

On the bases that no Declaration Notice will be served to the Group, and the Disposal and the Financing Arrangements will be successful, the Directors are confident that the Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

3. Turnover

In previous years, service charges in respect of the Group's room sales and food and beverage sales were credited to direct staff costs included in the cost of sales. During the period under review, the Group considered it more appropriate to include the service charges in the Group's turnover, to be in line with accounting practice in hotel industry. The comparative amounts of turnover and cost of sales have been restated to conform to the current period presentation.

4. Segment Information

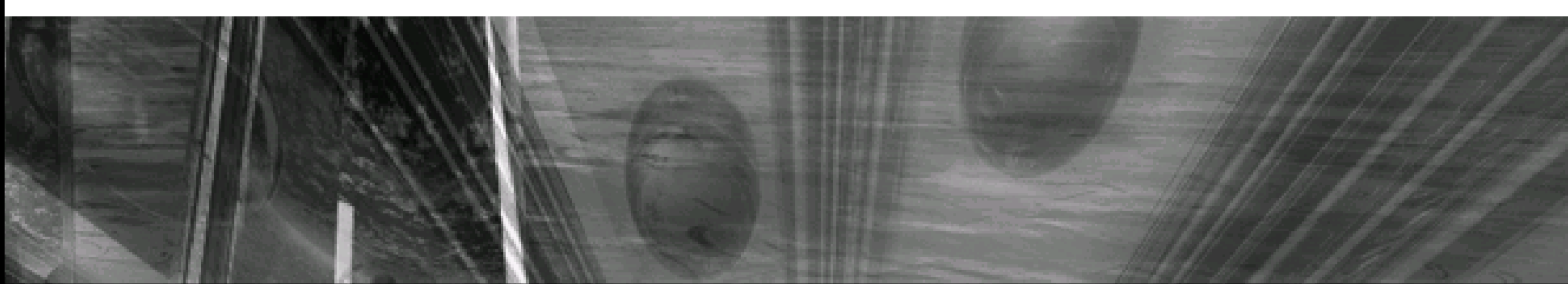
An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and by geographical location is as follows:

	Turnover		Contribution	
	Six months ended 30th June, 2001 (Unaudited)	2000 (Unaudited and restated)	Six months ended 30th June, 2001 (Unaudited)	2000 (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
By activity:				
Hotel ownership and management	510.8	493.9	55.8	58.2
Property investment	0.7	-	0.4	-
Other operations and investments	32.0	38.6	(27.2)	63.4
	<u>543.5</u>	<u>532.5</u>	<u>29.0</u>	<u>121.6</u>
By geographical location:				
Hong Kong	473.4	452.2	35.5	56.2
U.S.A.	-	-	-	67.5
Canada	55.4	63.1	-	3.9
Others	14.7	17.2	(6.5)	(6.0)
	<u>543.5</u>	<u>532.5</u>	<u>29.0</u>	<u>121.6</u>

5. Other Revenue

Other revenue includes the following major item:

	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	HK\$'million	HK\$'million
Interest income	<u>15.6</u>	<u>23.3</u>



6. Other Operating Expenses

Other operating expenses comprise the following items:

	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	HK\$'million	HK\$'million
Depreciation	22.1	21.0
Loss on disposal of long term listed investments	26.4	-

7. Finance Costs

	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans, overdrafts and other loans wholly repayable within five years	166.4	197.6
Less: Interest capitalised in respect of property under development	-	(17.7)
	166.4	179.9
Amortisation of deferred expenditure	3.5	3.5
Total finance costs	169.9	183.4

8. Tax

	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	HK\$'million	HK\$'million
The Group:		
Provision for tax in respect of profits for the period:		
Overseas	0.2	0.2
Capital gains tax — overseas	-	7.3
Tax charge for the period	0.2	7.5

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 (2000 - 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.

9. Loss Per Ordinary Share

The calculation of basic loss per ordinary share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$167.9 million (2000 - HK\$99.2 million), adjusted for the unpaid preference dividend for the period of HK\$3.4 million (2000 - HK\$3.4 million) and on the weighted average of 3,938.8 million (2000 - 3,935.9 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, 2000 and 2001, as the exercise of share options and the conversion of preference shares of the Company are anti-dilutive.

10. Dividend

The Directors have resolved not to declare the payment of any interim dividend in respect of the ordinary shares for the financial year ending 31st December, 2001 (2000 - nil).

At 30th June, 2001, there was cumulative unpaid dividend in arrears of HK\$17.5 million (31st December, 2000 - HK\$15.0 million) for the outstanding preference shares. Pursuant to the terms of the preference shares, if preference dividend is six months or more in arrears, the holders of the preference shares will have the right to receive notice of and, unless all such arrears have been paid prior to the time for holding the meeting, to attend and vote at general meetings of the Company. This unpaid dividend has not been incorporated in the interim condensed consolidated financial statements.

