

2001 INTERIM ANNOUNCEMENT

HALF YEAR RESULTS

	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited and restated)
	HK\$'M	HK\$'M
TURNOVER (Notes 2 & 3)	842.3	908.5
Cost of sales (Note 2)	(650.7)	(714.7)
Gross profit	191.6	193.8
Other revenue (Note 4)	119.6	41.2
Gain on disposal of an overseas associate	-	65.0
Administrative expenses	(74.7)	(85.0)
Other operating expenses (Note 5)	(55.4)	(31.1)
PROFIT FROM OPERATING ACTIVITIES (Note 3)	181.1	183.9
Finance costs (Note 6)	(423.9)	(410.8)
Share of profits less losses of		
- Jointly controlled entity	(60.6)	(71.2)
- Associates	(2.6)	(0.1)
LOSS BEFORE TAX	(306.0)	(298.2)
Tax (Note 7)	(1.8)	(11.0)
LOSS BEFORE MINORITY INTERESTS	(307.8)	(309.2)
Minority interests	49.6	30.2
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(258.2)	(279.0)
Loss per share (Note 8)		
Basic	HK\$(0.11)	HK\$(0.12)
Diluted	N/A	N/A

Notes:

- The interim financial statements for the six months ended 30th June, 2001 have not been audited, but have been reviewed by Ernst & Young, the Company's Auditors, whose review report is contained in the Company's interim report for the six months ended 30th June, 2001 (the "2001 Interim Report") to be despatched to shareholders, and by the Audit Committee of the Company.
- In previous years, service charges in respect of the Group's room sales and food and beverage sales were credited to direct staff costs included in the cost of sales. During the period under review, the Group considered it more appropriate to include the service charges in the Group's turnover, to be in line with accounting practice in hotel industry. The comparative amounts of turnover and cost of sales have been restated to conform to the current period presentation.
- An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and by geographical location is as follows:

	Turnover		Contribution	
	Six months ended 30th June, 2001 (Unaudited) HK\$'M	2000 (Unaudited and restated) HK\$'M	Six months ended 30th June, 2001 (Unaudited) HK\$'M	2000 (Unaudited) HK\$'M
By activity:				
Property investment and management	110.6	118.1	55.5	51.0
Property development	113.3	27.3	(3.4)	(4.8)
Construction and construction-related businesses	75.5	224.8	(0.8)	(2.3)
Development consultancy and project management	-	-	(2.5)	(8.1)
Hotel ownership and management	510.8	493.9	59.1	61.1
Other operations and investments	32.1	44.4	73.2	87.0
	842.3	908.5	181.1	183.9
By geographical location:				
Hong Kong	772.1	828.2	188.7	122.9
U.S.A.	-	-	-	65.0
Canada	55.4	63.1	-	3.9
Others	14.8	17.2	(7.6)	(7.9)
	842.3	908.5	181.1	183.9

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

	Six months ended 30th June, 2001 (Unaudited) HK\$'M	Six months ended 30th June, 2000 (Unaudited) HK\$'M
Gain on disposal of listed investments, net	43.2	2.8
Profit/(Loss) on sale of properties	(0.3)	3.5

- Other revenue includes the following major items:

	Six months ended 30th June, 2001 (Unaudited) HK\$'M	Six months ended 30th June, 2000 (Unaudited) HK\$'M
Interest income	32.3	38.4
Profit on disposal of ordinary shares in the listed subsidiary company arising from exchange of exchangeable bonds	70.8	-

- Other operating expenses include the following major items:

	Six months ended 30th June, 2001 (Unaudited) HK\$'M	Six months ended 30th June, 2000 (Unaudited) HK\$'M
Depreciation	29.0	29.0
Loss on disposal of long term listed investments	26.4	-

