

ANNOUNCEMENT OF 2003 GROUP RESULTS

	Year ended 31st Dec., 2003	Year ended 31st Dec., 2002 (Restated)
	HK\$'M	HK\$'M
TURNOVER (Note 2)	877.4	1,369.9
Cost of sales	(624.1)	(969.1)
Gross profit	253.3	400.8
Other revenue (Note 4)	32.3	33.4
Gain on settlement of exchangeable bonds and convertible bonds	—	3,065.9
Administrative expenses	(79.6)	(112.3)
Other operating expenses (Note 5)	(105.5)	(260.7)
Write-back of provisions/(Provisions) for write-downs and impairments, net (Note 6)	310.1	(659.1)
Impairment of an overseas hotel property attributable to discontinued operation	—	(437.0)
Write-back of impairment/(Impairment) of hotel properties	11.4	(181.9)
Loss on disposal of overseas subsidiary companies attributable to discontinued operation	(9.7)	—
PROFIT FROM OPERATING ACTIVITIES (Note 2)	412.3	1,849.1
Finance costs (Note 8)	(166.9)	(500.9)
Share of profits less losses of:		
Jointly controlled entity	206.6	—
Associates	(2.8)	(14.9)
PROFIT BEFORE TAX	449.2	1,333.3
Tax (Note 9)	63.2	(3.9)
PROFIT BEFORE MINORITY INTERESTS	512.4	1,329.4
Minority interests	(124.8)	374.7
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	387.6	1,704.1
Earnings per ordinary share (Note 10)		
Basic	HK\$0.12	HK\$0.74
Diluted	HK\$0.06	N/A
Net asset value per ordinary share as at year end date	HK\$0.53	HK\$0.74

Notes:

- ADOPTION OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") AND RELATED INTERPRETATION
SSAP 12 (Revised) "Income taxes", Interpretation 18 "Consolidation and equity method — potential voting rights and allocation of ownership interests" and Interpretation 20 "Income taxes — Recovery of revalued non-depreciable assets" have been adopted for the first time in the preparation of the current year's consolidated financial statements.
The revised SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current year (current tax); and income taxes payable or recoverable in future years, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).
The principal impact of the revision of this SSAP is that deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future. In addition, deferred tax assets have been recognised for tax losses arising in the current/prior years to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.
Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its hotel properties and investment properties in the deferred tax calculated under SSAP12.
The change in accounting policy has been applied retrospectively. Thus, comparative amounts for 2002 have been restated accordingly. The opening accumulated losses at 1st January, 2002 and 2003 have been increased by approximately HK\$131.4 million and HK\$48.9 million, respectively, which represented the cumulative effect of the change in accounting policy. Tax expense for the year ended 31st December, 2002 was increased by approximately HK\$4.9 million.
Interpretation 18 prescribes the existence and effect of potential voting rights that are presently exercisable or presently convertible which should be considered when assessing whether an enterprise controls or significantly influences another enterprise. The principal impact of this Interpretation on these financial statements is that an associate which was previously accounted for in the consolidated balance sheet under the equity method of accounting is now consolidated in the Group's financial statements as a subsidiary company.

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- the property development and investment segment comprises the development and sale of properties and the leasing of office and commercial premises;
- the construction and building related segment is engaged in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and other software development and distribution;
- the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;
- the brewery operations segment represents the Group's brewery operations in Mainland China; and
- the others segment mainly comprise the Group's securities trading, laundry services and restaurant operations.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following table presents revenue and profit/(loss) information for the Group's business segments.

