

# ANNOUNCEMENT OF 2002 GROUP RESULTS

		Year ended 31st Dec., 2002	31	Year ended st Dec., 2001											
		нк\$'м		HK\$'M											
TURNOVER (	Note 1)	1,369.9		1,951.8	Notes:										
cost of sales		(969.1)	-	(1,603.8)	Notes:		INFORMATION	J							
Gross profit Other revenu	(Note 3)	400.8 33.4		348.0 156.5	1.		formation is p		way of two	seament t	formats: (i)	on a nrimar	v seament	reporting	haeie
ain on settl	ement of exchangeable bonds and					_	egment; and (	-	-	-					54515,
convertib dministrativ	re expenses	2,988.1 (112.3)		— (150.9)		The Group	's operating b	usinesses	are structur	ed and ma	anaged se	parately, acc	cording to	the natur	e of th
	ing expenses (Note 4) or write-downs and impairments, net (Note 5)	(263.6) (659.1)		(206.7) (533.2)			and the prod		-				_		
npairment o	of an overseas hotel property					-	usiness unit th of the other b	•				-			
	le to discontinuing operation of hotel properties	(437.0) (181.9)		_			e property dev	_		-		_			
•	S) FROM OPERATING ACTIVITIES (Note 1)	1,768.4	-	(386.3)			d the leasing			_		, 0, 1,10 4010	opmont an		.оро.
nance cost	s (Note 7) fits less losses of:	(500.9)		(738.5)		(b) the	e property ma	nagement s	egment is e	engaged in	the provisi	ion of proper	ty manage	ement serv	ices;
Jointly co	ontrolled entity	<u> </u>		(90.9)		(c) the	e construction	and constr	uction-relate	ed segmen	t is engage	ed in constru	ction work	s and con	struct
Associate ROFIT/(I OS	S) BEFORE TAX	<u>(14.9)</u> 1,252.6	-	(5.9) (1,221.6)			ated busines	ses, includi	ng the pro	vision of o	developme	nt consultan	cy and p	roject ma	nagen
x (Note 8)	(a) 22. 3.12 17.13	1.0	-	3.8			rvices; e hotel owners	hin and ma	ogomont o	oamont in a	angagad in	hotal aparat	ione and th	no provinie	n of h
ROFIT/(LOS	S) BEFORE MINORITY INTERESTS	1,253.6 368.0		(1,217.8) 146.8			anagement se		iagement si	egment is e	engageu m	noter operat	ions and ti	ie provisic	11 01 11
•	(LOSS) FROM ORDINARY ACTIVITIES	366.0	-	140.0			e brewery ope		nent repres	ents the Gr	roup's brew	very operatio	ns in the M	Mainland C	hina;
ATTRIBUT	TABLE TO SHAREHOLDERS	1,621.6		(1,071.0)			e other segme	nts mainly c	omprise the	Group's se	ecurities tra	ading, financ	ing, travel	services, i	estau
arnings/(Lo Basic	ss) per share (Note 9)	HK¢0.70		⊣K¢(U 4€)		ор	erations, floris	st and wedo	ing service	s.					
Basic Diluted		HK\$0.70 N/A	=	HK\$(0.46) N/A			ing the Group	's geographi	cal segmen	its, revenue	es are attrib	uted to the se	egments ba	ased on th	e loca
	ue per ordinary share as at year end date		=			of the cust		ronof	tran : :	with f	nnon +- ''	oollis = : '	0.110-7.5	aals -	٠ ٠ ما
et asset vai	lue per ordinary snare as at year end date	HK\$0.76	=	HK\$0.94		_	nt sales and t he then preva			with refere	ence to the	selling price	s used for	sales mad	e to 1
	IENT INFORMATION (cont'd)							Ü							
(a)	Business segments  The following table presents revenue and profit/(loss) info	ormation for the Group's	business segme	ents.											
	Group				Construction	on									
		Property			and construction		Hotel								
		development and investmen	t manag	perty gement	related businesse	s ma	nership and inagement	oper	wery ations		ners	Elimina		Consc	
		2002 200 HK\$'M HK\$'I		2001 2 HK\$'M H		2001 20 (\$'M HK\$		2002 HK\$'M	2001 HK\$'M	2002 HK\$'M	2001 HK\$'M	2002 HK\$'M	2001 HK\$'M	2002 HK\$'M	HK
	Segment revenue: Sales to external customers	155.6 314.	4 23.0	22.5 2	202.9 5	58.0 964	.7 1,001.5	17.3	19.9	6.4	35.5	_	_	1,369.9	1,9
	Intersegment sales Total	15.4 171.0 369.	9 1.1	1.6	4.7		.4 0.9	17.3	19.9	12.5	16.0 51.5	(34.1)	(96.0)	1,369.9	1,95
