



(Stock Code: 617)

ANNOUNCEMENT OF 2004 GROUP RESULTS

FINANCIAL HIGHLIGHTS

	Year 2004 HK\$'M	Year 2003 HK\$'M	% Change
Profit from operating activities	567.7	412.3	+37.7%
Net profit attributable to shareholders	516.8	387.6	+33.3%
Basic earnings per ordinary share	HK9.6 cents	HK11.9 cents	-19.3%
Net asset value per ordinary share	HK\$0.53	HK\$0.53	—

	Year ended 31st Dec., 2004	Year ended 31st Dec., 2003
	HK\$'M	HK\$'M
TURNOVER (Note 2)	698.3	877.4
Cost of sales	(443.8)	(624.1)
Gross profit	254.5	253.3
Other revenue (Note 4)	8.1	32.3
Administrative expenses	(57.8)	(79.6)
Other operating expenses (Note 5)	(107.1)	(105.5)
Write-back of provisions for write-downs and impairments, net (Note 6)	304.2	310.1
Loss on disposal of overseas subsidiary companies attributable to discontinued operation	—	(9.7)
Write-back of impairment of a hotel property	165.8	11.4
PROFIT FROM OPERATING ACTIVITIES (Note 2)	567.7	412.3
Finance costs (Note 8)	(48.2)	(166.9)
Share of profits less losses of:		
Jointly controlled entity	60.1	206.6
Associates	95.3	(2.8)
PROFIT BEFORE TAX	674.9	449.2
Tax (Note 9)	8.4	63.2
PROFIT BEFORE MINORITY INTERESTS	683.3	512.4
Minority interests	(166.5)	(124.8)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	516.8	387.6
Earnings per ordinary share (Note 10)		
Basic	HK9.6 cents	HK11.9 cents
Diluted	HK7.6 cents	HK5.8 cents
Net asset value per ordinary share as at year end date	HK\$0.53	HK\$0.53

Notes:

1. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKAS"), herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether and to what extent these new HKFRSs would have an impact on its results of operations and financial position.

Regal Hotels International Holdings Limited ("Regal"), the Group's listed associate, is also in the process of making an assessment of the impact of these new HKFRSs, in particular, HKAS 16 "Property, Plant and Equipment" ("HKAS 16") and Interpretation 23 "The Appropriate Policies for Hotel Properties" ("Interpretation 23"), which affect hotel properties. The adoption of HKAS 16 and Interpretation 23 will result in additional depreciation charges on the Regal group's hotel properties, thereby reducing the Regal group's operating results. The Regal group has not come to a final decision as to whether to state its hotel properties at cost less accumulated depreciation or at valuation as permitted under HKAS 16. If the Regal group's hotel properties are to be stated at cost less accumulated depreciation, the carrying values of its hotel properties and hence the net asset value of the Regal group may decrease significantly for accounting purposes. Consequently, the Group's share of results of the associate and its interest in the associate may be affected accordingly.

2. 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 businesses 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; and
- the others segment mainly comprises securities trading, brewery operations, laundry services, bakery operations and other investments.

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.

(a) 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		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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	37.6	12.2	93.6	90.3	533.0	747.2	34.1	27.7	—	—	698.3	877.4
Intersegment sales	0.6	0.7	25.4	21.1	1.4	—	5.8	—	(33.2)	(21.8)	—	—
Total	38.2	12.9	119.0	111.4	534.4	747.2	39.9	27.7	(33.2)	(21.8)	698.3	877.4
Segment results	51.5	55.5	(171.1)	21.1	725.0	415.1	(0.3)	0.8	(8.4)	—	596.7	492.5
Interest income and unallocated non-operating and corporate gains											4.2	9.4
Unallocated non-operating and corporate expenses											(33.2)	(89.6)
Profit from operating activities											567.7	412.3
Finance costs											(48.2)	(166.9)
Share of profits less losses of:												
Jointly controlled entity	60.1	206.6	—	—	—	—	—	—	—	—	60.1	206.6
Associates	—	—	(0.1)	—	102.4	(0.1)	(7.0)	(2.7)	—	—	95.3	(2.8)
Profit before tax											674.9	449.2
Tax											8.4	63.2
Profit before minority interests											683.3	512.4
Minority interests											(166.5)	(124.8)
Net profit from ordinary activities attributable to shareholders											516.8	387.6

(b) Geographical segments

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

Group

	Hong Kong		Mainland China		Canada		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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	665.6	820.2	32.7	25.0	—	32.2	—	—	698.3	877.4

3. 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:

	2003
	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)

