

2000 INTERIM ANNOUNCEMENT

HALF YEAR RESULTS (Unaudited)

	Six months ended 30th June, 2000	Six months ended 30th June, 1999
	HK\$'M	HK\$'M
TURNOVER	498.6	1,492.0
Cost of sales	(412.7)	(1,191.4)
Gross profit	85.9	300.6
Other revenue (Note 2)	92.3	107.9
Administrative expenses	(35.6)	(77.7)
Other operating expenses (Note 3)	(21.0)	(108.7)
PROFIT FROM OPERATING ACTIVITIES	121.6	222.1
Finance costs	(183.4)	(336.9)
Share of profits less losses of		
— Jointly controlled entity	(30.5)	—
— Associates	(0.4)	7.0
LOSS BEFORE TAX	(92.7)	(107.8)
Tax (Note 4)		
— Group	(7.5)	(11.7)
— Associates	—	—
LOSS BEFORE MINORITY INTERESTS	(100.2)	(119.5)
Minority interests	1.0	(0.2)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(99.2)	(119.7)
Dividends		
— Interim dividend on ordinary shares	—	—
— Provision for preference shares	—	(3.8)
Accumulated losses for the period	(99.2)	(123.5)
Loss per ordinary share (Note 5)		
Basic	HK(2.5) cents	HK(3.1) cents
Diluted	N/A	N/A

Notes:

- Due to the adoption of the revised Statements of Standard Accounting Practice, the presentation of the profit and loss account has been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform to the current period's presentation.
- Other revenue includes the following major items:

	2000 HK\$'M	1999 HK\$'M
Interest income	23.3	77.6
Gain on disposal of an associate	67.5	—
Compensation received from cancellation of a tenancy agreement	—	23.0
- Other operating expenses include the following major items:

	2000 HK\$'M	1999 HK\$'M
Depreciation	21.0	68.4
Provision for loss on disposal of a subsidiary company	—	37.9
- Hong Kong taxation is calculated at the rate of 16% (1999 - 16%) on the estimated assessable profits earned in or derived from Hong Kong. Taxation on profits assessable overseas is calculated at the rates prevailing in the respective jurisdictions in which the Group operates, based on existing law, practices and interpretations thereof.
- The calculation of basic loss per ordinary share is based on the net loss from ordinary activities attributable to ordinary shareholders for the period of HK\$99.2 million (1999 - HK\$123.5 million after a provision of HK\$3.8 million for the dividend on the 5¼% Convertible Cumulative Redeemable Preference Shares ("Preference Shares")) and on the weighted average of 3,935.9 million (1999 - 3,928.8 million) ordinary shares of the Company in issue during the period.
No diluted loss per ordinary share is presented for the periods ended 30th June, 1999 and 2000, as the exercise of share options and the conversion of Preference Shares of the Company are anti-dilutive.
- Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the period under review.

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the financial year ending 31st December, 2000 (1999 - nil).

REVIEW AND OUTLOOK

For the six months ended 30th June, 2000, the Group incurred an unaudited consolidated net loss attributable to shareholders of HK\$99.2 million, as compared with a net loss of HK\$119.7 million in the corresponding period in 1999.

In the announced interim results for 1999, the financing costs incurred on the jointly controlled entity which owns the Stanley development project had been capitalised, whereas in the period being reported, such financing costs were treated as expense in the profit and loss account due to the temporary suspension of development works. Had such financing costs been capitalised, the net loss incurred during the period under review would have been substantially reduced.

Tourism business in Hong Kong continued to improve during the first half of 2000 and recorded an increase of 15.7% in visitor arrivals over the same period last year. Though visitors from Mainland China alone accounted for a substantial part of the increase attained, it is encouraging to see significant growth at the same time in most of the other major markets.

Benefiting from the reviving tourism business, both the overall hotel occupancy as well as the average room rate in Hong Kong gained some improvement during the period under review, as compared with the same period in the previous year. Excluding the Regal Airport Hotel, which is still under soft opening, the combined average occupancy for the Group's other four hotels in Hong Kong during the first six months was about 70.4%, representing an increase of 6.5% over the 66.1% recorded in the last corresponding period, while in respect of the average room rate, an increase of 6.2% was achieved. In order to enhance their competitiveness, staged renovation programmes for the Regal Kowloon Hotel and, to lesser extent, the other hotels have been planned. Relevant works for certain portions of the hotel guestrooms are already in progress. Furthermore, new additional facilities for the Regal Hongkong Hotel incorporating a business centre and function rooms fitted with modern equipment for conference and meeting purposes have recently been completed and put to operation.

As for the Regal Airport Hotel, the total number of available rooms under operation has increased from a room count of 540 in the comparative period in 1999 to 843 during the period under review. Due to the enlarged size of operation, the gross operating profit generated by this hotel has improved very substantially. The remaining 259 guestrooms are anticipated to come on stream later this year.

Outside of Hong Kong, the Regal Constellation Hotel in Toronto, Canada and the Group's two managed hotels in Shanghai, namely, the Regal International East Asia Hotel and the Regal Shanghai East Asia Hotel, in the People's Republic of China all maintained steady performance.

The sale of the Regal Bostonian Hotel in the United States, deferred from December last year, was duly completed in June this year. The profit derived has been reflected in the interim accounts being presented.

With the continuing recovery in the local economy as well as the recent measures taken by the HKSAR Government to stabilise supply and demand, there are signs of growing confidence towards the local property market. Prospects for the luxury residential sector, particularly on the Hong Kong Island, are now much brighter, as supply is relatively limited. Having regard to the changed environment, the Company is preparing for the resumption of development works on the luxury residential development at Rural Building Lot No.1138, in which the Group holds a 30% joint venture interest. The construction costs required to complete the development is expected to be financed by banking facilities previously arranged and the Company is hopeful that substantial cash surplus will be generated from the eventual sale of the house units.

Since the beginning of this year, the Group has been actively developing the sales and marketing network for the Group's hotels on the internet. Additionally, the Group also undertook some investments in the information technology sector, both in Hong Kong and the PRC. The Group currently holds an effective 6.4% interest in Century Digital Enterprise Limited, a company involved in information technology business in connection with a broadband national railway fibre optic network in the PRC. A certain part of the shareholding interest in Century Digital held by its existing shareholders is presently the subject of a proposed acquisition by Century City International Holdings Limited, the Company's ultimate listed holding company.

The Directors anticipate that the operating performance of the Group's hotels in Hong Kong in the second half of this year will be better than that achieved in the first six months, as the second half is traditionally the higher season of the year. With the Regal Airport Hotel going gradually into full operation, it is expected that significant profits will be contributed by this hotel due to its unique location as well as the wide range of meeting, conference and resort facilities it offers. Overall, the Directors are hopeful that the Group will regain its profitability in pace with the recovery of the local tourism and hotel business.

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 22nd September, 2000