

2003 INTERIM ANNOUNCEMENT

HALF YEAR RESULTS

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited and restated)
	HK\$'M	HK\$'M
TURNOVER (Note 3)	395.9	696.4
Cost of sales	(323.0)	(497.3)
Gross profit	72.9	199.1
Other revenue (Note 5)	4.3	15.2
Administrative expenses	(42.8)	(68.8)
Other operating expenses, net (Note 6)	(1.3)	(100.8)
Loss on disposal of overseas subsidiary companies	(9.7)	—
PROFIT FROM OPERATING ACTIVITIES (Note 3)	23.4	44.7
Finance costs (Note 7)	(94.1)	(283.6)
Share of profits less losses of:		
Jointly controlled entity	(0.1)	—
Associates	(1.7)	2.4
LOSS BEFORE TAX	(72.5)	(236.5)
Tax (Note 8)	48.9	3.5
LOSS BEFORE MINORITY INTERESTS	(23.6)	(233.0)
Minority interests	39.4	12.1
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	15.8	(220.9)
Earnings/(Loss) per ordinary share (Note 9)		
Basic	HK\$0.006	HK\$(0.095)
Diluted	HK\$(0.006)	N/A

Notes:

- The interim financial statements for the six months ended 30th June, 2003 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, 2003 (the "2003 Interim Report") to be despatched to shareholders, and by the Audit Committee of the Company.
- ADOPTION OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised) "Income taxes" has been adopted for the first time in the preparation of the current period's condensed consolidated financial statements. The SSAP prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward 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 the unused tax losses, to the extent that it is probable that taxable profit will be available against which the unused losses can be utilised.

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 six months ended 30th June, 2002 was decreased by approximately HK\$4.1 million.

3. 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 property management segment is engaged in the provision of property management services;
- the construction and construction-related segment is engaged in construction works and construction-related businesses, including the provision of development consultancy and project management services and also security system 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 other segments mainly comprise the Group's 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.

3. SEGMENT INFORMATION (cont'd)

(a) Business segments

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

Group

	Property development and investment		Property management		Construction and construction-related businesses		Hotel ownership and management		Brewery operations		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2003		Six months ended 30th June, 2003		Six months ended 30th June, 2003		Six months ended 30th June, 2003		Six months ended 30th June, 2003		Six months ended 30th June, 2003		Six months ended 30th June, 2003		Six months ended 30th June, 2003	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	2003	2002	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	HK\$'M	HK\$'M
Segment revenue:																
Sales to external customers	6.0	94.6	11.8	11.1	35.5	109.8	323.0	467.2	17.6	9.2	2.0	4.5	—	—	395.9	696.4
Intersegment sales	0.5	9.8	—	0.6	9.8	1.7	0.1	0.2	—	—	4.1	6.6	(14.5)	(18.9)	—	—
Total	6.5	104.4	11.8	11.7	45.3	111.5	323.1	467.4	17.6	9.2	6.1	11.1	(14.5)	(18.9)	395.9	696.4
Segment results	39.2	31.6	8.9	8.7	7.2	5.2	8.0	82.5	(3.9)	(7.2)	1.3	(4.5)	—	(2.4)	60.7	113.9
Interest income and unallocated non-operating and corporate gains															2.9	14.4
Unallocated non-operating and corporate expenses, net															(40.2)	(83.6)
Profit from operating activities															23.4	44.7
Finance costs															(94.1)	(283.6)
Share of profits less losses of:																
Jointly controlled entity	(0.1)	—	—	—	—	—	—	—	—	—	(1.2)	2.6	—	—	(0.1)	—
Associates	—	—	—	—	—	—	(0.5)	(0.2)	—	—	—	—	—	—	(1.7)	2.4
Loss before tax															(72.5)	(236.5)
Tax															48.9	3.5
Loss before minority interests															(23.6)	(233.0)
Minority interests															39.4	12.1
Net profit/(loss) from ordinary activities attributable to shareholders															15.8	(220.9)

* Inclusive of a write back of provision against other 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	
	Six months ended 30th June, 2003		Six months ended 30th June, 2003		Six months ended 30th June, 2003		Six months ended 30th June, 2003		Six months ended 30th June, 2003	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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			346.0	639.1	32.2	48.0	17.7	9.3	—	—
									395.9	696.4

4. DISCONTINUED OPERATION

The turnover, expenses and results from the discontinued operation in respect of the Regal group's hotel operation in Canada for the six months ended 30th June, 2003 and 2002 are as follows:

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'M	HK\$'M
TURNOVER	32.2	48.0
Cost of sales	(37.3)	(46.0)
Gross profit/(loss)	(5.1)	2.0
Administrative expenses	(1.9)	(1.9)
Other operating expenses	(1.1)	(1.3)
LOSS FROM OPERATING ACTIVITIES	(8.1)	(1.2)
Finance costs	(4.2)	(3.0)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(12.3)	(4.2)

5. Other revenue includes the following major item:

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'M	HK\$'M
Interest income	3.4	9.1

6. Other operating expenses, net, include the following major items:

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2003 (Unaudited and restated)
	HK\$'M	HK\$'M
Depreciation	21.5	28.0
Amortisation of goodwill	7.2	—
Loss on disposal of long term listed investments	—	1.1
Loss on disposal of long term unlisted investments	—	1.6
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	4.6	—
Loss on disposal of investment property	—	30.6
Write back of provision against other loan receivable	—	(14.2)
Write back of provision for impairment against properties	(39.6)	—

- Included in the Group's finance costs is an amount of HK\$3.5 million (2002 - HK\$6.7 million) representing the amortisation of loan costs.

- 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 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.