Group	Property development and investment		Construction and building related businesses		Hotel ownership and management		Brewery operations		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Segment revenue:														
Sales to external customers	12.2	155.6	90.3	225.9	747.2	964.7	24.8	17.3	2.9	6.4	—	—	877.4	1,369.9
Intersegment sales	0.7	15.4	21.1	5.8	—	0.4	—	—	—	12.5	(21.8)	(34.1)	—	—
Total	12.9	171.0	111.4	231.7	747.2	965.1	24.8	17.3	2.9	18.9	(21.8)	(34.1)	877.4	1,369.9
Segment results	55.5	(66.4)	21.1	22.1	415.1	(941.5)	(3.0)	(16.4)	3.8	(1.8)	—	(5.1)	492.5	(1,009.1)
Interest income and unallocated non-operating and corporate gains													9.4	3,090.7*
Unallocated non-operating and corporate expenses, net													(89.6)	(232.5)*
Profit from operating activities													412.3	1,849.1
Finance costs													(166.9)	(500.9)
Share of profits less losses of:														
Jointly controlled entity	206.6	—	—	—	—	—	—	—	—	—	—	—	206.6	—
Associates	—	—	—	—	(0.1)	(0.7)	—	—	—	(2.7)	(14.2)	—	(2.8)	(14.9)
Profit before tax													449.2	1,333.3
Tax													63.2	(3.9)
Profit before minority interests													512.4	1,329.4
Minority interests													(124.8)	374.7
Net profit from ordinary activities attributable to shareholders													387.6	1,704.1

* Inclusive of a gain of HK\$3,065.9 million (as restated) on the settlement of exchangeable bonds and convertible bonds.

* Inclusive of a write-back of provision against a loan receivable amounting to HK\$14.2 million (Note 6).

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

Group	Hong Kong		Canada		Mainland China		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Segment revenue:										
Sales to external customers	820.2	1,263.5	32.2	88.6	25.0	17.8	—	—	877.4	1,369.9

3. DISCONTINUED OPERATION

The turnover, expenses and results attributable to discontinued operation in respect of the Regal group's hotel operation in Canada for the year ended 31st December, 2002 and for the period from 1st January, 2003 to 25th June, 2003 (date of completion of disposal of Canadian hotel operation) are as follows:

	2003 HK\$'M	2002 HK\$'M
TURNOVER	32.2	88.6
Cost of sales	(37.3)	(87.4)
Gross profit/(loss)	(5.1)	1.2
Administrative expenses	(1.9)	(3.5)
Other operating expenses	(1.1)	(2.3)
LOSS FROM OPERATING ACTIVITIES	(6.1)	(4.6)
Finance costs	(4.2)	(6.4)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(12.3)	(11.0)

4. Other revenue include the following major items:

	2003 HK\$'M	2002 HK\$'M
Interest income	8.3	15.8
Gain on disposal of an associate	—	6.5
Dividend income	—	0.7

5. Other operating expenses include the following major items:

	2003 HK\$'M	2002 HK\$'M (Restated)
Depreciation	40.8	50.9
Amortisation of goodwill	14.3	—
Loss on disposal of ordinary shares in the listed subsidiary company	—	53.7
Loss on deemed disposal of the Group's interest in the listed subsidiary company	39.4	—
Loss on disposal of an investment property	—	30.6
Loss on disposal of long term unlisted investments (after a transfer from the revaluation reserve of a deficit of HK\$1.2 million)	—	95.0
Loss on disposal of long term listed investments (after a transfer from the revaluation reserve of a deficit of HK\$0.4 million (2002 - HK\$1.1 million))	1.2	1.1

6. Write-back of provisions/(Provisions) for write-downs and impairments, net, represent the following items:

	2003 HK\$'M	2002 HK\$'M (Restated)
Write back/(Write-down) in values of properties	44.0	(67.4)
Impairment of long term investments	—	(62.0)
Impairment of long term investments previously eliminated against long term investment revaluation reserve	—	(15.0)
Write-back of deficit/(Deficit) on revaluation of hotel properties	266.1	(528.9)
Write-back of provision against a loan receivable	—	14.2
	310.1	(659.1)

7. An analysis of loss on sale of investments or properties of the Group is as follows:

	2003 HK\$'M	2002 HK\$'M (Restated)
Loss on disposal of listed investments	1.2	54.8
Loss on sale of properties	—	30.6

8. Included in the Group's finance costs is an amount of HK\$5.7 million (2002 - HK\$12.3 million) representing the amortisation of loan costs.

9. The tax charge/(credit) for the year arose as follows:

	2003 HK\$'M	2002 HK\$'M (Restated)
Group:		
Current tax income	(15.1)	(1.1)
Deferred tax expenses/(income)	(48.2)	4.9
Associate	0.1	0.1
Total tax charge/(credit) for the year	(63.2)	3.9

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2002 - 16%) to the estimated assessable profits of the Group and an associate, which were earned in or derived from Hong Kong during the year.