	Segment results	(66.4) (76.		17.5	5.5	3.1 (941	= ===	(16.4)	(69.0)	(1.8)	(19.7)	(5.1)		(1,009.1)	(2)
	Interest income and unallocated non-operating													, ,	•
	and corporate gains Unallocated non-operating and corporate expenses												-	#3,012.9 *(235.4)	(29
	Profit/(Loss) from operating activities Finance costs													1,768.4 (500.9)	(38 (73
	Share of profits less losses of:  Jointly controlled entity	— (90.	9) —	_	_	-		_	_		(5.0)	_	_		(9
	Associates Profit/(Loss) before tax			_	_	— (0	.7) —	_	_	(14.2)	(5.9)	_		(14.9) 1,252.6	(1,22
	Tax  Profit/(Loss) before minority interests													1,253.6	(1,2
	Minority interests												-	368.0	14
	Net profit/(loss) from ordinary activities attributable to shareholders													1,621.6	(1,07
		The second secon													
	# Inclusive of a gain on the settlement of exchangeable				million.										
(b)	<ul> <li>Inclusive of a gain on the settlement of exchangeable</li> <li>Inclusive of a write back of provision against a loan re Geographical segments</li> </ul>				million.										
(b)	<ul> <li>Inclusive of a write back of provision against a loan re Geographical segments</li> <li>The following table presents revenue information for the</li> </ul>	eceivable amounting to H	K\$14.2 million (	Note 5).	million.	Canada		Mainlar	ud China		Flimir	nations		Consc	lidate
(b)	<ul> <li>Inclusive of a write back of provision against a loan re Geographical segments</li> </ul>	eceivable amounting to H	K\$14.2 million (gments. Hong 2002	Note 5).  Kong 2001	2	Canada 002 20		2002	d China 2001		2002	nations 2001		Conso	2
(b)	<ul> <li>Inclusive of a write back of provision against a loan re Geographical segments</li> <li>The following table presents revenue information for the Group</li> </ul>	eceivable amounting to H	K\$14.2 million (gments.	Note 5).		002 20									- 2
(b)	<ul> <li>Inclusive of a write back of provision against a loan re Geographical segments</li> <li>The following table presents revenue information for the</li> </ul>	eceivable amounting to H	K\$14.2 million (gments. Hong 2002	Note 5).  Kong 2001	2 HK	002 20 \$'M HK\$		2002	2001	=	2002	2001	=	2002	HH
	<ul> <li>Inclusive of a write back of provision against a loan re Geographical segments</li> <li>The following table presents revenue information for the Group</li> <li>Segment revenue:</li> </ul>	eceivable amounting to H	K\$14.2 million ( gments. Hong 2002 HK\$'M	Note 5).  Kong 2001 HK\$'M	2 HK	002 20 \$'M HK\$ 8.6 95	М	2002 HK\$'M	2001 HK\$'M	= present the fo	2002 HK\$'M	2001 HK\$'M	=	2002 HK\$'M	
DISC(	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the group  Segment revenue: Sales to external customers  DNTINUING OPERATION  Innover, expenses and results from the discontinuing operation	eceivable amounting to H Group's geographical seg	K\$14.2 million (gments.  Hong 2002 HK\$'M	Note 5).  Kong 2001 HKS'M	2 HK	002 20 \$'M HK\$ 8.6 95	.6	2002 HK\$'M	2001 HK\$'M	= present the f	2002 HK\$'M	2001 HK\$'M	2002	2002 HK\$'M	1,9
DISC(	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the to Group  Segment revenue: Sales to external customers  DNTINUING OPERATION	eceivable amounting to H Group's geographical seg	K\$14.2 million (gments.  Hong 2002 HKS'M  1,263.5  oup's hotel oper	Kong 2001 HK\$'M 1,834.4	2 HK	002 20 6'M HK\$ 8.6 95 Provisions fo	.6 or write-downs a	2002 HK\$'M 17.8 and impairme	2001 HK\$'M	= present the f	2002 HK\$'M	2001 HK\$'M	2002 HK\$'M	2002 HK\$'M	1,9 1,9