4. Other revenue includes the following major items:

	2004	2003
	HK\$'M	HK\$'M
Interest income	2.9	8.3
Dividend income	0.4	—

5. Other operating expenses include the following major items:

	2004	2003
	HK\$'M	HK\$'M
Depreciation	20.1	40.8
Amortisation of goodwill	13.2	14.3
Loss on deemed disposal of the Group's interest in the listed subsidiary company	—	39.4
Loss on disposal of long term listed investments (after a transfer from the revaluation reserve of a deficit of HK\$0.4 million)	—	1.2
Loss on deconsolidation of the listed subsidiary company	29.4	—
Termination fee in respect of cancellation of the disposal of a hotel property	39.0	—

6. Write-back of provisions for write-downs and impairments, net, represent the following items:

	2004	2003
	HK\$'M	HK\$'M
Write-back in values of properties	47.3	44.0
Write-back of deficit on revaluation of hotel properties	446.5	266.1
Impairment of goodwill	(189.6)	—
	304.2	310.1

7. An analysis of profit/(loss) on sale of investments or properties of the Group is as follows:

	2004	2003
	HK\$'M	HK\$'M
Profit/(Loss) on disposal of listed investments	0.5	(1.2)
Profit on sale of properties	8.9	—

8. Included in the Group's finance costs is an amount of HK\$6.0 million (2003 - HK\$5.7 million) representing the amortisation of loan costs.

9. The tax credit for the year arose as follows:

	2004	2003
	HK\$'M	HK\$'M
Group:		
Current — Hong Kong		
Provision for tax in respect of profits for the year	2.4	4.1
Overprovision in prior years	—	(19.5)
Current — Overseas		
Provision for tax in respect of profits for the year	0.1	0.3
Deferred tax expenses/(income)	0.9	(48.2)
	3.4	(63.3)
Associate:		
Hong Kong	(4.4)	0.1
Overseas	(7.4)	—
Total tax credit for the year	(8.4)	(63.2)

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 year.

Taxes on the profits of subsidiary companies operating overseas are 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 jointly controlled entity as no assessable profits were earned by the jointly controlled entity during the year (2003 - nil).

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

10. The calculation of basic earnings per ordinary share is based on the net profit from ordinary activities attributable to ordinary shareholders for the year of HK\$516.8 million (2003 - HK\$387.6 million) and on the weighted average of 5,383.1 million (2003 - 3,270.8 million) ordinary shares of the Company in issue during the year.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2004 is based on the adjusted net profit from ordinary activities attributable to ordinary shareholders for the year of HK\$492.5 million and on the adjusted weighted average of 6,440.8 million ordinary shares of the Company that would have been in issue during the year assuming (i) all outstanding convertible bonds (including optional convertible bonds) of the Regal group were converted into, and the subscription rights attaching to all outstanding warrants of Regal were exercised to subscribe for, ordinary shares of Regal at the beginning of the year or their respective dates of issue, whichever is later; 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 year. The conversion of the outstanding convertible preference shares of Regal is anti-dilutive for the year. In addition, the exercise prices of share options of the Company and Regal outstanding during the year 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 earnings per ordinary share for the year ended 31st December, 2003 was based on the adjusted net profit from ordinary activities attributable to ordinary shareholders for that year of HK\$337.8 million and on the adjusted weighted average of 5,791.6 million ordinary shares of the Company that would have been in issue during that year 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 that year; 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 that year. The exercise prices of share options of the Company and Regal outstanding during that year were higher than the average market prices of the respective ordinary shares of the Company and Regal and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

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

— Investments in two investee companies

- The Auditors, in forming their opinion, have considered the adequacy of the disclosures made in the financial statements for the year ended 31st December, 2004 concerning the resumption in 2000 of a land site beneficially and collectively held by two investee companies (the "Investee Companies") in the People's Republic of China. The carrying value of the Group's investments in the Investee Companies amounted to HK\$56.9 million (2003 - HK\$56.9 million) as at 31st December, 2004 which is included in long term investments under non-current assets. The Directors are not able to determine with reasonable certainty the ultimate outcome of the negotiations relating to the granting of land use rights by the relevant government authorities pertaining to the land site. Should the Investee Companies fail to secure the title to the land site, appropriate adjustment against the carrying value of the Group's investments in the Investee Companies might be required. 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, 2004 (2003 - nil). No interim dividend was paid to ordinary shareholders for the year ended 31st December, 2004 (2003 - nil).
- According to the terms of the convertible preference shares of the Company, the holders of the convertible preference shares are not entitled to any right of participation in the profits of the Company. During the year under review, all the convertible preference shares of the Company have been converted into ordinary shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

