- Net cash inflow from operating activities during the year under review amounted to HK\$267.8 million (1999 - HK\$1,141.4 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\$617.9 million (1999 - HK\$879.5 million).
- As at 31st December, 2000, the Group's borrowings net of cash and bank balances amounted to HK\$9,072.8 million, as compared to HK\$8,798.6 million in 1999. Gearing ratio based on total assets of HK\$17,758.2 million (1999 - HK\$18,742.1 million) was 51% (1999 - 47%).

## OPERATING HIGHLIGHTS

- For the year ended 31st December, 2000, the Group incurred an audited consolidated net loss attributable to shareholders of HK\$641.3 million, as compared with a net loss of HK\$1,363.6 million recorded for the 1999 financial year.
- During the period from the beginning of 2000 to the date of this announcement, continuous efforts were put to implementing for the Group a financial restructuring with a view to resolving the liquidity strains encountered.
- In order to relieve part of the liquidity strains, the Group completed in September 2000 the mortgage-backed securitisation based on the Group's two principal investment properties at Kowloon City Plaza and Paliburg Plaza to raise additional funds. Following completion of such refinancing, facilities from lending banks have mostly been stabilized.
- As stated in the Interim Report issued in September 2000, the Group had outstanding Exchangeable Guaranteed Bonds due for maturity in February 2001 and it was mentioned that depending on circumstances developing, the Group 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 the Company 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. The Company 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.

## PROPERTY DEVELOPMENT

### Hong Kong

- The office floors and the remaining ground floor shops at 211 Johnston Road, Wanchai have been put up for leasing and approximately 44% of the available space is presently rented.
- An agreement for the sale of the office/retail banking building at 361 Shau Kei Wan Road, Shau Kei Wan at a consideration of HK\$100 million was signed recently and completion is scheduled for June 2001.
- Except for some remaining car parks, all the units in Park Royale, the residential complex at Town Park Road North, Yuen Long have been sold.
- The Group is retaining a 30% interest in the joint venture for the development of the site at Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East. In February 2001, the site was formally rezoned from industrial to residential development use. The joint venture is presently proposing a development comprising primarily residential accommodation of approximately 903,000 square feet with ancillary commercial and other facilities.
- The proposed resort and recreational development in Demarcation District No. 251, Sharp Island, Sai Kung has been accommodated in the Draft Recommended Development Strategy of Study on South East New Territories Development Strategy Review conducted by the government. Revised plans are being prepared and will be submitted shortly to advance the project further.
- To cater to changed market demand and to achieve savings on construction costs, the building plans for the residential project at Lot No. 1736 in D.D. 122, Tong Yan San Tsuen, Yuen Long have been revised and recently approved.
- Negotiations with the lending banks to reactivate drawdowns under the original construction loan facility for the luxury residential development project at Rural Building Lot No. 1138, Wong Ma Kok Road, Stanley, which is 40% beneficially owned by the Company and 30% owned by Regal, are in a final stage. Preparatory works for the commencement of construction works have also mostly been completed. Assuming that the construction works can be recommenced shortly, presale of the Phase I house units will be launched in the first half of 2002.

### The People's Republic of China

- The Company held through one of its wholly owned subsidiaries a 65% interest in the foreign partner holding a 70% interest in a sino-foreign equity joint venture, which in turn owns the Paliburg Plaza Development at Chao Yang District, Beijing. In December 2000, the Company completed the sale of a 50% interest in the wholly owned subsidiary to a third party for a gross consideration of HK\$71,500,000. The

development plans for twin office towers erected on a commercial podium with an aggregate gross floor area of about 1,000,000 square feet have already been approved and construction works will soon commence.

- In June 2000, the Group entered into an agreement with a third party in relation to the joint development of the Century City Plaza Development in Chao Yang District, Beijing, under which the Group will retain exclusively the hotel portion included in the site, which is to have a developable gross floor area of about 860,000 square feet and to be delivered on a vacant and leveled basis. In November 2000, the Beijing Land Resources and Housing Administration Bureau issued an announcement announcing the resumption of the subject site due to its idle condition. However, the affected parties will have the right to make application to the Beijing municipal government or The Ministry of Land and Resources P.R.C. for an administrative review. The Group together with the other parties concerned are undertaking negotiations with relevant authorities with a view to safeguard their respective interests. The Directors are hopeful that the matter will be able to be resolved in the near future.

### United States of America

- The Group is considering options for the possible disposal of the Crown Hill site located in the central city west area of Los Angeles.

## PROPERTY INVESTMENT

- About 96% of the office space and 99% of the retail space at Paliburg Plaza, Causeway Bay are currently under lease, and the rental levels are maintained at about the same levels in 1999.
- Due to the continued contraction in consumer spending, rental rates achieved on new tenancies and renewals at Kowloon City Plaza, Kowloon City were under pressure, but the average occupancy during the year was maintained at about 92%.
- Over 90% of the lettable space in the commercial complex at Redhill Plaza, 3 Red Hill Road, Tai Tam is currently under lease or committed at satisfactory rental rates.

## OTHER BUSINESS OPERATIONS

- Contract works being undertaken by Chatwin Engineering Limited, an 80% owned subsidiary of the Group, have been progressing steadily and are expected to generate satisfactory profits. However, due to the contraction of new construction works and the narrowing of profit margin, the securing of future contracts will become more competitive.
- The cement plant in Weifang, Shandong, the PRC, in which a 75% owned subsidiary of the Company holds a 25% interest, maintained steady performance during the year.

## 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.
- If the Stanley development project can be successfully completed and sold, the level of interest expenses of the Company as well as that of Regal will be significantly reduced and may further generate substantial cash surplus after repayment of the project loan.
- The 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. The outcome of the discussions for restructuring of the terms of the two bonds is yet uncertain, but if the restructuring proposal can be satisfactorily concluded, the overall stability of the Group going forward will be ensured.

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 11:30 a.m. 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\$1.00 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.