DISC(	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the group  Segment revenue: Sales to external customers  DNTINUING OPERATION  Innover, expenses and results from the discontinuing operation	eceivable amounting to H Group's geographical seg	K\$14.2 million (gments.  Hong 2002 HK\$'M	Note 5).  Kong 2001 HKS'M	2 HK	002 20 \$'M HK\$ 8.6 95 Provisions for Write-down	.6	2002 HK\$'M 17.8 and impairme	2001 HK\$'M	= present the fo	2002 HK\$'M	2001 HK\$'M	2002	2002 HK\$'M	1,9 1,9
DISCO The tu for the	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the Group  Segment revenue: Sales to external customers  DINTINUING OPERATION prover, expenses and results from the discontinuing operation by years ended 31st December, 2002 and 2001 are as follows  OVER	eceivable amounting to H Group's geographical seg	K\$14.2 million (gments.  Hong 2002  HK\$'M  1,263.5  oup's hotel oper  2002  HK\$'M  88.6	Note 5).  Kong 2001 HKS'M  1,834.4  ation in Canada  2001 HKS'M  95.6	2 HK	2002 20 HK\$ 8.6 95 Provisions for Write-down Impairment Impairment	or write-downs and a values of proof fixed assets of long term inv	2002 HK\$'M  17.8  and impairment	2001 HK\$'M 21.8 ents, net, rep		2002 HK\$'M	2001 HK\$'M	2002 HK\$'M	2002 HK\$'M	1,9 1,9
DISCO The to for the TURN Cost of	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the group  Segment revenue: Sales to external customers  DNTINUING OPERATION Innover, expenses and results from the discontinuing operation by years ended 31st December, 2002 and 2001 are as follows  OVER of sales	eceivable amounting to H Group's geographical seg	K\$14.2 million (gments.  Hong 2002  HKS'M  1,263.5  oup's hotel oper 2002  HKS'M  88.6  (87.4)	Note 5).  Kong 2001 HK\$'M  1,834.4  attion in Canada  2001 HK\$'M  95.6 (91.4)	2 HK	Provisions for Write-down Impairment Impairm	n values of proof fixed assets of long term involvement remining investment removes.	2002 HK\$'M  17.8  and impairment	2001 HK\$'M 21.8 ents, net, rep	inated again	2002 HKS'M — ollowing iten	2001 HK\$'M	2002 HK\$'M 67.4 — 62.0	2002 HK\$'M	1,9 1,9
DISCO The tu for the TURN Cost o Gross Admir	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the Group  Segment revenue: Sales to external customers  DITINUING OPERATION  urrover, expenses and results from the discontinuing operation be years ended 31st December, 2002 and 2001 are as follows  OVER of sales profit iistrative expenses	eceivable amounting to H Group's geographical seg	K\$14.2 million (gments.  Hong 2002  HK\$'M  1,263.5  oup's hotel oper  2002  HK\$'M  88.6  (87.4)  1.2  (3.5)	Note 5).  Kong 2001 HK\$'M  1,834.4  attion in Canada  2001 HK\$'M  95.6 (91.4) 4.2 (3.8)	2 HK	Provisions for Write-down Impairment Impairment Impairment Provisions a	n values of proof fixed assets of long term involong term	2002 HK\$'M  17.8  and impairmed  perties  restments restments restments researched researches, promissed resea	21.8 21.8 ents, net, repriviously elimierve	inated again	2002 HKS'M — ollowing iten	2001 HK\$'M	2002 HK\$'M 67.4 — 62.0	2002 HK\$'M	1,9 HI
TURN Cost of Gross Admir Other	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the group  Segment revenue: Sales to external customers  DNTINUING OPERATION  Innover, expenses and results from the discontinuing operation by years ended 31st December, 2002 and 2001 are as follows  OVER of sales profit instrative expenses operating expenses	eceivable amounting to H Group's geographical seg	K\$14.2 million (gments.  Hong 2002 HKS'M  1,263.5  oup's hotel oper  2002 HKS'M  88.6 (87.4) 1.2 (3.5) (2.3)	Xong 2001 HK\$'M 1,834.4 2011 HK\$'M 95.6 (91.4) 4.2 (3.8) (2.7)	2 HK	Provisions for Write-down Impairment Impairment Inpairment Dong ter Provisions a Deficit on re	n values of proof fixed assets of long term involong term involong term involong term investment regainst other lose	2002 HK\$'M  17.8  and impairmed impa	2001 HK\$'M  21.8  onts, net, representations of the second	inated again	2002 HKS'M — ollowing iten	2001 HK\$'M	2002 HK\$'M 67.4 — 62.0 15.0 — 528.9 (14.2)	2002 HKS'M 1,369.9	1,9 1,9
