

ANNOUNCEMENT OF 2002 GROUP RESULTS

	Year ended 31st Dec., 2002	Year ended 31st Dec., 2001	
	HK\$'M	HK\$'M	
TURNOVER (Note 1)	988.6	1,057.1	
Cost of sales	(721.2)	(875.6)	
Gross profit	267.4	181.5	
Other revenue (Note 3)	6.9	31.4	
Administrative expenses	(58.6)	(73.9)	
Other operating expenses (Note 4)	(159.0)	(189.8)	
Provisions for write-downs and impairments, net (Note 5)	(7.4)	(122.5)	
Impairment of an overseas hotel property attributable to discontinuing operation	(437.0)	—	
Impairment of hotel properties	(181.9)	—	
LOSS FROM OPERATING ACTIVITIES (Note 1)	(569.6)	(173.3)	
Finance costs (Note 7)	(182.7)	(300.2)	
Share of profits less losses of:			
Jointly controlled entity	—	(39.0)	
Associates	(14.7)	(2.7)	
LOSS BEFORE TAX	(767.0)	(515.2)	
Tax (Note 8)	2.0	0.1	
LOSS BEFORE MINORITY INTERESTS	(765.0)	(515.1)	
Minority interests	—	0.9	
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(765.0)	(514.2)	
Loss per ordinary share (Note 9)			
Basic	HK\$(0.17)	HK\$(0.13)	
Diluted	N/A	N/A	
Net asset value per ordinary share as at year end date	HK\$0.51	HK\$1.13	

Notes:

1. 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:

(a) the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;

(b) the property development and investment segment invests in properties for sale and for its rental income potential;

(c) the brewery operations segment represents the Group's brewery operations in the Mainland China; and

(d) the other segments mainly comprise the Group's securities trading, travel services, restaurant operations, florist and wedding services.

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.

1. SEGMENT INFORMATION (cont'd)

(a) Business segments

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

	Hotel ownership and management		Property development and investment		Brewery operations		Others		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	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	964.7	1,001.5	0.2	1.2	17.3	19.9	6.4	34.5	—	—	988.6	1,057.1
Intersegment sales	0.4	0.9	0.3	0.3	—	—	12.5	16.1	(13.2)	(17.3)	—	—
Total	<u>965.1</u>	<u>1,002.4</u>	<u>0.5</u>	<u>1.5</u>	<u>17.3</u>	<u>19.9</u>	<u>18.9</u>	<u>50.6</u>	<u>(13.2)</u>	<u>(17.3)</u>	<u>988.6</u>	<u>1,057.1</u>
Segment results	<u>(412.6)</u>	<u>133.3</u>	<u>(6.0)</u>	<u>(14.6)</u>	<u>(16.4)</u>	<u>(69.0)</u>	<u>(4.6)</u>	<u>(22.4)</u>	<u>—</u>	<u>—</u>	<u>(439.6)</u>	<u>27.3</u>
Interest income and unallocated non-operating and corporate gains											6.9	31.4
Unallocated non-operating and corporate expenses											*(136.9)	(232.0)
Loss from operating activities											(569.6)	(173.3)
Finance costs											(182.7)	(300.2)
Share of profits less losses of:												
Jointly controlled entity											—	(39.0)
Associates	(0.7)	—	—	(39.0)	—	—	(14.0)	(2.7)	—	—	(14.7)	(2.7)
Loss before tax											(767.0)	(515.2)
Tax											2.0	0.1
Loss before minority interests											(765.0)	(515.1)
Minority interests											—	0.9
Net loss from ordinary activities attributable to shareholders											(765.0)	(514.2)
* Inclusive of a write back of provision against a loan receivable amounting to HK\$10.6 million (Note 5).												

(b) Geographical segments

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

	Hong Kong		Canada		Mainland China		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	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	<u>882.5</u>	<u>940.4</u>	<u>88.6</u>	<u>95.6</u>	<u>17.5</u>	<u>21.1</u>	<u>—</u>	<u>—</u>	<u>988.6</u>	<u>1,057.1</u>

2. DISCONTINUING OPERATION

The turnover, expenses and results from the discontinuing operation in respect of the Group's hotel operation in Canada for the years ended 31st December, 2002 and 2001 are as follows:

	2002	2001
	HK\$'M	HK\$'M
TURNOVER	88.6	95.6
Cost of sales	(87.4)	(91.4)
Gross profit	1.2	4.2
Administrative expenses	(3.5)	(3.8)
Other operating expenses	(2.3)	(2.7)
LOSS FROM OPERATING ACTIVITIES	(4.6)	(2.3)
Finance costs	(6.4)	(10.0)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(11.0)	(12.3)

3. Other revenue includes the following major item:

	2002	2001
	HK\$'M	HK\$'M
Interest income	<u>1.9</u>	28.4

4. Other operating expenses include the following major items:

	2002	2001
	HK\$'M	HK\$'M
Depreciation	<u>42.7</u>	45.4
Loss on disposal of long term unlisted investments (after a transfer from the revaluation reserve of a deficit of HK\$1.7 million)	<u>95.0</u>	—
Loss on disposal of long term listed investments (after a transfer from the revaluation reserve of a deficit of HK\$139.1 million in 2001)	<u>—</u>	141.4

5. Provisions for write-downs and impairments, net, represent the following items:

	2002	2001
	HK\$'M	HK\$'M
Write-down in values of properties held for sale	5.6	14.9
Impairment of fixed assets	—	50.8
Provisions against other loans, promissory notes and interest receivable	—	56.8
Impairment of long term investments previously eliminated against long term investment revaluation reserve	12.4	—
Write back of provision against a loan receivable	(10.6)	—
	<u>7.4</u>	<u>122.5</u>

6. An analysis of loss on sale of investments of the Group is as follows:

	2002	2001
	HK\$'M	HK\$'M
Loss on disposal of long term investments	<u>95.0</u>	141.4

7. Included in the Group's finance costs is an amount of HK\$7.0 million (2001 - HK\$7.0 million) representing the amortisation of loan costs.

8. 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 (2001 - nil).

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.

The Group's share of provision for Hong Kong profits tax for an associate amounting to HK\$0.1 million (2001 - HK\$0.1 million) has been calculated by applying the applicable tax rate of 16% to the estimated assessable profits which were earned in or derived from Hong Kong during the year (2001 - 16%).

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 (2001 - nil).

9. The calculation of basic loss per ordinary share is based on the net loss from ordinary activities attributable to ordinary shareholders for the year of HK\$765.0 million (2001 - HK\$514.2 million), adjusted for the unpaid preference dividend for the year of HK\$6.9 million (2001 - HK\$6.9 million), and on the weighted average of 4,483.8 million (2001 - 3,938.8 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, 2001 and 2002, as the exercise of share options and the conversion of preference shares and convertible bonds of the Company are anti-dilutive for these years.

10. For the year under review, an amount of HK\$2,226.0 million (2001 - nil) was transferred from reserves to the Group's accumulated losses.

11. 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

— Provision against a receivable

- The Auditors, in forming their opinion, have considered the adequacy of the disclosures made in the financial statements concerning the outcome in respect of a receivable of approximately HK\$400.1 million as at 31st December, 2002 included in debtors, deposits and prepayments under current assets. The receivable comprised (i) a deferred consideration of US\$45.0 million (approximately HK\$351.0 million) (the "Deferred Consideration") which arose in connection with the Group's disposal of its hotel interests in the United States of America in December 1999 (the "Disposal"); and (ii) certain interest aggregating HK\$49.1 million accrued thereon at 7% per annum (collectively, the "Consideration Receivable"). Under the Disposal agreement, the Deferred Consideration and the interest accrued thereon were due to be paid by the purchaser (the "Purchaser") on 17th December, 2001. The Auditors refer to a note to the financial statements, which explains that the Group has agreed under the Disposal agreement to indemnify the Purchaser for third party claims arising from events occurring before the completion of the Disposal in December 1999 (the "Pre-closing Liabilities"). While most of the claims for the Pre-closing Liabilities so far notified by the Purchaser to the Group have been resolved and the aggregate amount of such remaining Pre-closing Liabilities claims has been reduced to significantly below the Deferred Consideration, the Purchaser has withheld payment of any or all of the Consideration Receivable on the ground that the Group has failed to provide adequate assurance for any future Pre-closing Liabilities that may surface between now and the end of the indemnity period in December 2004 as demanded by the Purchaser. Having consulted with its legal advisors, the Group was advised that the demand by the Purchaser was without grounds and has accordingly instituted legal proceedings against the Purchaser to recover the Consideration Receivable. The Directors are currently unable to determine with reasonable certainty the outcome of the legal proceedings and therefore, are unable to determine the time required to recover the Consideration Receivable and whether a provision, if any, is required against the Consideration Receivable. The Auditors consider that appropriate disclosures and estimates have been made and their opinion is not qualified in this respect.

