

## 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>1,065.9</b>	3,073.6
<b>Cost of sales</b>	<b>(817.3)</b>	<u>(2,384.4)</u>
<b>Gross profit</b>	<b>248.6</b>	689.2
<b>Other revenue</b> (Note 2)	<b>50.6</b>	96.8
<b>Gain on disposal of an overseas associate</b>	<b>68.3</b>	—
<b>Administrative expenses</b>	<b>(77.5)</b>	(163.5)
<b>Other operating expenses</b> (Note 3)	<b>(76.2)</b>	(227.3)
<b>Loss on disposal of overseas subsidiary companies/partnerships</b>	<b>—</b>	<u>(693.4)</u>
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b> (Note 1)	<b>213.8</b>	(298.2)
<b>Finance costs</b> (Note 4)	<b>(369.4)</b>	(702.2)
<b>Share of profits less losses of</b>		
— Jointly controlled entity	<b>(61.0)</b>	(59.3)
— Associates	<b>2.6</b>	21.4
<b>LOSS BEFORE TAX</b>	<b>(214.0)</b>	(1,038.3)
<b>Tax</b> (Note 5)	<b>(15.1)</b>	<u>(46.6)</u>
<b>LOSS BEFORE MINORITY INTERESTS</b>	<b>(229.1)</b>	(1,084.9)
<b>Minority interests</b>	<b>1.6</b>	<u>(0.8)</u>
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>(227.5)</b>	<u>(1,085.7)</u>
<b>Loss per ordinary share</b> (Note 6)		
Basic	<b>HK\$(0.06)</b>	<u>HK\$(0.28)</u>
Diluted	<b>N/A</b>	<u>N/A</u>
<b>Net asset value per ordinary share as at year end date</b>	<b>HK\$1.61</b>	<u>HK\$1.67</u>

**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 HK\$'M	1999 HK\$'M	2000 HK\$'M	1999 HK\$'M
By activity:				
Hotel ownership and management	1,000.2	2,966.3	178.3	461.9
Property investment	1.0	33.5	—	7.5
Other operations and investments	64.7	73.8	35.5	(767.6)
	<u>1,065.9</u>	<u>3,073.6</u>	<u>213.8</u>	<u>(298.2)</u>
By geographical location:				
Hong Kong	909.6	807.5	143.8	(20.9)
U.S.A.	—	2,098.4	68.3	(287.7)
Canada	127.3	134.8	10.0	14.2
Others	29.0	32.9	(8.3)	(3.8)
	<u>1,065.9</u>	<u>3,073.6</u>	<u>213.8</u>	<u>(298.2)</u>

An analysis of profit on sale of investments of the Group is as follows:

	2000 HK\$'M	1999 HK\$'M
Gain on disposal of long term listed investments	<u>0.7</u>	<u>6.8</u>

2. Other revenue includes the following major items:

	2000 HK\$'M	1999 HK\$'M
Interest income	46.7	53.9
Compensation received from cancellation of a tenancy agreement	—	<u>22.8</u>

3. Other operating expenses include the following major items:

	2000 HK\$'M	1999 HK\$'M
Depreciation	41.9	127.0
Provision for tax indemnity in respect of the disposal of overseas subsidiary companies/partnerships in the prior year	24.2	—
Write off/Provisions against investments and advances	—	<u>84.8</u>

4. Included in the Group's finance costs is an amount of HK\$7.0 million (1999 - HK\$65.3 million) representing the amortisation of loan costs.

5. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year (1999 - nil).

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.

6. The calculation of basic loss per ordinary share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$227.5 million (1999 - HK\$1,085.7 million), adjusted for the unpaid preference dividend for the year of HK\$6.9 million (1999 - HK\$7.7 million) and on the weighted average of 3,936.3 million (1999 - 3,928.8 million) ordinary shares of the Company in issue during the year.

No diluted loss per ordinary share is presented for the years ended 31st December, 1999 and 2000, as the exercise of share options and the conversion of preference shares of the Company are anti-dilutive.

7. 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

- The Auditors, in forming their opinion, have considered the adequacy of the disclosures in the financial statements concerning the fundamental uncertainty relating to the securing of the ongoing support of the relevant lenders of two loans aggregating HK\$4,894.1 million as at 31st December, 2000 (the "Loans"), following the Group's non-compliance with certain loan covenants for the maintenance of certain financial ratios, which arose in 1998 principally as a result of the substantial downward revaluation of the Group's hotel properties in Hong Kong. To date, as confirmed by the respective agents of the Loans, no notice of default has been served to the Group.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support of the relevant lenders of the Loans including the non-issuance of the notice by the agents who act on behalf of the relevant lenders of the Loans to declare the Loans immediately due and repayable. 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, 2000 (1999 - nil). No interim dividend was paid to ordinary shareholders for the year ended 31st December, 2000 (1999 - nil).
- No dividend was paid to preference shareholders for the year ended 31st December, 2000 (1999 - nil).

### MANAGEMENT DISCUSSION AND ANALYSIS

- As the Group had substantially disposed of its hotel interests in the United States in December 1999, the turnover and gross profit contribution from hotel operating activities for the year under review were substantially lower than those in 1999. The Group's major activities are now focused on hotel operations in Hong Kong. Benefiting from the increased number of visitors to Hong Kong and the management efforts to enhance the hotel sales and marketing functions, contribution from hotel and other operations in Hong Kong reversed from a deficit of HK\$20.9 million in 1999 to a gain of HK\$143.8 million in 2000.

