

2004 INTERIM ANNOUNCEMENT

HALF YEAR RESULTS

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
TURNOVER (Note 2)	570.2	395.9
Cost of sales	(352.0)	(323.0)
Gross profit	218.2	72.9
Other revenue (Note 4)	3.2	4.3
Administrative expenses	(34.5)	(42.8)
Other operating expenses (Note 5)	(71.4)	(40.9)
Loss on disposal of overseas subsidiary companies	—	(9.7)
Write-back of impairment of properties	—	39.6
Write-back of impairment of a hotel property	165.8	—
PROFIT FROM OPERATING ACTIVITIES (Note 2)	281.3	23.4
Finance costs (Note 7)	(47.4)	(94.1)
Share of profits less losses of:		
Jointly controlled entity	59.3	(0.1)
Associates	(7.1)	(1.7)
PROFIT/(LOSS) BEFORE TAX	286.1	(72.5)
Tax (Note 8)	(2.8)	48.9
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	283.3	(23.6)
Minority interests	(155.8)	39.4
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	127.5	15.8
Earnings/(Loss) per ordinary share (Note 9)		
Basic	HK\$0.028	HK\$0.006
Diluted	HK\$0.021	HK\$(0.006)

Notes:

- The interim financial statements for the six months ended 30th June, 2004 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, 2004 (the "2004 Interim Report") to be despatched to shareholders, and by the Audit Committee of the Company.
- 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, the leasing of office and commercial premises and the provision of estate agency services;
 - 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 comprises the Group's securities trading, laundry services and bakery 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.
 - 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	
	Six months ended 30th June, 2004		Six months ended 30th June, 2003		Six months ended 30th June, 2004		Six months ended 30th June, 2003		Six months ended 30th June, 2004		Six months ended 30th June, 2003		Six months ended 30th June, 2004	
	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M
Segment revenue:														
Sales to external customers	32.6	6.0	55.5	47.3	454.3	323.0	26.1	17.6	1.7	2.0	—	—	570.2	395.9
Intersegment sales	0.5	0.5	21.2	9.8	1.2	0.1	—	—	4.9	4.1	(27.8)	(14.5)	—	—
Total	33.1	6.5	76.7	57.1	455.5	323.1	26.1	17.6	6.6	6.1	(27.8)	(14.5)	570.2	395.9
Segment results	12.6	39.2	(0.9)	16.1	289.2	8.0	(0.1)	(3.9)	(1.5)	1.3	—	—	299.3	60.7
Interest income and unallocated non-operating and corporate gains	—	—	—	—	—	—	—	—	—	—	—	—	1.7	2.9
Unallocated non-operating and corporate expenses	—	—	—	—	—	—	—	—	—	—	—	—	(19.7)	(40.2)
Profit from operating activities	—	—	—	—	—	—	—	—	—	—	—	—	281.3	23.4
Finance costs	—	—	—	—	—	—	—	—	—	—	—	—	(47.4)	(94.1)
Share of profits less losses of:														
Jointly controlled entity	59.3	(0.1)	—	—	(0.2)	(0.5)	—	—	(6.9)	(1.2)	—	—	59.3	(0.1)
Associates	—	—	—	—	—	—	—	—	—	—	—	—	(7.1)	(1.7)
Profit/(Loss) before tax	—	—	—	—	—	—	—	—	—	—	—	—	286.1	(72.5)
Tax	—	—	—	—	—	—	—	—	—	—	—	—	(2.8)	48.9
Profit/(Loss) before minority interests	—	—	—	—	—	—	—	—	—	—	—	—	283.3	(23.6)
Minority interests	—	—	—	—	—	—	—	—	—	—	—	—	(155.8)	39.4
Net profit from ordinary activities attributable to shareholders	—	—	—	—	—	—	—	—	—	—	—	—	127.5	15.8
 - Geographical segments**
The following table presents revenue information for the Group's geographical segments.
Group

	Hong Kong		Mainland China		Canada		Eliminations		Consolidated		
	Six months ended 30th June, 2004		Six months ended 30th June, 2003		Six months ended 30th June, 2004		Six months ended 30th June, 2003		Six months ended 30th June, 2004		
	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	
Segment revenue:											
Sales to external customers	543.9	346.0	26.3	17.7	—	—	32.2	—	—	570.2	395.9

- DISCONTINUED OPERATION**
The turnover, expenses and results attributable to discontinued operation in respect of the Regal group's previous hotel operation in Canada for the period from 1st January, 2003 to 25th June, 2003 (date of completion of disposal of the Canadian hotel operation) were as follows:

	Six months ended 30th June, 2004 (Unaudited) HK\$'M
TURNOVER	32.2
Cost of sales	(37.3)
Gross loss	(5.1)
Administrative expenses	(1.9)
Other operating expenses	(1.1)
LOSS FROM OPERATING ACTIVITIES	(8.1)
Finance costs	(4.2)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(12.3)