- Net cash inflow from operating activities during the year under review amounted to HK\$163.2 million (2003 - HK\$247.8 million). Net interest payment for the year amounted to HK\$59.7 million (2003 - HK\$136.3 million).
- As at 31st December, 2004, the Group's gross borrowings net of cash and bank balances amounted to HK\$10.3 million, as compared to HK\$4,459.7 million in 2003. Gearing ratio based on the total assets of HK\$4,137.9 million (2003 - HK\$9,825.6 million) was 0.2% (2003 - 45.4%).
- With a view to strengthening the capital base of the Company, the Company issued during the year under review a total of 1,290 million ordinary shares through a series of private share placements.
- Prior to the balance sheet date, all the 3,450 million convertible preference shares issued by the Company pursuant to the Paliburg Acquisition in 2002 have been fully converted into ordinary shares of the Company.
- As the Group's borrowings are all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily 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, 2004 is disclosed in the annual report of the Company for the year ended 31st December, 2004 (the "2004 Annual Report"), which will be despatched to shareholders on or before 30th April, 2005. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the Company's 2004 Interim Report for the six months ended 30th June, 2004 (the "2004 Interim Report"). Detailed information on such aspects is contained in the 2004 Annual Report.

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- The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Operating Highlights" and "Outlook" below, respectively.
- The Group's significant investments principally constitute its shareholding interest in Regal, the listed associate of the Company. The significant investments of Regal comprise primarily its 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 Regal and its operations during the year under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance of Regal as well as the progress and prospects on the Regalia Bay development are contained in the sections headed "Operating Highlights" and "Outlook" below, respectively.

OPERATING HIGHLIGHTS

- For the year ended 31st December, 2004, the Group achieved an audited consolidated net profit attributable to shareholders of HK\$516.8 million, as compared with the net profit of HK\$387.6 million for the 2003 financial year.
- On 31st July, 2004, the final tranche of the ordinary shares held by the Group in Regal was released to the former bondholders of the Group and Regal has accordingly ceased to be a subsidiary of the Company.
- The results of Regal were accounted for in the consolidated financial accounts of the Group on a consolidation basis in the first 7 months of 2004 and on an equity accounting basis for the remaining 5 months to 31st December, 2004. In the consolidated balance sheet of the Company as at 31st December, 2004, Regal was treated as an associate of the Company and the interest in Regal reflected the Company's attributable share of the underlying net assets of Regal as at that date.
- The Company held as at the balance sheet date approximately 45% of the existing issued ordinary shares of Regal and approximately 43% of the outstanding 2007 warrants of Regal issued by Regal pursuant to its bonus issue of warrants in August 2004 and, in addition, certain outstanding convertible preference shares of Regal.
- The results of the Group for the year under review included write back of provisions for impairment and deficit on revaluation relating to Regal's hotel properties in Hong Kong in the respective amounts of HK\$165.8 million (2003 - HK\$11.4 million) and HK\$446.5 million (2003 - HK\$266.1 million), determined by reference to their independent professional valuations as at the relevant balance sheet dates, and a provision for impairment of goodwill in an amount of HK\$189.6 million in relation to the Group's building related businesses.

PROPERTIES

Hong Kong

- The Group still owns in the office/commercial building at 211 Johnston Road, Wanchai 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 about 2,200 square feet. In view of the general revival of the commercial/office property market, the Group has written back in the year under review the previous provision of HK\$47.3 million made for impairment in respect of these retained properties, taking into account their independent professional valuation as at 31st December, 2004.
- The certificate of compliance for the residential development at Rainbow Lodge, 9 Ping Shan Lane, Yuen Long, New Territories was issued in January 2004. The development project has a total of 16 duplex units with aggregate gross floor area of 30,800 square feet and ancillary car parking facilities. The progress on the units sale has been satisfactory, but in view of the improvement in the general market sentiment for residential properties, the Group is considering the proposal to adjust the selling price of the remaining units upwards and it is expected that a new marketing programme will be launched shortly.
- The Group retained a 30% interest in the joint venture development project at Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East. 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. Pending the determination of the land premium amount, the basic terms of the lease modification have substantially been finalised.
- 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. Due to the complex nature of the proposed development scheme, progress is expected to be relatively gradual.