Taxes on the profits of subsidiary companies operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

No provision for tax is required for the jointly controlled entity as no assessable profits were earned by the jointly controlled entity during the year (2002 - nil).

10. The calculation of basic earnings per ordinary share is based on the net profit from ordinary activities attributable to ordinary shareholders for the year of HK\$387.6 million (2002 - HK\$1,704.1 million, as restated) and on the weighted average of 3,270.8 million (2002 - 2,316.5 million) shares of the Company in issue during the year.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2003 is based on the adjusted net profit from ordinary activities attributable to ordinary shareholders for the year of HK\$337.8 million and on the adjusted weighted average of 5,791.6 million ordinary shares of the Company that would have been in issue during the year assuming (i) all outstanding convertible preference shares and convertible bonds (including optional convertible bonds) of Regal were converted into ordinary shares of Regal at the beginning of the year; and (ii) all the 3,450.0 million convertible preference shares of the Company were converted into the same number of ordinary shares of the Company, at the beginning of the year.

The exercise prices of share options of the Company and Regal outstanding during the year are higher than the average market prices of the respective ordinary shares of the Company and Regal and, accordingly, they have no dilutive effect on the basic earnings per share.

No diluted earnings/(loss) per ordinary share was presented for year ended 31st December, 2002 as there were no dilutive events for that year.

11. In the prior year, an amount of HK\$1,956.3 million was transferred from reserves to offset against accumulated losses.

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

SUMMARY OF AUDITORS' REPORT

Fundamental uncertainty

Investments in two investee companies

The Auditors, in forming their opinion, have considered the adequacy of the disclosures made in the financial statements for the year ended 31st December, 2003 concerning the outcome of the negotiations with the relevant government authorities in the People's Republic of China in respect of the resumption in 2000 of a land site beneficially and collectively held by two investee companies (the "Investee Companies"). The carrying value of the Group's investments in the Investee Companies amounted to HK\$56.9 million (2002 - HK\$56.9 million) as at 31st December, 2003 which is included in long term investments under non-current assets. The Directors are not able to determine with reasonable certainty the ultimate outcome of the negotiations with respect to the grant of the land use rights and the resolution of certain other outstanding issues with the other parties involved in the Investee Companies. Should the Investee Companies fail to secure ultimately the title to the land site or the Group's proposed disposal of its investments in the Investee Companies fail to materialise, appropriate adjustment against the carrying value of the Group's investments in the Investee Companies might be required. The Auditors consider that appropriate disclosures have been made and their opinion is not qualified in this respect.

DIVIDEND

The Directors have resolved not to recommend the payment of a final dividend to holders of ordinary shares for the year ended 31st December, 2003 (2002 - nil). No interim dividend was paid to ordinary shareholders for the year ended 31st December, 2003 (2002 - nil).

According to the terms of the convertible preference shares of the Company, the holders of the convertible preference shares are not entitled to any right of participation in the profits of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