Fundamental uncertainties relating to the going concern basis

- The Auditors, in forming their opinion, have considered the adequacy of the disclosures made in the financial statements which explain the circumstances giving rise to the fundamental uncertainties relating to:
 - the outcome of the proposed restructuring of a syndicated loan of HK\$3,755.8 million and a construction loan of HK\$1,060.8 million as at 31st December, 2002; and
 - the successful recovery of the Consideration Receivable.The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of implementation of the measures noted above. 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, 2002 (2001 - nil). No interim dividend was paid to ordinary shareholders for the year ended 31st December, 2002 (2001 - nil).
- No dividend was paid to preference shareholders for the year ended 31st December, 2002 (2001 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

- During the year under review, net cash inflow from operating activities totalled HK\$203.3 million (2001 - HK\$135.2 million, as restated). Net interest payment for the year amounted to HK\$203.7 million (2001 - HK\$253.3 million).
- As at 31st December, 2002, the Group's gross borrowings net of cash and bank balances amounted to HK\$4,993.0 million (2001 - HK\$5,055.2 million). The Group's gearing ratio based on the total assets of HK\$8,529.9 million (2001 - HK\$9,943.1 million) was about 59% (2001 - 51%). The increase in the Group's gearing ratio was primarily the result of a downward adjustment in the valuation of the hotel properties as at the balance sheet date. As the Group's borrowings are mostly 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, 2002 is disclosed in the annual report of the Company for the year ended 31st December, 2002 (the "2002 Annual Report"), which will be despatched to the shareholders on or before 30th April, 2003. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the Company's 2002 Interim Report for the six months ended 30th June, 2002. Detailed information in such aspects is contained in the 2002 Annual Report.
- During the year, the Group completed the acquisition of an additional 40% interest in the Stanley development project, details of which were set out in the circular to shareholders dated 26th August, 2002. At present, there are no immediate plans for material investments or capital assets other than the proposed disposal of some of the Group's non-core hotel properties with a view to reduce the overall debt levels.
- The Group's significant investments constitute primarily its ownership and operating interests in the five Regal Hotels in Hong Kong. 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 are contained in the sections headed "Operating Highlights" and "Outlook" below, respectively.

OPERATING HIGHLIGHTS

- For the year ended 31st December, 2002, the Group incurred an audited consolidated net loss attributable to shareholders of HK\$765.0 million, as compared with a net loss of HK\$514.2 million recorded for the 2001 financial year.
- Out of the net loss of HK\$765.0 million incurred for the year, HK\$437.0 million was related to impairment arising from the sale of the Regal Constellation Hotel in Toronto, as already referred to in the 2002 Interim Report, HK\$181.9 million attributable to impairment for the planned disposal of the Regal Oriental Hotel and the Regal Riverside Hotel and HK\$93.3 million being loss incurred on the sale of the Group's investment in a convertible note receivable in the second half of the year.

- If the results of the Group's hotel business are reviewed in isolation, the income from hotel operation and management businesses has substantially increased by about 42% from HK\$181.7 million in 2001 to HK\$258.2 million in 2002.

Hong Kong

- During the year under review, total visitor arrivals to Hong Kong amounted to over 16.5 million, representing an increase of about 20.7% over that of 2001. The significant growth in the tourist number was mainly due to the surge in Mainland China visitors following a series of visa relaxation measures.
- The average hotel occupancy in Hong Kong in 2002 increased by about 6.3% as compared with 2001. However, due to the relatively minor growth in the high-yield market segments, the average room rate continued to be under pressure and recorded a drop of about 5.3%.
- For the five Regal Hotels in Hong Kong, the combined average occupancy for 2002 was about 12.1% higher than 2001, while the drop in the combined average room rate was contained at about 4%.
- Together with the stringent measures implemented to control operating costs, gross operating profits before management fees for these five hotels recorded a growth of about 43.7% as compared with 2001.
- Due to its unique location and capacity, the Regal Airport Hotel is now by far the single largest revenue contributor of the Group's hotels in Hong Kong.
- The acquisition by the Group of the 40% interest in the Stanley development project owned by the Paliburg group was completed on 31st October, 2002 and in satisfaction of the consideration, the Company has issued a total of 1,958.3 million ordinary shares at a price of HK\$0.24 per share.
- The Group now owns 70% interest in the Stanley development project. Major construction works for Phase I, comprising 84 residential houses and the clubhouse facilities, have been completed and the temporary occupation permit was issued in March 2003. While the construction works for Phase II are in progress, the presale programme for Phase I is intended to be launched shortly after the consent to sell has been obtained.
- The capital reorganisation of the Company involving, among others, the reduction of the nominal value of the ordinary shares of the Company from HK\$0.10 to HK\$0.01 each and the application of certain credits and reserves towards elimination of the accumulated losses incurred, has become effective on 16th October, 2002.