- Included in the Group's finance costs is an amount of HK\$9.7 million (2000 - HK\$12.9 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% (2000 - 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period. 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 laws, 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.
- The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$258.2 million (2000 - HK\$279.0 million) and on the weighted average of 2,318.5 million (2000 - 2,318.5 million) shares of the Company in issue during the period. No diluted loss per share is presented for the periods ended 30th June, 2000 and 2001, as the exercise of share options and the conversion of bonds convertible into shares of the Company are anti-dilutive.
- For the period under review, an amount of HK\$4.0 million (2000 - nil) was transferred from reserves to accumulated losses.
- Neither the Company nor any of its subsidiary companies 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, 2001 (2000 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

- Net cash inflow from operating activities during the period under review amounted to HK\$206.5 million. Net interest payment for the period amounted to HK\$193.1 million.
- As at 30th June, 2001, the Group's borrowings net of cash and bank balances amounted to HK\$9,051.7 million, as compared to HK\$9,072.8 million as at 31st December, 2000. Gearing ratio based on total assets of HK\$17,394.2 million (31st December, 2000 - HK\$17,758.2 million) was about 52% (31st December, 2000 - 51%).
- Information in relation to the maturity profile of the borrowings, the pledge of assets and the contingent liabilities of the Group as of 30th June, 2001 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2000 (the "2000 Annual Report"). During the period under review, the Group continued to adopt the same funding, treasury and remuneration policies as disclosed in the 2000 Annual Report. Detailed information in such aspects is contained in the Company's 2001 Interim Report.
- Further information relating to the Group's principal business operations and outlook is contained in the section headed "Review and Outlook" below.

REVIEW AND OUTLOOK

- For the six months ended 30th June, 2001, the Group incurred an unaudited consolidated net loss attributable to shareholders of HK\$258.2 million, as compared with a net loss of HK\$279.0 million in the corresponding period in 2000. The loss incurred was mainly attributable to the relatively high level of finance costs and the non-capitalisation of interest expenses related to the Group's joint venture interests in the Stanley project.
- As previously announced, the Group defaulted in the payment of the exchangeable bonds in February this year, which caused cross-default to the convertible bonds. Through its financial advisers, the Company is in active negotiations with the representatives of the bondholders, with a view to settling a consensual proposal for the settlement of the two outstanding bonds. On the other hand, the contemplated bilateral arrangements with the Group's other financial creditors have now mostly been agreed in principle or are being finalised.
- As an alternative initiative to resolving the Group's financial difficulties, the Company has engaged during the earlier few months in negotiations with an independent third party on possible disposal of its assets, including the Company's interests in Regal Hotels International Holdings Limited. However, due to various outstanding issues, such negotiations have not advanced. Brief information on these negotiations was disclosed in the Company's joint announcements published earlier.
- The property at 361 Shau Kei Wan Road, Shau Kei Wan was sold in June 2001, realising aggregate proceeds of HK\$100 million. To meet liquidity requirements, the Group will continue to dispose of various selected assets.
- Negotiations with the lenders on the resumption of draw down under the original construction facility for the luxury residential project at Wong Ma Kok Road, Stanley, in which the Company and Regal respectively owns a 40% interest and 30% interest, are at an advanced stage. It is hopeful that the requisite construction works could be recommenced shortly.
- Average rental rates for the Group's principal investment properties at Paliburg Plaza and Kowloon City Plaza in the first half year were comparatively lower than that in the last corresponding period, but average occupancy levels were still maintained at a relatively satisfactory level.
- For the six months ended 30th June, 2001, Regal incurred an unaudited consolidated net loss attributable to shareholders of HK\$167.9 million (2000 - HK\$99.2 million). As the interim results of Regal in 2000 included a profit of HK\$67.5 million derived from the disposal of an associate, the loss reported for the current period was comparatively higher than that of last year.
- Further information on the principal business operations of Regal, including its management discussion and analysis, is contained in its announcement separately released today.
- In the meantime, the Group's management is actively working towards an overall plan to stabilise the Group's financial position. If a consensual settlement proposal could be reached with the bondholders, other stabilising initiatives should be able to be worked out progressively.

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 20th September, 2001

A detailed interim results announcement containing all the information required by paragraphs 46(1) to 46(6) 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 submitted to the Stock Exchange for publication on its website on or before 28th September, 2001.