DISCO The tue for the TURN Cost of Gross Admir Other LOSS Finance	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the group  Segment revenue: Sales to external customers  DNTINUING OPERATION  Innover, expenses and results from the discontinuing operation a years ended 31st December, 2002 and 2001 are as follows  OVER of sales profit inistrative expenses operating expenses FROM OPERATING ACTIVITIES per costs	eceivable amounting to H Group's geographical seg in respect of the Regal gr	K\$14.2 million (gments.  Hong 2002  HK\$'M  1,263.5  oup's hotel oper  2002  HK\$'M  88.6 (87.4)  1.2 (3.5) (2.3) (4.6) (6.4)	Rong 2001 HK\$'M 1,834.4 ation in Canada 2001 HK\$'M 95.6 (91.4) 4.2 (3.8) (2.7) (2.3) (10.0)	2 HK	Provisions for Write-down Impairment Impairment Inpairment Dong ter Provisions a Deficit on re	n values of proof fixed assets of long term invoid long term invoid long term term investment regainst other lose valuation of hor valuation of hor	2002 HK\$'M  17.8  and impairmed impa	2001 HK\$'M  21.8  onts, net, representations of the second	inated again	2002 HKS'M — ollowing iten	2001 HK\$'M	2002 HK\$'M 67.4 — 62.0 15.0 — 528.9	2002 HKS'M 1,369.9	1,9 1,9
DISCO The tue for the TURN Cost of Gross Admir Other LOSS Finance	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the office of the following table presents revenue information for the office of the following table presents revenue information for the office of the following table presents revenue information for the office of the following table provided in t	eceivable amounting to H Group's geographical seg in respect of the Regal gr	K\$14.2 million (gments.  Hong 2002 HK\$'M  1,263.5  oup's hotel oper  2002 HK\$'M  88.6 (87.4) 1.2 (3.5) (2.3) (4.6)	Note 5).  Kong	2 HK	Provisions for Write-down Impairment Impairment Impairment Provisions a Deficit on re Write back of	n values of proof fixed assets of long term invoid long term invoid long term term investment regainst other lose valuation of hor valuation of hor	2002 HK\$'M  17.8  and impairmed impa	2001 HK\$'M 21.8 ints, net, rep inviously elimierve erve ry notes and	inated again	2002 HKS'M — ollowing iter	2001 HKS'M	2002 HK\$'M 67.4 — 62.0 15.0 — 528.9 (14.2)	2002 HKS'M 1,369.9	1,9 1,9
TURN Cost of Grosss Admir Other LOSS Finance	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the group  Segment revenue: Sales to external customers  DNTINUING OPERATION  Innover, expenses and results from the discontinuing operation a years ended 31st December, 2002 and 2001 are as follows  OVER of sales profit inistrative expenses operating expenses FROM OPERATING ACTIVITIES per costs	eceivable amounting to H Group's geographical seg in respect of the Regal gr	K\$14.2 million (gments.  Hong 2002 HKS'M  1,263.5  oup's hotel oper  2002 HKS'M  88.6 (87.4)  1.2 (3.5) (2.3) (4.6) (6.4) (11.0)	Note 5).  Kong 2001 HKS'M  1,834.4  attion in Canada  2001 HKS'M  95.6 (91.4) 4.2 (3.8) (2.7) (2.3) (10.0) (12.3)	2 HK 8 5.	Provisions for Write-down Impairment Impairment Impairment Provisions a Deficit on re Write back of	n values of pro of fixed assets of long term invo flong term invo flong term invo summer investment re gainst other loc valuation of ho of provision aga	2002 HK\$'M  17.8  and impairmed impa	2001 HK\$'M 21.8 ints, net, rep inviously elimierve erve ry notes and	inated again	2002 HKS'M — ollowing iter	2001 HKS'M	2002 HK\$'M 67.4 — 62.0 15.0 — 528.9 (14.2)	2002 HKS'M 1,369.9	1,99 1,99