Canada and United States of America

- Closing of the share purchase agreement entered into with a third party purchaser for the sale of the Group's 100% equity interest in the subsidiary company that owns the Regal Constellation Hotel in Toronto, Canada has been deferred to May 2003. If the sale duly proceeds to completion, the outstanding loan attached to the hotel will be fully repaid and the surplus consideration will be receivable by the Group on a staged basis.
- The Group has initiated legal proceedings in the United States for the recovery of the deferred consideration together with accrued interest receivable from the sale of the Group's hotel interests in the United States completed in December 1999.

The People's Republic of China

- The Group's two managed hotels in Shanghai attained improved performance during the year and contributed increased management income.
- Operations at the Kaifeng Yatai Brewery in Henan remained difficult due to the very competitive environment, but the Group is hopeful that the operating loss can be further contained in the current year.

OUTLOOK

- Business at the five Regal Hotels in Hong Kong during the initial period of January and February 2003 was very encouraging, with gross operating profits significantly surpassing those recorded in the comparative period in 2002.
- However, due to the outbreak of SARS in March, businesses for all hotels in Hong Kong plummeted. Immediate cost reduction initiatives have been put in place by the Group at the operating level to alleviate the damage. If the spread of SARS cannot be controlled in time, outlook for the first half of 2003 is bleak.
- Since February this year, the Company has been actively engaging in loan restructuring discussions with the Group's bank lenders. In conjunction with the loan restructuring proposal, the Group has recently mandated professional agency firms to market the sale of the Regal Oriental Hotel and Regal Riverside Hotel, which are the Group's two hotels in Hong Kong of less strategic importance. On account of the planned disposal, the Group has provided for impairment in the values of these two hotel properties in the financial accounts for the year under review based on an expedited sale valuation assessed by an independent professional valuer.
- Despite the present crisis created by the outbreak of SARS, the Group still maintains an optimistic outlook on the future of the hotel industry in Hong Kong due to the government's commitment to boost local tourism. In deciding on the planned disposal at this juncture of its two non-core hotels in Hong Kong, the Group has taken into consideration the more significant benefits that will emanate from a reduction in its overall debt levels and the financial stability that may be achieved through the successful implementation of a consensual loan restructuring scheme.

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 17th April, 2003

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 submitted to the Stock Exchange for publication on its website on or before 30th April, 2003.

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 Thursday, 12th June, 2003 at 11:00 a.m. for the following purposes:

- To receive and consider the Audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31st December, 2002.
- To elect Directors.
- To appoint Auditors and authorise the Board of Directors to fix their remuneration.
- To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:
 - THAT:**
 - 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;
 - the aggregate nominal amount of ordinary shares of HK\$0.01 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;
 - 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
 - for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - the conclusion of the next Annual General Meeting of the Company;
 - 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
 - the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders in general meeting."
 - 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."

- 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."

- To consider and, if thought fit, pass the following resolution as a Special Resolution:

THAT the existing Bye-laws of the Company be and is hereby altered by deleting the definition of "clearing house" in Bye-law 1 in its entirety, and substituting therefor the following new definition of "clearing house":
"clearing house" shall mean a recognised clearing house within the meaning of Section 2 of the Securities and Futures Ordinance of Hong Kong or a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;".

By Order of the Board
ELIZA LAM SAU FUN
Secretary

Hong Kong, 17th April, 2003

Notes:

- 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.
- The form of proxy must be deposited with the Company's Registrars in Hong Kong, Computershare Hong Kong Investor Services 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.
- An explanatory statement containing further details as regarding Resolution 4(A) above will be sent to shareholders shortly together with the 2002 Annual Report.
- With respect to Resolution 5 above, approval is being sought from members to alter the Bye-laws of the Company to adopt the appropriate reference of the meaning of "recognised clearing house" as ascribed in the Securities and Futures Ordinance of Hong Kong, which came into force on 1st April, 2003, in the definition provisions of the Bye-laws.