

2002 INTERIM ANNOUNCEMENT

HALF YEAR RESULTS

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK\$'M	HK\$'M
TURNOVER (Note 2)	481.0	543.5
Cost of sales	(366.7)	(448.6)
Gross profit	114.3	94.9
Other revenue (Note 3)	3.2	18.5
Administrative expenses	(37.9)	(35.9)
Other operating expenses, net (Note 4)	(14.0)	(48.5)
PROFIT FROM OPERATING ACTIVITIES (Note 2)	65.6	29.0
Finance costs (Note 5)	(93.5)	(169.9)
Share of profits less losses of:		
Jointly controlled entity	—	(26.0)
Associates	2.5	(1.7)
LOSS BEFORE TAX	(25.4)	(168.6)
Tax (Note 6)	(0.1)	(0.2)
LOSS BEFORE MINORITY INTERESTS	(25.5)	(168.8)
Minority interests	—	0.9
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(25.5)	(167.9)
Loss per ordinary share (Note 7)		
Basic	HK\$(0.007)	HK\$(0.043)
Diluted	N/A	N/A

Notes:

- The interim financial statements for the six months ended 30th June, 2002 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, 2002 (the "2002 Interim Report") to be despatched to shareholders, and by the Audit Committee of the Company. Fundamental uncertainties in respect of the going concern basis upon which the interim financial statements have been prepared are set out in the 2002 Interim Report.
- An analysis of the Group's turnover and contribution to trading results during the period by each principal activity and by geographical location is as follows:

	Turnover		Contribution	
	Six months ended 30th June, 2002	Six months ended 30th June, 2001	Six months ended 30th June, 2002	Six months ended 30th June, 2001
	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M
By principal activity:				
Hotel ownership and management	467.2	510.8	82.5	67.3
Property development and investment	—	0.7	(0.5)	0.5
Other operations	13.8	32.0	(10.8)	(14.6)
	481.0	543.5	71.2	53.2
Unallocated expenses, net			(5.6)	(24.2)
			65.6	29.0
By geographical location:				
Hong Kong	423.8	473.4	78.8	57.5
Canada	48.0	55.4	(1.2)	1.4
Others	9.2	14.7	(6.4)	(5.7)
	481.0	543.5	71.2	53.2
Unallocated expenses, net			(5.6)	(24.2)
			65.6	29.0

- Other revenue includes the following major item:

	Six months ended 30th June, 2002 (Unaudited) HK\$'M	Six months ended 30th June, 2001 (Unaudited) HK\$'M
Interest income	1.7	15.6

- Other operating expenses, net:

	Six months ended 30th June, 2002 (Unaudited) HK\$'M	Six months ended 30th June, 2001 (Unaudited) HK\$'M
Depreciation	22.9	22.1
Loss on disposal of long term listed investments	—	26.4
Loss on disposal of long term unlisted investments	1.6	—
Write back of provision against other loan receivable	(10.5)	—
	14.0	48.5

- Included in the Group's finance costs is an amount of HK\$3.5 million (2001 - HK\$3.5 million) representing the amortisation of loan costs.

- 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 period (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 laws, 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.

- 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\$25.5 million (2001 - HK\$167.9 million), adjusted for the unpaid preference dividend for the period of HK\$3.4 million (2001 - HK\$3.4 million), and on the weighted average of 3,990.2 million (2001 - 3,938.8 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, 2001 and 2002, 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 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, 2002 (2001 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

- During the period under review, net cash inflow from operating activities totalled HK\$89.8 million (2001 - HK\$39.8 million). Net interest payment for the period amounted to HK\$122.6 million (2001 - HK\$118.5 million). The Group intends to reduce further the level of interest expense through the disposal of some of its non-core assets and/or equity fund raising exercises.
- As at 30th June, 2002, the Group's borrowings net of cash and bank balances amounted to HK\$5,073.1 million (31st December, 2001 - HK\$5,055.2 million). The Group's gearing ratio based on the total assets of HK\$9,909.6 million (31st December, 2001 - HK\$9,943.1 million) was about 51% (31st December, 2001 - 51%).
- 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, 2002 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2001 (the "2001 Annual Report"). During the period under review, the Group continued to adopt the same funding, treasury and remuneration policies as disclosed in the 2001 Annual Report. Detailed information in such aspects is contained in the Company's 2002 Interim Report.
- Further information relating to the Group's principal business operations and outlook is contained in the section headed "Review and Outlook" below.