TURN Cost of Grosss Admir Other LOSS Finance	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the end of the forup  Segment revenue: Sales to external customers  DNTINUING OPERATION Innover, expenses and results from the discontinuing operation be years ended 31st December, 2002 and 2001 are as follows  OVER of sales profit instrative expenses operating expenses operating expenses FROM OPERATING ACTIVITIES ce costs COSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAF	eceivable amounting to H Group's geographical seg in respect of the Regal gr	K\$14.2 million (gments.  Hong 2002  HK\$'M  1,263.5  oup's hotel oper  2002  HK\$'M  88.6 (87.4)  1.2 (3.5) (2.3) (4.6) (6.4)	Rong 2001 HK\$'M 1,834.4 ation in Canada 2001 HK\$'M 95.6 (91.4) 4.2 (3.8) (2.7) (2.3) (10.0)	2 HK 8 5.	Provisions for Write-down Impairment Impairment Impairment Provisions a Deficit on re Write back of An analysis	n values of pro of fixed assets of long term invo flong term invo flong term invo summer investment re gainst other los valuation of ho of profit/(loss) of	2002 HK\$'M  17.8  and impairmed impa	2001 HK\$'M  21.8  21.8  ints, net, rep  inviously elimiterve ery notes and inceivable estments or	inated again	2002 HKS'M — ollowing iter	2001 HKS'M	2002 HK\$'M 67.4 62.0 15.0 528.9 (14.2) 659.1 2002 HK\$'M	2002 HKS'M 1,369.9	1,9 1,9 1
TURN Cost of Gross Admir Other LOSS Finance NET L	* Inclusive of a write back of provision against a loan re Geographical segments The following table presents revenue information for the office of the following table presents revenue information for the office of the following table presents revenue information for the office of the following table presents revenue information for the office of the following triple of the following triple of the following major items:  **Inclusive of a write back of provision against a loan received in the following major items:  **Inclusive of a write back of provision against a loan received in the following major items:  **Inclusive of a write back of provision against a loan received in the following major items:  **Inclusive of a write back of provision against a loan received in the following major items:  **Inclusive of a write back of provision against a loan received in the following major items:  **Inclusive of a write back of provision against a loan received in the following major items:  **Inclusive of a write back of provision against a loan received in the following major items:  **Inclusive of a write back of the following major items:  **Inclusive of a write back of the following major items:  **Inclusive of	eceivable amounting to H Group's geographical seg in respect of the Regal gr	K\$14.2 million (gments.  Hong 2002 HK\$'M  1,263.5  oup's hotel oper  2002 HK\$'M  88.6 (87.4) 1.2 (3.5) (2.3) (4.6) (6.4) (11.0)  2002 HK\$'M	Note 5).  Kong 2001 HK\$'M  1,834.4  attion in Canada  2001 HK\$'M  95.6 (91.4) 4.2 (3.8) (2.7) (2.3) (10.0) (12.3)  2001 HK\$'M	2 HK 8 5.	Provisions for Write-down Impairment Impairment Impairment Provisions a Deficit on re Write back of An analysis	n values of pro of fixed assets of long term inv of long term inv investment re gainst other loa valuation of ho of provision aga of profit/(loss)	2002 HK\$'M  17.8  and impairmed impa	2001 HK\$'M  21.8  21.8  ints, net, rep  inviously elimiterve ery notes and inceivable estments or	inated again	2002 HKS'M — ollowing iter	2001 HKS'M	2002 HKS'M 67.4 62.0 15.0  528.9 (14.2) 659.1	2002 HKS'M 1,369.9	1,9 1,9 1 1 1
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#### SUMMARY OF AUDITORS' REPORT