- Net cash inflow from operating activities during the year under review amounted to HK\$247.8 million (2002 - HK\$281.3 million). Net interest payment for the year amounted to HK\$136.3 million (2002 - HK\$305.1 million).
- As at 31st December, 2003, the Group's gross borrowings net of cash and bank balances amounted to HK\$4,459.7 million, as compared to HK\$5,190.2 million in 2002. Gearing ratio based on the total assets of HK\$9,825.6 million (2002 - HK\$9,647.6 million) was 45.4% (2002 - 53.8%). The Group expects that the surplus cash proceeds to be realised from the Regalia Bay project will further reduce the Group's borrowings significantly and hence its gearing level.
- As the majority part of the Group's borrowings is denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest determined with reference to Interbank Offered Rates, the use of hedging instruments for currency or interest rates purposes is not considered to be necessary.
- Information in relation to the maturity profile of the borrowings, the pledge of assets and the contingent liabilities of the Group as of 31st December, 2003 is disclosed in the annual report of the Company for the year ended 31st December, 2003 (the "2003 Annual Report"), which will be despatched to the shareholders on or before 30th April, 2004. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the Company's 2003 Interim Report for the six months ended 30th June, 2003. Detailed information in such aspects is contained in the 2003 Annual Report.
- As previously reported in the 2003 Interim Report, in June 2003, following the default by a third party purchaser in the closing of a sale and purchase agreement dated 3rd September, 2002 for the disposal of the Group's 100% interest in a subsidiary company owning the Regal Constellation Hotel in Canada, the Group divested of its 100% shareholding interest in the immediate holding company of such subsidiary company to another third party purchaser for a nominal consideration, with sharing arrangements on any recovery from the defaulted purchaser. As the principal repayment obligation under the bank loan originally secured on the Regal Constellation Hotel was without recourse to the Group, such bank loan in the principal sum of approximately HK\$195.8 million has been taken off the consolidated balance sheet of the Group as at 30th June, 2003. A loss on disposal of the Group's investments in relation to the Regal Constellation Hotel has been fully accounted for in the results under review. Details of the transaction were disclosed in an announcement of the Company dated 7th July, 2003.
- On 29th August, 2003, the Group entered into a sale and purchase agreement (the "SP Agreement") for the disposal of its 100% interest in a subsidiary company which indirectly owns the Regal Oriental Hotel. Subsequently, on 30th March, 2004, the parties to the SP Agreement entered into a supplemental agreement to the SP Agreement to extend the completion date of the SP Agreement to 30th June, 2004 and to reinstate the termination option (in a revised form) to the Group to terminate the agreement. Details of the SP Agreement and the supplemental agreement were disclosed in two announcements of the Company dated 4th September, 2003 and 31st March, 2004, respectively.
- Save as otherwise disclosed in this Announcement, the Group has no immediate plans for material investments or capital assets.
- The Group's significant investments constitute primarily its ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of these hotels during the year under review, their future prospects as well as the commentary on the local hotel industry, changes in general market conditions and their potential impact on the operating performance of these hotels together with the progress and prospects on the Regalia Bay development are contained in the sections headed "Operating Highlights" and "Outlook" below, respectively.

OPERATING HIGHLIGHTS

- For the year ended 31st December, 2003, the Group achieved an audited consolidated net profit attributable to shareholders of HK\$387.6 million, as compared with the net profit of HK\$1,704.1 million (as restated) for the 2002 financial year.
- The profit attained in the preceding financial year primarily arose from the net gain recorded under the Settlement Proposal in respect of the then outstanding Exchangeable Bonds and Convertible Bonds of the Company implemented in October 2002.
- The Group has completed in 2002 most of the planned financial and corporate restructuring exercises. Full details of the restructurings undertaken were already contained in the 2002 Annual Report despatched to shareholders in April 2003.
- In October 2003, the Company undertook a placement and new subscription of 150.0 million ordinary shares of the Company, raising net proceeds of approximately HK\$16.6 million for its general working capital. The Group may consider other proposals for the further expansion of its capital base in conjunction with the Group's business development plans.
- As it has always been the intention of the Group to maintain an effective controlling interest in Regal, the Group acquired from an independent third party in January and February of 2004 convertible bonds of Regal in an aggregate principal amount of HK\$28.0 million. The Group has subsequently converted these acquired convertible bonds into 583.3 million new ordinary shares of Regal. Presently, the Group holds an aggregate of 4,866.2 million ordinary shares in Regal, representing approximately 59.8% of the existing issued ordinary share capital of Regal. Even if the 1,212.3 million shares remaining to be delivered to the bondholders are excluded, the Group's beneficial shareholding interest in Regal is now still being maintained at approximately 45.0%.