- During the year under review, net cash inflow from operating activities totalled HK\$141.1 million (1999 - HK\$632.0 million) and, in addition, further sums in an aggregate of HK\$287.7 million from the disposal of the hotel interests in the United States were received. Net interest payment for the year amounted to HK\$442.1 million (1999 - HK\$657.8 million). The Group intends to reduce further the level of interest expense through the disposal of some of its non-core assets.
- As at 31st December, 2000, gross borrowings of the Group amounted to HK\$5,110.9 million (1999 - HK\$5,220.7 million). After deducting the time deposits and cash balances of HK\$227.7 million (1999 - HK\$549.5 million), the net borrowings was HK\$4,883.2 million (1999 - HK\$4,671.2 million). The Group's gearing ratio based on the total assets of HK\$11,932.7 million (1999 - HK\$12,323.4 million) was about 41% (1999 - 38%).

#### OPERATING HIGHLIGHTS

- For the year ended 31st December, 2000, the Group incurred an audited consolidated net loss attributable to shareholders of HK\$227.5 million, as compared with a net loss of HK\$1,085.7 million recorded for the 1999 financial year.

#### Hong Kong

- During the year under review, visitor arrivals to Hong Kong increased by about 15% to a total of over 13 million. Benefiting from the increased number of visitors, the average hotel occupancy in Hong Kong was up by more than 3% as compared with 1999, while average room rate also gained by about 10%.
- The combined average occupancy of the Group's four hotels in Hong Kong in 2000, excluding the Regal Airport Hotel in Chek Lap Kok, was 74.2%, representing an increase of about 9% as compared with the preceding year. As for the combined average room rate, an increase of about 10% was recorded.
- The renovation programme for the Regal Kowloon Hotel is in progress, with the executive floors on the top two storeys of the hotel building just reopened after major renovation works.
- The new conference and meeting facilities for the Regal Hongkong Hotel have been very well received and contributed to additional room and food and beverage businesses.
- With additional hotel rooms being completed and coming on stream in stages, the number of average available rooms for the Regal Airport Hotel increased from 576 in 1999 to 881 in 2000. Due to the enlarged room count, the average occupancy during the year under review was marginally lower than that in 1999, but the average room rate improved by over 5%. Except for a few superior suites which are undergoing final decoration works, all of the 1,100 rooms in this hotel have been completed since early this year.
- The Group retains a 30% joint venture interest in the luxury residential development at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley. Negotiations with the lending banks to reactivate drawdowns under the original construction loan facility are in a final stage and preparatory works for the recommencement of construction works have also mostly been completed. Assuming that the construction works can be recommenced shortly, presale of the Phase I house units is expected to be launched in the first half of 2002.

#### United States and Canada

- With the sale of the Regal Bostonian Hotel completed in June 2000, the disposal of all of the Group's hotel ownership and management interests in the United States has been duly completed. The deferred portion of the consideration in the amount of approximately US\$45 million will be receivable by the Group in December this year.
- The Regal Constellation Hotel in Toronto, Canada is maintaining steady performance.

#### The People's Republic of China

- Business at the two managed hotels in Shanghai, namely, the Regal International East Asia Hotel and the Regal Shanghai East Asia Hotel, remained satisfactory and contributed modest management income to the Group.
- The Kaifeng Yatai Brewery in Henan continued to face very difficult operating environment due to stiff competition.

#### OUTLOOK

- With brighter prospects setting in for local tourism, the hotel industry in Hong Kong is anticipated to sustain further recovery in 2001.
- As the Regal Airport Hotel is now virtually in full swing, overall revenues from the Group's hotel operations in Hong Kong are expected to substantially increase as compared with the year under review.
- Following the sale of all the Group's hotel interests in the United States, the gearing level of the Group has been significantly reduced. To reduce further the Group's interest burden, the Group has been taking active initiatives to dispose of some of its non-core assets.
- Moreover, when the luxury residential development project in Stanley, Hong Kong, in which the Group has a 30% joint venture interest, is completed and sold, the Group's overall financial and liquidity position will be greatly strengthened.
- The Directors are hopeful that as the overall economic condition in Hong Kong improves, the Group will be able to gradually restore its profitability.

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 11:00 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 paragraphs (b) and (c) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase shares 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 ordinary shares of HK\$0.10 each in the capital of the Company ("Ordinary Shares") which may be purchased by the Company pursuant to paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the Ordinary Shares in issue at the date of this Resolution, and the said approval shall be limited accordingly;
- (c) the aggregate nominal amount of 5¼ per cent. Convertible Cumulative Redeemable Preference Shares of US\$10.00 each in the capital of the Company ("Convertible Preference Shares") which may be purchased by the Company pursuant to paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the Convertible Preference Shares in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
- (d) 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 Ordinary Shares of the Company (including making and granting offers, agreements and options which would or might require Ordinary 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 Ordinary Shares are offered to shareholders on a fixed record date in proportion to their then holdings of Ordinary 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 Ordinary Shares issued, allotted or disposed of (including Ordinary 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 Ordinary Shares 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 Ordinary 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, Central Registration Hong Kong Limited of Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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.