	Six months ended 30th June, 2004 (Unaudited) HK\$'M	Six months ended 30th June, 2003 (Unaudited) HK\$'M
Interest income	1.6	3.4

- Other operating expenses include the following major items:

	Six months ended 30th June, 2004 (Unaudited) HK\$'M	Six months ended 30th June, 2003 (Unaudited) HK\$'M
Depreciation	20.2	21.5
Amortisation of goodwill	6.3	7.2
Loss on deemed disposal of the Group's interest in the listed subsidiary company	—	4.6
Termination fee in respect of cancellation of the disposal of a hotel property	39.0	—

	Six months ended 30th June, 2004 (Unaudited) HK\$'M	Six months ended 30th June, 2003 (Unaudited) HK\$'M
Profit on disposal of listed investments	0.1	—
Profit on sale of properties	8.9	—

- Included in the Group's finance costs is an amount of HK\$5.1 million (2003 - HK\$3.5 million) representing the amortisation of loan costs.

- The tax charge/(credit) for the period arose as follows:

	Six months ended 30th June, 2004 (Unaudited) HK\$'M	Six months ended 30th June, 2003 (Unaudited) HK\$'M
Group:		
Provision for tax in respect of profits for the period:		
Hong Kong	1.8	1.4
Overseas	0.1	0.1
Deferred tax expenses/(income)	0.9	(50.4)
Tax charge/(credit) for the period	2.8	(48.9)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2003 - 17.5%) 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 legislation, 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 (2003 - nil).

Deferred tax expenses/(income) have been calculated by applying the rate that is expected to apply in the period when the asset is realised or the liability is settled.

- The calculation of basic earnings per ordinary share is based on the net profit from ordinary activities attributable to ordinary shareholders for the period of HK\$127.5 million (2003 - HK\$15.8 million) and on the weighted average of 4,568.5 million (2003 - 2,792.8 million) ordinary shares of the Company in issue during the period.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2004 is based on the adjusted net profit from ordinary activities attributable to ordinary shareholders for the period of HK\$127.2 million as adjusted for the deemed changes in the Group's interest in the listed subsidiary company and on the adjusted weighted average of 6,129.9 million ordinary shares of the Company that would have been in issue during the period assuming (i) all outstanding convertible preference shares and optional convertible bonds of the Regal group were converted into ordinary shares of Regal Hotels International Holdings Limited at the beginning of the period; and (ii) all the 1,990.0 million convertible preference shares of the Company were converted into the same number of ordinary shares of the Company at the beginning of the period. The exercise prices of share options of the Company and Regal outstanding during the period 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 ordinary share.

The calculation of diluted loss per ordinary share for the period ended 30th June, 2003 was based on the adjusted net loss from ordinary activities attributable to ordinary shareholders for the prior period of HK\$33.4 million as adjusted for the deemed changes in the Group's interest in the listed subsidiary company and on the adjusted weighted average of 5,768.5 million ordinary shares of the Company that would have been in issue during the prior period assuming (i) all outstanding convertible preference shares and convertible bonds (including optional convertible bonds) of the Regal group were converted into ordinary shares of Regal at the beginning of the prior period; 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 prior period. The exercise of share options of the Company and Regal were anti-dilutive.

- Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2004.

DIVIDEND

- The Directors have resolved not to declare the payment of any interim dividend for the financial year ending 31st December, 2004 (2003 - nil).
- According to the terms of the convertible preference shares of the Company, the holders of the convertible preference shares shall not be entitled to any right of participation in the profits of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

- Net cash inflow from operating activities during the period under review amounted to HK\$135.9 million (2003 - HK\$57.8 million). Net interest payment for the period amounted to HK\$51.1 million (2003 - HK\$53.7 million).
- As at 30th June, 2004, the Group's gross borrowings net of cash and bank balances amounted to HK\$4,407.4 million, as compared to HK\$4,459.7 million as at 31st December, 2003. Gearing ratio based on total assets of HK\$10,044.0 million (31st December, 2003 - HK\$9,825.6 million) was 43.9% (31st December, 2003 - 45.4%).
- 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 30th June, 2004 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2003 (the "2003 Annual Report"). During the period under review, the Company continued to adopt the similar funding, treasury and remuneration policies as disclosed in the 2003 Annual Report. Detailed information in such aspects is contained in the Company's 2004 Interim Report.
- On 3rd June, 2004, the Regal group exercised the option granted by the relevant purchaser to terminate the sale and purchase agreement dated 29th August, 2003 (as supplemented by the supplemental agreement dated 30th March, 2004) (the "SP Agreement") for the disposal of its 100% interest in a subsidiary company which indirectly owns the Regal Oriental Hotel. The termination became effective on 24th June, 2004 and the Regal group has returned the HK\$30.0 million deposit and all interest earned thereon to the purchaser in accordance with the terms of the SP Agreement. A termination fee of HK\$39.0 million was paid to the purchaser pursuant to the terms of the SP Agreement, which was satisfied by the issue of 195.0 million new ordinary shares of Regal to the purchaser at an issue price of HK\$0.2 each, as agreed between the parties to the SP Agreement, on 12th July, 2004. Details of the termination of the SP Agreement were disclosed in the joint announcement of the Company dated 8th June, 2004.
- The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the section headed "Review and Outlook" below.
- The Group's significant investments constitute primarily the 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 period 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 section headed "Review and Outlook" below.