PROPERTIES

Hong Kong

- The Group has a 30% interest in the joint venture for the development of Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East. The Town Planning Board has formally approved the rezoning of the subject site at a review hearing in January 2004. The proposed development entails primarily residential accommodation having gross floor area of about 900,000 square feet with certain ancillary retail recreational and car parking facilities. Formal application for lease modification has also been submitted.
- The occupation permit and the certificate of compliance for the residential project named Rainbow Lodge at Lot No. 1736 in D.D. 122, Ping Shan Lane, Tong Yan Sun Tsuen, Yuen Long, New Territories have respectively been issued in October 2003 and January 2004. The project comprises 16 duplex units with total gross area of about 30,800 square feet with ancillary car parking facilities. The sale programme has been launched recently and profit contribution from this project is anticipated.
- The Group still owns in the commercial building at 211 Johnston Road in Wanchai for rental purposes, all the office floors with total gross area of about 60,900 square feet and certain ground floor shops with total gross area of about 2,200 square feet. The Group is considering the sale of these properties, either en bloc or in separate units, due to the improved demand for office and commercial premises.
- To fit in with the government's objective of developing the region into a large scale water sports and spa center, the Group is formulating a revised proposal for a comprehensive resort development centering on the various lots in Demarcation District No. 251, Sharp Island, Sai Kung owned by the Group. Due to many planning aspects involved, the progress on the formulation of the revised proposal has been relatively gradual.

The People's Republic of China

- As reported in the Interim Report for 2003, the Group has entered into a new agreement for the effective sale of the Group's entire equity interest in the joint venture for the development site at Gong Ren Ti Yu Chang Street East, Chao Yang District, Beijing for a gross consideration of about HK\$181.9 million. Though certain deposits and part payments have been received from the purchaser, the purchaser has failed to comply with the stipulated schedule for the full settlement of the consideration payable under the agreement. While the Group is legally retaining the equity interest owned in this joint venture project, the Group is actively negotiating with the purchaser regarding the remedy of its default.
- The development plan for the site at Chao Yang Men Wai Da Jie, Chao Yan District, Beijing has recently been approved by the Beijing Municipal Commission of Urban Planning in December 2003 and further negotiations are being conducted with the relevant local government authorities for the formal vesting of the requisite land title. In the meantime, while active negotiations are continuing with the other parties involved in the joint venture with a view to resolving outstanding issues and disputes, the Group is holding sale negotiations with prospective investors at an indicative price which is substantially higher than the written down carrying value of the Group's investment in this project. It is the intention of the Group will sell its interest in this project if the final offered terms are considered to be favourable.

United States Of America

- As formerly reported, a formal settlement has been reached with the Unified School District for the determination of the final compensation for its compulsory acquisition of the Crown Hill site in Los Angeles previously owned by the Group at approximately US\$13.9 million. The compensation money has since been received by the Group, most of which was applied for repayment of the Group's borrowings. A write-back of the provision previously made has been reflected in the results for the year under review.

CONSTRUCTION AND BUILDING

RELATED BUSINESSES

- Construction businesses of the Group are undertaken through Chatwin Engineering Limited, the Group's wholly owned construction arm. Due to the overall contraction in the local construction industry, Chatwin has for the time being directed its focus, for the securing of new contracts, on interior fitting out works as well as minor building works, pending the recovery of the local construction industry. Though these works are normally of smaller contract size, the profit margins are relatively more lucrative than those available under construction contracts. Chatwin will continue to actively seek new opportunities for the possible expansion and diversification of its existing businesses.
- As mentioned in the 2002 Annual Report, the Group has acquired, through the Paliburg Acquisition completed in December 2002, a 50% interest in the Leading Technology group. The Leading Technology group is principally engaged in the design, development, integration and distribution of innovative and technologically advanced security and building related systems, software and products. In 2003, the Leading Technology group has commercialized and launched a second generation version of its fingerprint access control system and, at the same time, has successfully developed and launched a property management system for hotels. While the Leading Technology group will continue to expand, develop and refine the commercial application of its own designed products, it is also considering to diversify into other manufacturers' products customised and marketed under its own brand name and to be undertaken in conjunction with the planned expansion of its sales and marketing network both locally and in the PRC market. Though still in its early stage of development, the Leading Technology group has attained for the year under review positive EBITDA on its business operations.
- In January 2004, the Group exercised the LTH Option to acquire the remaining 50% interest in the Leading Technology group at a nominal consideration pursuant to the provisions of the Paliburg Acquisition Agreement, and the Leading Technology group has since then become a wholly owned subsidiary of the Group.
- The Group also operates a comprehensive range of other building related businesses including development consultancy with architectural, engineering and interior design services, project management, building services and estate management.
- With a view to achieving improved operational efficiency and the better use of available resources, the Group is in the course of setting up a separate division that will amalgamate the Group's building construction and other building related businesses with those undertaken by the Leading Technology group, all of which are complimentary in nature. This will enable the provision under one sub-group of a full range of services encompassing building construction, other building related services as well as security and building related systems, software and products, integrating conventional technologies with modern and technologically advanced applications and systems. To facilitate the further expansion and diversification of these businesses, the Group is currently considering the possibility of seeking a separate listing for this sub-group.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

