



Dear shareholders,

I am presenting herewith the Annual Report of the Company for the year ended 31st December, 2000.

FINANCIAL RESULTS

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.

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).

REVIEW OF OPERATIONS

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 improved performance attained was largely attributable to efforts



placed on the strengthening of the sales and marketing functions. 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. To meet the increasing demand, these conference and meeting facilities have recently been further expanded.

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. Having regard to the size of its operating capacity and its unique positioning, this hotel will no doubt be the most significant revenue generator of the Group's five hotels in Hong Kong.

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. Similar to

last financial year, the financing costs (including interests accruing on the shareholders' loans) incurred by the jointly controlled entity owning the project have not been capitalized. Consequently, the Group's results for the year under review have been adversely affected.

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 Group still owns the Regal Constellation Hotel in Toronto, Canada, which 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. The management and marketing functions of the brewery are being reinforced with a view to enhancing its operational efficiency and to expanding its sales into new markets in the PRC.

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.

DIRECTORS AND STAFF

Taking this opportunity, I would like to thank my fellow Directors for their continuous support and to express my gratitude to all management and staff members for their persistent efforts.

LO YUK SUI
Chairman

Hong Kong
17th April, 2001