#### Fundamental uncertainties

#### Provision against 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, 2002 concerning the outcome of the negotiations with the relevant government authorities in the People's Republic of China in respect of the resumption of a land site beneficially and collectively held by two investee companies (the "investee Companies") during 2000. The carrying value of the Group's investments in the Investee Companies amounted to HK\$56.9 million as at 31st December, 2002 (2001 - HK\$118.9 million) which is included in long term investments under non-current assets. The Directors are still unable to determine at this stage with reasonable certainty the ultimate outcome of the negotiations for the reversion of the land site to the Investee Companies and hence any further provision required to be made against the Group's investments in the Investee Companies. The Auditors consider that appropriate disclosures have been made and their opinion is not qualified in this respect.

#### Provision against a receivable

Provision against a receivable

The Auditors, in forming their opinion, have considered the adequacy of the disclosures made in the financial statements concerning the outcome in respect of a receivable of approximately HK\$400.1 million as at 31st December, 2002 included in debtors, deposits and prepayments under current assets. The receivable comprised (i) deferred consideration of US\$45.0 million (approximately HK\$351.0 million) (the "Deferred Consideration") which arose in connection with the disposal by Regal Hotels International Holdings Limited ("Regal"), the Company's principal listed subsidiary, of its hotel interests in the United States of America in December 1999 (the "Disposal"); and (ii) certain interest aggregating HK\$49.1 million accrued thereon at 7% per annum (collectively, the "Consideration Receivable"). Under the Disposal agreement, the Deferred Consideration and the interest accrued thereon were due to be paid by the purchaser (the "Purchaser") on 17th December, 2001. The Auditors refer to a note to the financial statements, which explains that Regal has agreed under the Disposal agreement to indemnify the Purchaser for third party claims arising from events occurring before the completion of the Disposal in December 1999 (the "Pre-closing Liabilities"). While most of the claims for the Pre-closing Liabilities so far notified by the Purchaser to Regal have been resolved and the aggregate amount of such remaining Pre-closing Liabilities of an other consideration. The Purchaser has withheld payment of any or all of the Consideration Receivable on the ground that Regal has failed to provide adequate assurance for any future Pre-closing Liabilities that may surface between now and the end of the indemnity period in December 2004 as demanded by the Purchaser. Having consulted with its legal advisors, Regal was advised that the demand by the Purchaser was without grounds and has accordingly instituted legal proceedings against the Purchaser to crossideration Receivable. The directors of Regal are

### Fundamental uncertainties relating to the going concern basis of the Regal Group

- The Auditors, in forming their opinion, have considered the adequacy of the disclosures made in the financial statements which explain the circumstances giving rise to the fundamental uncertainties concerning the Regal Group relating to:
  - the outcome of the proposed restructuring of a syndicated loan of HK\$3,755.8 million and a construction loan of HK\$1,060.8 million as at 31st December, 2002 of the Regal Group; and
  - the successful recovery of the Consideration Receivable by the Regal Group

The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of implementation of the measures noted above. 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, 2002 (2001 - nil). No interim dividend was paid to ordinary shareholders for the year ended 31st December, 2002 (2001 - 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 year under review amounted to HK\$281.3 million (2001 HK\$339.7 million, as restated). Net interest payment for the year amounted to HK\$305.1 million (2001 HK\$396.6 million)
- As at 31st December, 2002, the Group's gross borrowings net of cash and bank balances amounted to HK\$5,190.2 million, as compared to HK\$9,202.4 million in 2001. Gearing ratio based on the total assets of HK\$9,647.6 million (2001 HK\$14,589.3 million) was 54% (2001 63%). The decrease in the Group's gearing ratio was primarily due to the reduction in the Group's borrowings following the completion of the bonds settlement during the year under review. As the Group's borrowings are mostly 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 31st December, 2002 is disclosed in the annual report of the Company for the year ended 31st December, 2002 (the "2002 Annual Report"), which will be despatched to the shareholders on or before 30th April, 2003. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the Company's 2002 Interim Report for the six months ended 30th June, 2002. Detailed information in such aspects is contained in the 2002 Annual Report.
- In October 2002, Regal completed the acquisition from the Company of an additional 40% interest in the Stanley development project. On 31st December, 2002, the Company completed the Paliburg Acquisition. Details of these acquisitions were set out in the circular to shareholders dated 26th August, 2002. At present, there are no immediate plans for material investments or capital sasets other than the proposed disposal of some of the Group's non-core hotel properties with a view to reduce the overall debt levels.
- Following the divesture of two of the Group's major investment properties, 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 year 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 sections headed "Operating Highlights" and "Outlook" below, respectively.

### OPERATING HIGHLIGHTS

- For the year ended 31st December, 2002, the Group recorded an audited consolidated net profit attributable to shareholders of HK\$1,621.6 million, as compared with a net loss of HK\$1,071.0 million recorded for the 2001 financial year.
- The profit attained in the year under review was primarily the result of the net gain of approximately HK\$2,988.1 million recorded under the Settlement Proposal in respect of the Exchangeable Bonds and the Convertible Bonds of the Company and after having provided for the attributable share of loss incurred by Regal, net deficit on revaluation of hotel properties owned by Regal and interest accruing on the Bonds before completion of the Settlement Proposal.
- On 2nd August, 2002, the Company issued an announcement jointly with Century City International Holdings Limited, the Company's listed holding company, and Regal relating to proposals in respect of, among other things, the Stanley Transfer, the Settlement Proposal, the Paliburg Acquisition and the Paliburg Capital Reorganisation. All of these proposals have since been approved respectively by the shareholders or independent shareholders of the Company and duly completed and/or effected.
- Under the Stanley Transfer, completed on 31st October, 2002, the Company transferred to Regal its 40% interest in the Stanley development project, satisfied by Regal issuing and allotting at the direction of the Company 1,958.3 million new ordinary shares of Regal at an issue price of HK50.24 per share. Out of the consideration shares received, 1,896.5 million new ordinary shares of Regal were issued to a special purpose entity designated by the Company for the purpose of the Settlement Proposal.
- purpose entity designated by the Company for the purpose of the Settlement Proposal.

