

## 2002 INTERIM ANNOUNCEMENT

### HALF YEAR RESULTS

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK\$'M	HK\$'M
<b>TURNOVER</b> (Note 2)	<b>696.4</b>	842.3
<b>Cost of sales</b>	<b>(497.3)</b>	(650.7)
<b>Gross profit</b>	<b>199.1</b>	191.6
<b>Other revenue</b> (Note 3)	<b>15.2</b>	119.6
<b>Administrative expenses</b>	<b>(68.8)</b>	(74.7)
<b>Other operating expenses, net</b> (Note 4)	<b>(103.7)</b>	(55.4)
<b>PROFIT FROM OPERATING ACTIVITIES</b> (Note 2)	<b>41.8</b>	181.1
<b>Finance costs</b> (Note 5)	<b>(283.6)</b>	(423.9)
<b>Share of profits less losses of:</b>		
Jointly controlled entity	—	(60.6)
Associates	2.4	(2.6)
<b>LOSS BEFORE TAX</b>	<b>(239.4)</b>	(306.0)
<b>Tax</b> (Note 6)	<b>(0.6)</b>	(1.8)
<b>LOSS BEFORE MINORITY INTERESTS</b>	<b>(240.0)</b>	(307.8)
<b>Minority interests</b>	<b>10.0</b>	49.6
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>(230.0)</b>	(258.2)
<b>Loss per share</b> (Note 8)		
<b>Basic</b>	<b>HK\$(0.10)</b>	HK\$(0.11)
<b>Diluted</b>	<b>N/A</b>	N/A

#### Notes:

- The interim financial statements for the six months ended 30th June, 2002 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, 2002 (the "2002 Interim Report") to be despatched to shareholders, and by the Audit Committee of the Company. Fundamental uncertainties in respect of the going concern basis upon which the interim financial statements have been prepared are set out in the 2002 Interim Report.

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

	Turnover		Contribution	
	Six months ended 30th June, 2002 (Unaudited) HK\$'M	2001 (Unaudited) HK\$'M	Six months ended 30th June, 2002 (Unaudited) HK\$'M	2001 (Unaudited) HK\$'M
By principal activity:				
Property development and investment	94.6	212.7	29.2	71.6
Property management	11.1	11.3	8.7	8.9
Construction and construction-related businesses	109.8	75.5	5.2	(0.2)
Hotel ownership and management	467.2	510.8	82.5	67.3
Other operations	13.7	32.0	(11.7)	(11.8)
	<b>696.4</b>	<b>842.3</b>	<b>113.9</b>	<b>135.8</b>
Unallocated income/(expenses), net			(72.1)	45.3
			<b>41.8</b>	<b>181.1</b>
By geographical location:				
Hong Kong	639.1	772.1	122.8	145.9
Canada	48.0	55.4	(1.2)	1.4
Others	9.3	14.8	(7.7)	(11.5)
	<b>696.4</b>	<b>842.3</b>	<b>113.9</b>	<b>135.8</b>
Unallocated income/(expenses), net			(72.1)	45.3
			<b>41.8</b>	<b>181.1</b>

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

	Six months ended 30th June, 2002 (Unaudited) HK\$'M	Six months ended 30th June, 2001 (Unaudited) HK\$'M
Gain/(Loss) on disposal of listed investments, net	(57.7)	43.2
Loss on disposal of unlisted investments	(1.6)	—
Loss on sale of properties	(30.6)	(0.3)

- Other revenue includes the following major items:

	Six months ended 30th June, 2002 (Unaudited) HK\$'M	Six months ended 30th June, 2001 (Unaudited) HK\$'M
Interest income	9.1	32.3
Profit on disposal of ordinary shares in the listed subsidiary company arising from exchange of exchangeable bonds	—	70.8

- Other operating expenses, net:

	Six months ended 30th June, 2002 (Unaudited) HK\$'M	Six months ended 30th June, 2001 (Unaudited) HK\$'M
Depreciation	28.0	29.0
Loss on disposal of long term listed investments	1.1	26.4
Loss on disposal of long term unlisted investments	1.6	—
Loss on disposal of ordinary shares in the listed subsidiary company	56.6	—
Loss on disposal of investment property	30.8	—
Write back of provision against other loan receivable	(14.2)	—
	<b>103.7</b>	<b>55.4</b>

- Included in the Group's finance costs is an amount of HK\$6.7 million (2001 - HK\$9.7 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% (2001 - 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.

- For the period under review, an amount of HK\$2.9 million (2001 - HK\$4.0 million) was transferred from reserves to accumulated losses.
  - The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$230.0 million (2001 - HK\$258.2 million) and on the weighted average of 2,318.5 million (2001 - 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, 2001 and 2002, as the exercise of share options and the conversion of bonds convertible into shares of the Company are anti-dilutive.
- 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.

### DIVIDEND

- The Directors have resolved not to declare the payment of an interim dividend for the financial year ending 31st December, 2002 (2001 - nil).