REVIEW AND OUTLOOK

- For the six months ended 30th June, 2004, the Group attained an unaudited consolidated net profit attributable to shareholders of HK\$127.5 million, representing an increase of about 7 times as compared with the HK\$15.8 million recorded in the corresponding period in 2003.
- Since the beginning of this year, the Company has undertaken a number of equity placements with a view to strengthening its capital base. Aggregate net equity funds of approximately HK\$106.4 million were raised under those share placements, part of which had been utilised to fund the acquisition of additional interests in Regal.
- Following the final release in July 2004 of all the Regal shares remaining to be delivered to the former bondholders of the Company pursuant to the Bonds Settlement, the Company still holds at present approximately 45% of the existing issued shares of Regal. In addition, the Company is holding approximately 43.1% of the outstanding warrants of Regal issued by Regal pursuant to its bonus issue of warrants in August 2004 as well as certain outstanding convertible preference shares of Regal. It is the intention of the Company to maintain the holding of an effective controlling shareholding interest in Regal, which presently constitutes the Company's most significant investment asset.
- As previously reported, the rezoning of the development site at Ap Lei Chau Inland Lot No.129, in which the Group retains a 30% joint venture interest, has been formally approved. The proposed development entails primarily residential accommodation having gross floor area of about 900,000 square feet together with certain ancillary retail, recreational and car parking facilities. It is anticipated that the basic terms of the lease modification will be issued before the end of this year.
- The certificate of compliance for the "Rainbow Lodge" residential development at 9 Ping Shan Lane in Yuen Long was issued in January this year. This development has a total of 16 duplex units with aggregate gross floor area of about 30,800 square feet. The sale programme has progressed satisfactorily and the profits realised from the units sold have been reflected in the results for the period under review.
- The Group has retained professional consultants to advise on the formulation of a revised proposal for an overall comprehensive development scheme centering on the various lots owned by the Group in Sharp Island, Sai Kung, which entails resort hotel, water sports, recreational, spa and other related accommodations and facilities. In this regard, due consultations with the relevant government departments are in progress.
- The Group continues to hold for rental income all the office floors with total gross floor area of about 60,900 square feet, and certain ground floor shops with total gross floor area of 2,200 square feet, at the commercial building at 211 Johnston Road, Wanchai. As the local market for commercial properties continues to recover, the sale programme previously contemplated has been put in abeyance for the time being.
- In the People's Republic of China, negotiations are continuing with the third party purchaser for the possible remedy of its default under the agreement entered into in July 2003 for the sale of the Group's equity interest in the joint venture project at Gong Ren Ti Yu Chang Street East, Chao Yang District in Beijing. With regard to the other joint venture development project at Chao Yang Men Wai Da Jie in Chao Yang District in Beijing, while the Group continues to negotiate with prospective investors for the sale of the Group's interest held at an indicative price substantially above its carrying value (which was stated at HK\$56.9 million as at 30th June, 2004), the joint venture parties involved have been actively negotiating with the relevant local government authorities to secure the reversion of the requisite land title into the joint venture entity.
- For the six months ended 30th June, 2004, Regal Hotels International Holdings Limited achieved an unaudited consolidated net profit attributable to shareholders of HK\$285.1 million, while for the corresponding period in 2003, a net loss of HK\$69.1 million was recorded.
- Further information on the principal business operations of Regal, including its management discussion and analysis, is contained in its announcement separately released today.
- Having now fully stabilised the overall financial position of the Group, the Company will seek to further expand its capital base with a view to providing additional funds for its business expansion plans. The Group will also seek to capitalise on its vast experience and expertise in the property and related businesses to explore appropriate development and investment opportunities in Hong Kong, as well as in certain selected cities in Mainland China, so as to strengthen and revitalise its asset portfolio.

CODE OF BEST PRACTICE

The Directors of the Company are not aware of any information that would reasonably indicate that the Company is not, or was not at any time during the six months ended 30th June, 2004, 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, except that the Independent Non-Executive Directors of the Company were not appointed for specific 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.

BOARD OF DIRECTORS

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 (Executive Director), Mrs. Kitty LO LEE Kit Tai (Non-Executive Director), Mr. Jimmy LO Chun To (Executive Director), Mr. Kenneth NG Kwai Kai (Executive Director), 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 FIOP, F Inst D, JP (Independent Non-Executive Director).

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 16th September, 2004

A detailed interim results announcement containing all the information 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 September, 2004.