  Following protracted negotiations with the holders of the Exchangeable Bonds and the Convertible Bonds, the Settlement Proposal was finally completed on 31st October, 2002. Under the Settlement Proposal, the indebtedness under the Bonds was settled in full, principally satisfied by the transfer of the Group's entire equity interests in the wholly-owned subsidiary companies owning Paliburg Plaza and Kowloon City Plaza, the two major investment properties of the Group, and the phased release of a total of 1,896.5 million Regal ordinary shares received under the Stanley Transfer to the Bondholders. Total indebtedness eliminated as a result of the Settlement Proposal amounted to HK\$5,052.0 million and, as noted above, accounting profit in the net amount of approximately HK\$2,988.1 million was recorded in the financial year under review.

- Following approval by independent shareholders of the Company and the satisfaction of other conditions precedent, the Paliburg Acquisition was duly completed on 31st December, 2002. The Company believes that the Paliburg Acquisition will enrich and strengthen the business base of the Group and the HK\$70.0 million cash resources within the acquired entities have also considerably improved the Group's working capital position.
- The capital reorganisation proposal of the Company, involving principally the reduction and cancellation of the nominal value of the Company's ordinary shares from HK\$1.00 each to HK\$0.01 each and the application of certain credits and reserves towards elimination of the accumulated losses has become effective on 22nd November, 2002.

### **PROPERTIES**

#### Hong Kong

- The Group's 70% interest in the luxury residential development at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley is now entirely held through Regal. Major construction works for Phase I, comprising 84 residential houses and the clubhouse facilities, have been completed and the temporary occupation permit issued in March 2003. While the construction works for Phase II are in progress, the presale programme for Phase I is intended to be launched shortly after the consent to sell has been obtained.
- The Group retains a 30% interest in the joint venture for the development of Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East. Further revised scheme and information have been submitted to the Town Planning Board for the proposed development comprising primarily residential accommodation and it is anticipated that the formal approval process should be able to be accomplished within the near future.
- More than 75% of the lettable space in the office floors and all ground floor shops at 211 Johnston Road, Wanchai have been leased to date. The Group may consider disposing of the property at satisfactory
- The government administration is generally supportive of a proposed resort and recreational development on the various lots held by the Group in Demarcation District, No. 251, Sharp Island, Sai Kung. The revised proposal for a comprehensive resort development to fit in with the government's objective of developing the region into a large scale water sports resort centre is being finalised and will be submitted to the government in the near future.
- The foundation works for the residential project at Lot No.1736 in D.D. 122, Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories, comprising 16 duplex units with ancillary carparking facilities, have been completed and superstructure works are in progress. The development, which is intended for sale, is scheduled for completion in the third quarter of 2003.
- As previously reported, the investment property at Redhill Plaza, 3 Red Hill Road, Tai Tam was sold in June 2002 through a tender process at a consideration of HK\$169.9 million and the net loss of HK\$30.6 million incurred has been reflected in the accounts for the year under review.

#### The People's Republic of China

- The development site at Gong Ren Ti Yu Chang Street East, Chao Yang District, Beijing entails the development of an office/commercial building with gross floor area of about 1,000,000 square feet. Foundation works have been completed and basement works are in progress. According to the proposed construction schedule, the project is anticipated to be completed in 2004.
- The development plans for the site at Chao Yang Men Wai Da Jie, Chao Yang District, Beijing are being revised to adapt to the general planning conditions governing developments in the Central Business District of Beijing. In the meanwhile, the Group is still working to resolve various outstanding issues with the relevant local government authorities and potential disputes with the joint venture partners with regard to the formal vesting of the land title of the subject site to the joint venture entities.

#### United States of America

The Los Angeles United School District has initiated formal proceedings to compulsorily acquire the Crown Hill site owned by the Group. The Group has retained legal advisers and professional valuers to object the probable compensation initially determined by the Unified School District. It is expected that the issue will be adjudicated by the U.S. court within the next few months.

### CONSTRUCTION AND CONSTRUCTION-RELATED BUSINESSES

- Despite the overall contraction in the construction industry, Chatwin Engineering Limited has successfully obtained new jobs including interior fitting out works as well as building repair and improvement works. Chatwin will continue to explore new business opportunities.
- The Group held though a 75%-owned subsidiary company a 25% interest in a cement plant in Weifang, Shandong. In November 2002, the Group has entered into an agreement with an independent third party for the disposal of the 25% interest in the cement plant for a consideration of RMB30.7 million.

### REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

- For the year ended 31st December, 2002, Regal incurred an audited consolidated net loss attributable to shareholders of HK\$765.0 million, as compared with a net loss of HK\$514.2 million for the preceding financial year.
- Further information on the operations of Regal, including management discussion and analysis, is contained in its announcement separately released today.

## OUTLOOK

- Business at the five Regal Hotels in Hong Kong during the initial period of January and February 2003 was very encouraging, with gross operating profits significantly surpassing those recorded in the comparative period in 2002. However, due to the outburst of SARS in March, businesses for all hotels in Hong Kong plumpated.
- Immediate cost reduction initiatives have been put in place by the Regal group at the operating level to alleviate the damage. If the spread of SARS cannot be controlled in time, outlook for the first half of 2003 is bleak.
- Since February this year, Regal has been actively engaging in loan restructuring discussions with its bank lenders. In conjunction with the loan restructuring proposal, the Regal group has recently mandated professional agency firms to market the sale of the Regal Oriental Hotel and Regal Riverside Hotel, which are its two hotels in Hong Kong of less strategic importance.
- Despite the present crisis created by the outburst of SARS, the Regal group still maintains an optimistic Despite the present crisis created by the outburst of SAAS, the negal group still maintains an optimistic outlook on the future of the hotel industry in Hong Kong due to the government's commitment to boost local tourism. In deciding on the planned disposal at this juncture of its two non-core hotels in Hong Kong, the Regal group has taken into consideration the more significant benefits that will emanate from a reduction in its overall debt levels and the financial stability that may be achieved through the successful implementation of a consensual loan restructuring scheme.
- With the implementation of the series of financial restructuring and corporate reorganisation exercises during the year, overall financial strength of Paliburg has been restored. If the debts of the Regal group are excluded, the outstanding bank indebtedness of the Paliburg Group only amounts to approximately HK\$298.1 million as at 31st December, 2002.
- Despite that the Paliburg Group has inevitably become leaner due to the divesture of some of its major assets under the Settlement Proposal, the Paliburg Acquisition was aimed to provide to the Paliburg Group with new opportunities that are complementary to its existing core businesses.
- The Paliburg Group has gone a long way to achieve its corporate recovery and the Directors are hopeful of its restated growth in the coming years.

LO YUK SUI

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) 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 April, 2003.

### Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in the Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 12th June, 2003 at 11:30 a.m. for the following purposes: To receive and consider the Audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31st December, 2002.

- To elect Directors.
  - To appoint Auditors and authorise the Board of Directors to fix their remuneration.

(a)

- "THAT:
- subject to paragraph (b) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase ordinary shares of HK\$0.01 each in the capital of the Company ("Ordinary Shares"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is bereby generally and junconditionally approved: hereby generally and unconditionally approved;
  - the aggregate nominal amount of Ordinary Shares of the Company which may be purchased by the Company pursuant to paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the Ordinary Shares in issue at the date of this Resolution, and the said approval shall be limited (b) accordingly; and
  - for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of: (c)
    - the conclusion of the next Annual General Meeting of the Company (ii)
    - the expiration of the period within which the next Annual General Meeting is required by the Bye-laws of the Company or The Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and
    - the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders in general meeting."
- (B) "THAT the exercise by the Directors during the Relevant Period (as defined in Resolution 4(A) set out in the Notice of this Meeting) of all the powers of the Company to issue, allot and dispose of additional Ordinary Shares of the Company (including making and granting offers, agreements and options which would or might require Ordinary Shares to be issued, allotted or disposed of, whether during or after the end of the Relevant Period) be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to a rights issue where Ordinary Shares are offered to shareholders on a fixed record date in proportion to their then holdings of Ordinary Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong), the additional Ordinary Shares issued, allotted or disposed of (including Ordinary Shares agreed conditionally or unconditionally to be issued, allotted or disposed of, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the aggregate nominal amount of the Ordinary Shares in issue at the date of this Resolution, and the said approval shall be limited accordingly."
- "THAT the general mandate granted to the Directors under Resolution 4(B) above be and is hereby extended by the addition of an amount representing the aggregate nominal amount of Ordinary Shares purchased by the Company pursuant to the general mandate approved in Resolution 4(A) above.

Hong Kong, 17th April, 2003

- A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. The form of proxy must be deposited with the Company's Registrars in Hong Kong, Tengis Limited of G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the Meeting.
- An explanatory statement containing further details as regarding Resolution 4(A) above will be sent to shareholders shortly together 2002 Annual Report.