- Regal achieved a turnaround in the financial year ended 31st December, 2003 and recorded an audited consolidated net profit attributable to its shareholders of HK\$207.8 million (2002 – net loss of HK\$780.8 million (as restated)), having sustained operating losses for five years since 1998.
- Further information on the operations of Regal, including management discussion and analysis, is contained in Regal's announcement separately released today.

OUTLOOK

- Business operations at the five Regal Hotels in Hong Kong for the first quarter of 2004 were very encouraging, with total gross operating profits having surpassed what were attained in the first quarter of 2003 by more than 50%. Based on the current forecast and barring any unforeseen circumstances, the operating results for the Regal Hotels in Hong Kong for 2004 are anticipated to fare far better than those attained in the year under review.
- The Regal group expects that, on further sale of the remaining houses in Regalia Bay, there will be significant cash flows attributable to the Regal group starting from the latter part of 2004, which will help to greatly strengthen its overall financial and liquidity position. The Regal group is presently exploring alternative proposals for a further rescheduling and/or refinancing of its outstanding bank loans, with a view to preserving its hotel assets in Hong Kong and to providing the Regal group with added flexibility in its forward business planning.
- Given the anticipated enhancement in the operating results of the Regal Hotels in Hong Kong and the significant profit contribution expected from the Regalia Bay development, the overall results of the Regal group for the financial year ending 31st December, 2004 should be even more promising.
- To capitalise on Regal's established brand name, business network and operational and management expertise, the Regal group is actively looking to expand its presence in the PRC through management contracts and, if circumstances are considered to be appropriate, with equity participation.
- On the whole, the general economic conditions in Hong Kong have been gradually recovering since the second half of 2003. Moreover, the continuing relaxation of the individual traveling by PRC residents, the coming into effect of the Closer Economic Partnership Arrangement with Mainland China, as well as the scheduled opening of the Disney World and the new International Exhibition Center at the Hong Kong International Airport at Chek Lap Kok in 2005 are all conducive to the creation of a favourable economic and business environment for Hong Kong. As the overall financial stability of the Regal group is optimistic on the prospects of its continuing business revival and sustained growth.
- Having completed the series of comprehensive corporate and financial restructurings in 2002, the Group has fully recuperated from the financial difficulties encountered in the previous years. The indebtedness gearing of the Paliburg Group itself is now at a very low level. Capitalising on the Group's vast experience and expertise on the development of real estate projects, particularly the design and construction of quality buildings within defined budgets, the Group is well poised to undertake new investments that may serve to expand or complement its existing business base, in Hong Kong as well as the PRC.
- The Group believes that the profitable results achieved for the year under review should only mark the beginning of a new phase for its recovery and the Group is committed to a proactive and yet prudent plan for its restated growth in the years ahead.

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 15th April, 2004

As at the date of this announcement, the Board of Directors of the Company comprises Mr. LO Yuk Sui (Chairman and Managing Director), Mr. Donald FAN Tung, Mrs. Kitty LO LEE Kit Tai (Non-Executive Director), Mr. Jimmy LO Chun To, Mr. Kenneth NG Kwai Kai, Mr. NG Siu Chan (Independent Non-Executive Director), Hon Abraham SHEK Lai Him, JP (Independent Non-Executive Director) and Dr. Alex WU Shu Chih, CBE, LL D, FBIM FIOF, F Inst D, JP (Independent Non-Executive Director).

A detailed results announcement containing all the relevant information as required by 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 April, 2004.