Included in tax income/(expenses) is net deferred tax income of HK\$50.4 million (2002 - HK\$4.1 million) which has 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/(loss) per ordinary share is based on the net profit from ordinary activities attributable to ordinary shareholders for the period of HK\$15.8 million (2002 - net loss of HK\$220.9 million, as restated) and on the weighted average of 2,792.8 million (2002 - 2,318.5 million) ordinary shares of the Company in issue during the period.

The calculation of diluted loss per ordinary share is based on the adjusted net loss from ordinary activities attributable to ordinary shareholders for the period of HK\$33.4 million and on the adjusted weighted average of 5,768.5 million ordinary shares of the Company that would have been in issue during the period assuming (i) all outstanding convertible preference shares and convertible bonds (including optional convertible bonds) of Regal Hotels International Holdings Limited ("RHIHL") were converted into ordinary shares of RHIHL at the beginning of the period; and (ii) all the 3,450 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 of share options of the Company and RHIHL are anti-dilutive.

- In the prior period, an amount of HK\$2.9 million was transferred from reserves to accumulated losses.
- Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the period under review.

DIVIDEND

- The Directors have resolved not to declare the payment of an interim dividend for the financial year ending 31st December, 2003 (2002 - 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\$57.8 million (2002 - HK\$139.1 million). Net interest payment for the period amounted to HK\$53.7 million (2002 - HK\$190.1 million).
- As at 30th June, 2003, the Group's borrowings net of cash and bank balances amounted to HK\$5,029.8 million, as compared to HK\$5,190.2 million as at 31st December, 2002. Gearing ratio based on total assets of HK\$9,343.6 million (31st December, 2002 - HK\$9,647.6 million) was about 54% (31st December, 2002 - 54%). 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, 2003 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2002 (the "2002 Annual Report"). During the period under review, the Group continued to adopt the same funding, treasury and remuneration policies as disclosed in the 2002 Annual Report. Detailed information in such aspects is contained in the Company's 2003 Interim Report.
- In June 2003, following the default by the relevant 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 obligations of 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\$195.9 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.
- Subsequent to the period under review, on 29th August, 2003, the Group entered into a sale and purchase agreement for the disposal of its 100% interest in a subsidiary company which indirectly owns the Regal Oriental Hotel. Details of such disposal were disclosed in an announcement of the Company dated 4th September, 2003. At present, there are no immediate plans for material investments or capital assets other than, as previously reported, the possible disposal of the Group's other non-core hotel property, namely, the Regal Riverside Hotel, with a view to further reduce the overall debt levels.
- Following the divestiture of two of the Group's major investment properties in 2002, 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 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 are contained in the section headed "Review and Outlook" below.

REVIEW AND OUTLOOK

- For the six months ended 30th June 2003, the Group attained an unaudited consolidated net profit attributable to shareholders of HK\$15.8 million, as compared with a net loss of HK\$220.9 million (as restated) in the corresponding period in 2002.
- As formerly reported, the Los Angeles Unified School District initiated proceedings to compulsorily acquire the Crown Hill site in Los Angeles owned by the Group based on an initially determined probable compensation of US\$10.0 million. The Group has retained legal and other advisers to object the probable compensation so determined, and in June this year, a settlement was reached with the Unified School District for the determination of the final compensation at approximately US\$13.9 million. The compensation money is expected to be paid to the Group shortly, most of which will be used for repayment of the Group's borrowings. A write back of the provision previously made has been reflected in the results for the period.
- The Group had previously sold to an independent third party purchaser, pursuant to an agreement entered into in December 2000, a 50% equity interest in a then wholly owned subsidiary company which owned a 65% interest in a company that, in turn, owned a 70% interest in a Sino-foreign joint venture that held the development site at Gong Ren Ti Yu Chang Street East in Chao Yang District, Beijing in the PRC. The purchaser has defaulted to comply with certain of its obligations under that agreement and the Group has thereby enforced its rights of remedy to recover the 50% equity interest sold. In late July this year, the Group entered into a new agreement with that purchaser for the effective sale by the Group to that purchaser of the Group's entire equity interest in the relevant wholly owned subsidiary company for a gross consideration of about HK\$181.9 million. Under the new agreement, the net consideration payable is required to be paid by the purchaser in installments before the end of 2003.
- In July 2003, the Group disposed of the majority equity interest in the wholly owned subsidiary company that indirectly held the development site in Shenyang in the PRC to an independent third party at a satisfactory price and the remaining interest is subject to certain put and call options between the Group and the purchaser. A write back of the provision previously made against this investment has also been reflected in the results for the period.
- Meanwhile, the construction works for the residential development at Lot No. 1736 in D.D. 122 in Tong Yan San Tsuen in the New Territories, named as "Rainbow Lodge", are near completion. The project is 100% owned by the Group and consists of 16 duplex residential units with gross area of about 30,000 square feet and ancillary car parking facilities. Sale of the units is scheduled to be launched before the end of this year.
- For the six months ended 30th June, 2003, Regal Hotels International Holdings Limited reported an unaudited consolidated net loss attributable to shareholders of HK\$69.1 million, as compared with the net loss of HK\$32.4 million (as restated) recorded for the same period in 2002.
- Further information on the principal business operations of Regal, including its management discussion and analysis, is contained in its announcement separately released today.
- The Group has come a long way to achieve the corporate and financial restructurings since the encountering of the financial crisis in 1998 and in re-establishing its financial strength. The Group is now gradually restoring its profitability and is committed to a prudent and yet proactive plan for its overall growth in the years ahead.

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 19th September, 2003

A detailed interim results announcement containing all the information required by paragraphs 46(1) to 46(6) 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 September, 2003.