The People's Republic of China

- The Group is still in discussions with the purchaser who has defaulted on the agreement entered into by the Group in July 2003 for the sale of the Group's entire joint venture interest in the development project located at Gong Ren Ti Yu Chang Street East, Chao Yang District, Beijing, with a view to overall resolving the situation. In the meanwhile, construction works of the project have been progressing.
- The Group has a 23% interest in the two joint venture companies involved in the subject development project located at Chao Yang Men Wai Da Jie, Chao Yang District, Beijing. Following the approval by the Beijing Municipal Commission of Urban Planning of the development plan for the entire project in December 2003, the Beijing Municipal Administration of State Land and Resources granted in August 2004 to one of the two joint venture companies a Beijing Grant Contract of State-owned Land Use Right for the granting of land use rights of the subject development site, subject to payment of the requisite land premium. Under the terms of the Grant Contract, the development site will have a total permissible gross floor area of about 4,630,000 square feet encompassing office, residential, hotel, commercial and car parking accommodations. As no consensus can yet be reached among the joint venture parties involved, the due date for its payment under the terms of the Grant Contract has expired and the land premium remains unpaid. The Group is in active negotiations with the other joint venture parties and with potential investors to explore various feasible alternatives in addressing the situation and with a view to optimising the value of the Group's interest in the project.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

Construction Business

- The construction business of the Group, which is undertaken through Chatwin Engineering Limited, continues to be affected by the overall contraction in the local construction industry but the operations of Chatwin remain profitable. Chatwin will continue to seek new opportunities for the possible expansion and diversification of its existing businesses.

Building Related Business

- The technology-based building related businesses of the Group are undertaken through the Leading Technology group, which is now wholly owned by the Group.
- During the year under review, the Leading Technology group has successfully improved and upgraded its fingerprint access control system and property management system for hotels to new versions and with new features and functions that can enhance the values of its products and at the same time broaden its potential market. Basing on its experience and know-how in the building security business, the Leading Technology group is actively considering developing into mobile digital video recording and surveillance businesses.
- Depending on the level of funds that will be deployed in the development of its new products and businesses, particularly on research and development, marketing and capex expenditures, the business valuation of the Leading Technology group would range from over HK\$520 million under an expansion scenario to HK\$58 million on a contraction scenario, based on a business valuation recently conducted by an independent professional valuer. As it is the Group's intention to re-build its core real estate businesses and to maintain an effective controlling interest in Regal, the Group has not determined whether it would allocate significant resources to fund and launch the business undertakings of the Leading Technology group on a full-fledged basis in accordance with its expansionary business plan. Taking this into due consideration, the Group has taken the prudent view to adjust the carrying value of the Leading Technology group to its professional business valuation based on the contraction scenario and has accordingly made a relevant impairment of goodwill in the sum of HK\$189.6 million in the financial statements for 2004.

Others

- The Group also operates a comprehensive range of other building related businesses including development consultancy comprising architectural, engineering and interior design services, project management, building services and estate management.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

- For the year ended 31st December, 2004, Regal achieved an audited consolidated net profit attributable to shareholders of HK\$602.9 million, which represented an increase of 190.1% over the corresponding figure of HK\$207.8 million attained in the 2003 financial year.
- Further information on the operations of Regal, including management discussion and analysis, is contained in Regal's announcement separately released today.

OUTLOOK

- The directors of Regal are confident on the continuing profitability and future prospects of the Regal group and its recommendation to resume the payment of a dividend to the shareholders of Regal signifies a clear endorsement of its confidence level in this regard.
- Having now stabilised its overall financial position, the Group will seek to strengthen its property and investment portfolio. Given its vast experience and expertise in many spheres of the real estate sector, property and related businesses will continue to be the main line of the Group's business focus. In view of Regal's well-established business and asset base as well as its encouraging prospects, it is the intention of the Group to maintain its effective controlling shareholding position in Regal. The Directors are optimistic that the Group will be able to attain continuing growth and to bring to shareholders satisfactory returns.

CODE OF BEST PRACTICE

- The Company has complied 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 (the "Stock Exchange") (the "Listing Rules") then in force throughout the year ended 31st December, 2004, 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.

ANNUAL GENERAL MEETING

- An Annual General Meeting of the Company will be convened on Thursday, 16th June, 2005. The Notice of the Annual General Meeting will be published in newspapers and sent to the shareholders of the Company, together with the Company's 2004 Annual Report, in due course.

BOARD OF DIRECTORS

- As at the date of this announcement, the Board comprises the following members:

Executive Directors:
Mr. LO Yuk Sui
(Chairman and Managing Director)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai

Non-Executive Director:
Mrs. Kitty LO LEE Kit Tai

Independent Non-Executive Directors:
Mr. NG Siu Chan
Hon Abraham SHEK Lai Him, JP
Mr. WONG Chi Keung

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 11th April, 2005

A detailed results announcement containing all the relevant information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31st March, 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1st July, 2004 under the transitional arrangement, will be submitted to the Stock Exchange for publication on its website in due course.