### MANAGEMENT DISCUSSION AND ANALYSIS

- Net cash inflow from operating activities during the period under review amounted to HK\$139.1 million (2001 - HK\$197.5 million). Net interest payment for the period amounted to HK\$190.1 million (2001 - HK\$193.1 million).
- As at 30th June, 2002, the Group's borrowings net of cash and bank balances amounted to HK\$9,062.1 million, as compared to HK\$9,202.4 million as at 31st December, 2001. Gearing ratio based on total assets of HK\$14,290.8 million (31st December, 2001 - HK\$14,589.3 million) was about 63% (31st December, 2001 - 63%).
- 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, 2002 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2001 (the "2001 Annual Report"). During the period under review, the Group continued to adopt the same funding, treasury and remuneration policies as disclosed in the 2001 Annual Report. Detailed information in such aspects is contained in the Company's 2002 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, 2002, the Group incurred an unaudited consolidated net loss attributable to shareholders of HK\$230.0 million, as compared with a net loss of HK\$258.2 million in the corresponding period in 2001.
- The loss incurred was mostly attributable to the continuing accrual of interest on the two outstanding Bonds of the Company, the sale of certain shares of Regal Hotels International Holdings Limited and the deemed disposal of shares in Regal due to the placement of new shares by Regal, and the disposal of Redhill Plaza during the period under review.
- With a view to improving its working capital position, the Group sold in June this year its investment property at Redhill Plaza in Tai Tam through a tender process at a consideration of HK\$169.9 million and a net loss of approximately HK\$30.6 million was incurred.
- As reported before, the Group had planned to dispose of the Crown Hill site located in the central city west area of Los Angeles. In July this year, the Group was formally notified by the Los Angeles Unified School District that it has instituted proceedings to compulsorily acquire the Crown Hill site for public education purposes at a just compensation to be ascertained. The Unified School District has deposited with the court its initially determined probable compensation of US\$10 million which the Group, as the owner of the site, has the right to dispute and object. The Group has retained legal advisers and professional valuers to object the probable compensation determined by the Unified School District and the issue is expected to be adjudicated by the US courts towards the end of this year. The proceeds anticipated to be received by the Group from the ultimate disposal of this site would help to further reduce the Group's indebtedness under the remaining bilateral banking facilities.
- At the special general meeting of the Company held on 18th September, 2002, the Stanley Transfer involving the sale of Paliburg's 40% interest in the Stanley Project to Regal and the Settlement Proposal in respect of the Exchangeable Bonds and the Convertible Bonds were respectively approved by the independent shareholders and shareholders of the Company. As regarding the resolutions on the Paliburg Acquisition and the Paliburg Capital Reorganisation, a poll has been demanded and will be taken on 2nd October, 2002. Details of these proposals were set out in the circular to shareholders dated 26th August, 2002.
- Completion of the Stanley Transfer is subject to the satisfaction of other conditions including relevant bank consents and the listing approval on the new consideration shares of Regal falling to be issued, while the Settlement Proposal is subject to certain other conditions including the approval by the Bondholders at the Bondholders' meetings to be held on 27th September, 2002 and the completion of the Stanley Transfer.
- If the Stanley Transfer is completed, which shall be no later than 31st October, 2002 unless the parties otherwise agree, Paliburg will receive from Regal approximately 1,958.3 million new shares as consideration and the shareholding of Paliburg in Regal will increase from 69.3% presently to 79.4%, assuming there are no other changes in the share capital of Regal.
- The Settlement Proposal was aimed at settling the indebtedness under the two outstanding Bonds in full. If the Settlement Proposal is implemented, Paliburg would transfer, effectively for the benefit of the Bondholders, the entire equity interests in the wholly owned subsidiaries that indirectly hold the entire interests (subject to the mortgages securing the securitisation loan) in Paliburg Plaza and Kowloon City Plaza, and 1,896.5 million ordinary shares of Regal, out of the consideration shares to be received under the Stanley Transfer, to be released in phases within 21 months except in certain stated circumstances. After the full release of these Regal ordinary shares, if there are otherwise no changes in the share capital of Regal, Paliburg will continue to maintain an effective controlling interest of about 47.7% in Regal.
- For the six months ended 30th June, 2002, Regal reported an unaudited consolidated net loss attributable to shareholders of HK\$25.5 million, as compared with the net loss of HK\$167.9 million recorded for the same period in 2001.
- Further information on the principal business operations of Regal, including its management discussion and analysis, is contained in its announcement separately released today.
- Based on the unaudited consolidated accounts of Paliburg as at 30th June, 2002, Paliburg's indebtedness will be significantly reduced by approximately HK\$4,968.0 million (including approximately HK\$3,751.0 million in relation to the Bonds and approximately HK\$1,217 million in relation to the securitisation loan) and an estimated accounting profit of approximately HK\$3,000 million will be recorded as a result of the implementation of the Settlement Proposal.
- The elimination of these indebtedness will significantly reduce Paliburg's future interest cost burden which may, in due course, be further lessened when the sale of Crown Hill site is finalised.
- Though the Group will inevitably become leaner due to the transfer of some of its major assets, these restructuring proposals are extremely crucial for the Company to emerge from the difficult environment encountered during the past few years.

By Order of the Board  
**LO YUK SUI**  
Chairman

Hong Kong, 23rd September, 2002

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 30th September, 2002.