REVIEW AND OUTLOOK

- For the six months ended 30th June, 2002, the Group reported an unaudited consolidated net loss attributable to shareholders of HK\$25.5 million, as compared with the net loss of HK\$167.9 million recorded for the same period in 2001.
- During the period under review, total visitor arrivals to Hong Kong amounted to over 7.5 million, representing a growth of about 12.8% as compared with that in the first six months of 2001, which was largely attributable to the influx of travelers from Mainland China. In this period, average hotel room occupancy rate for all hotels in Hong Kong recorded an increase of about 3.8%. However, due to the price sensitivity of most Mainland China travelers, which contributed for almost 40% of the total visitor arrivals, the achieved average hotel room rate continued to be under pressure and recorded a decrease of about 11.8%.
- For the five Regal Hotels in Hong Kong, an increase of about 7.9% was attained in their combined average occupancy, but due to the competitive environment, the combined average room rate was about 9.3% lower than that in the comparative period last year. The streamlining and cost containment measures implemented were beginning to produce positive results, reflecting in the achievement of a 27.4% improvement in the total gross operating profit for these five hotels during the period.
- As part of its asset disposal programme, the Group recently entered into a share purchase agreement with a third party purchaser for the sale of the Group's 100% equity interest in the subsidiary which owns the Regal Constellation Hotel in Toronto, Canada. The completion of the share purchase agreement is subject to, among other things, the results of the due diligence review being satisfactory to the purchaser. This hotel in Toronto was acquired by the Group in late 1980's at a consideration of CAD110 million. Previous downward revaluations and foreign exchange losses in prior years were dealt with in the reserves and will be charged to the profit and loss account on disposal. Though this will not affect the net assets of the Group, if the sale duly takes place in this December as scheduled, it may have an adverse impact on the results of the Group for the current financial year. However, it is expected that net surplus proceeds will be derived after full redemption of the attached bank loan.
- The Group presently has a 30% interest in the Stanley development project. Superstructure works on this project are underway and the project is scheduled for completion in two phases from around the second quarter of 2003. On 2nd August, 2002, the Company entered into a conditional sale and purchase agreement with Paliurg Holdings Limited, the immediate listed parent of the Company, for the acquisition by the Group of the 40% interest in the Stanley development project presently owned by the Paliurg group for a consideration of HK\$470 million, to be satisfied by the issue of approximately 1,958.3 million new shares of the Company. Details of this proposed transaction were contained in the circular to the shareholders of the Company dated 26th August, 2002. This proposed transaction was duly approved by the independent shareholders of the Company, Paliurg and Century City International Holdings Limited, the Company's ultimate listed holding company, at their respective special general meetings all held on 18th September, 2002. Subject to fulfillment of other remaining conditions including bank consents and listing approval for the new shares to be issued, the transaction is expected to be completed on or before 31st October, 2002.
- On 18th September, 2002, the shareholders of the Company have also duly approved the Company's capital reorganisation proposal which involves, among other things, the reduction of the issued share capital of the Company by the cancellation of the paid up capital to the extent of HK\$0.09 on each ordinary share in issue, and the nominal value of the ordinary share of the Company will be reduced from HK\$0.10 to HK\$0.01 per share. Certain procedural and compliance requirements will first have to be met before the capital reorganisation can become effective. The Company will issue further announcement to inform the shareholders of the effective date of the capital reorganisation.
- Separately, the Group entered into a standstill agreement with its principal bank creditors on 4th September, 2002 with a view to rescheduling or extending the principal repayments of two outstanding loans aggregating in the principal amount of approximately HK\$4,901.6 million, which became effective on 5th September, 2002. Details of the standstill agreement were contained in an announcement issued by the Company dated 10th September, 2002.
- With a view to raise additional funds for reduction of bank indebtedness and working capital purposes, the Company entered into a subscription agreement with a third party investor in September 2002 for the issue of a series of 5% Guaranteed Convertible Bonds due 2004. The Bonds will comprise Firm Bonds in an aggregate principal amount of HK\$50 million and Optional Bonds in an additional aggregate principal amount of up to HK\$50 million. The Bonds will carry rights to convert into new ordinary shares of the Company at HK\$0.10 per share, initially, subject to usual and downward adjustments. The detailed terms and conditions for the issue of the Bonds were set out in an announcement issued by the Company dated 16th September, 2002.
- As the second half of the year is traditionally the higher season for the hotel industry in Hong Kong, it is anticipated that the operating results of the five Regal Hotels in Hong Kong in the second half should be better than that attained in the period under review.
- The Group has been taking various initiatives with a view to enlarging its asset base, to strengthening its working capital, and to stabilising its financial position by extending or rescheduling its loan commitments. The conclusion of the standstill agreement can be regarded as a positive indication of continuing support by the Group's principal bank creditors. The Group will continue to monitor its assets and liabilities, including its debt levels and the potential for cash flow generation through assets disposal or other appropriate means.
- With the anticipated gradual improvement of the overall tourism market in Hong Kong and the concerted efforts of management and staff and all parties concerned, it may reasonably be expected that the Group's local hotels will be able to produce improving performance and positive contributions over the coming years.

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 23rd September, 2002

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, 2002.