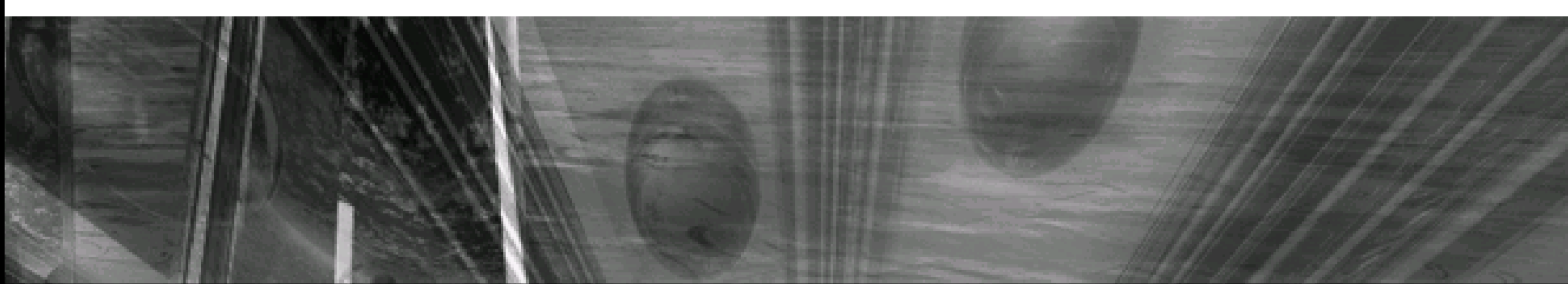
11. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$48.8 million (31st December, 2000 - HK\$64.4 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	30th June, 2001 (Unaudited)	31st December, 2000 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	44.8	56.9
Between 4 to 6 months	2.1	3.3
Between 7 to 12 months	2.6	3.5
Over 1 year	12.2	10.1
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	61.7	73.8
Provisions	(12.9)	(9.4)
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	48.8	64.4
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Credit Terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less provisions for doubtful debts which are made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.



12. Creditors and Accruals

Included in the balance is an amount of HK\$71.0 million (31st December, 2000 - HK\$81.5 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	30th June, 2001 (Unaudited)	31st December, 2000 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	62.2	73.6
Between 4 to 6 months	5.4	2.9
Between 7 to 12 months	1.5	1.9
Over 1 year	1.9	3.1
	<u>71.0</u>	<u>81.5</u>

13. Reserves

	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
At 1st January, 2001:							
As previously stated (Audited)	1,653.8	13.5	1,193.8	4,069.3	(12.3)	(826.4)	6,091.7
Prior year adjustment (note)	-	-	120.4	-	-	(120.4)	-
As restated	1,653.8	13.5	1,314.2	4,069.3	(12.3)	(946.8)	6,091.7
Movement in fair value of long term investments	-	-	-	(5.3)	-	-	(5.3)
Net loss for the period	-	-	-	-	-	(167.9)	(167.9)
Release on disposal of long term investments	-	-	-	29.2	-	-	29.2
Exchange realignments	-	-	-	-	(0.2)	-	(0.2)
At 30th June, 2001	<u>1,653.8</u>	<u>13.5</u>	<u>1,314.2</u>	<u>4,093.2</u>	<u>(12.5)</u>	<u>(1,114.7)</u>	<u>5,947.5</u>

Note: The prior year adjustment represents losses arising from impaired goodwill, the accounting treatment of which is further explained in note 1(f).

14. Related Party Transactions

The Group had the following material related party transactions during the period:

		Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	Notes	HK\$'million	HK\$'million
Construction work performed by a subsidiary company of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company	(c)	30.8	10.6
Operating lease rentals in respect of land and buildings paid to wholly-owned subsidiary companies of PHL	(c)	10.7	10.8
Consultancy fees in respect of the hotel projects paid to a wholly-owned subsidiary company of PHL	(a)	19.1	15.0
Advertising, promotion and information technology service fees (including cost reimbursements) paid to an associate	(b)	8.2	10.9
Management costs allocated from Century City International Holdings Limited	(c)	14.3	12.9
Guarantee given in respect of a bank loan of a jointly controlled entity	(c)	990.0	990.0

Notes:

- (a) The consultancy fees related to services provided by a subsidiary company of PHL which include, inter alia, advising on, co-ordinating and supervising the construction of, and professional services provided by architects, structural engineers and interior designer in connection with the new airport hotel in Chek Lap Kok. During the period, similar services were also provided on renovation projects at the other hotels of the Group. The fees were charged at 5 - 12.5% of the total construction and related costs of the individual projects. Where services provided were not covered by the original appointments, fees were negotiated on a case by case basis.
- (b) The advertising and promotion fees comprised a retainer determined by reference to the estimated volume of advertising and promotional activities of the Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed. During the period, information technology services were also provided, the fees for which were charged on project basis.
- (c) The nature and terms of these related party transactions are similar to those disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2000.

15. Pledge of Assets

At 30th June, 2001, certain of the Group's long term and short term investments, hotel properties, leasehold properties and equipment, inventories and receivables with a total carrying value of HK\$10,137.3 million (31st December, 2000 - HK\$10,166.5 million) and the shares held in a jointly controlled entity were pledged to secure general banking facilities granted to the Group and the jointly controlled entity.

16. Contingent Liabilities

- (a) At 30th June, 2001, a corporate guarantee in the amount of HK\$990.0 million (31st December, 2000 - HK\$990.0 million) had been given by the Company in respect of banking facilities granted to a jointly controlled entity. The amount drawn against these facilities attributable to the Company at the end of the period amounted to HK\$753.3 million (31st December, 2000 - HK\$753.3 million).
- (b) On 18th November, 1999, Regal International (BVI) Holdings Limited ("Regal BVI"), a wholly-owned subsidiary company of the Group, entered into a securities purchase agreement ("SP Agreement") with an independent party (the "Purchaser") with respect to the disposal by Regal BVI to the Purchaser of its interests in hotel ownership and hotel management in the United States of America.

The SP Agreement contains representations, warranties and indemnification given by Regal BVI which are normal and usual for transactions of similar nature. At the date of this report, save for amounts ascertained and provided for in the financial statements, the Directors are unable either to assess the likelihood of the crystallisation of any contingent liability or to estimate the amounts thereof with reasonable accuracy.

17. Commitments

At 30th June, 2001, the Group had the following outstanding capital commitments:

	30th June, 2001 (Unaudited)	31st December, 2000 (Audited)
	HK\$'million	HK\$'million
Capital commitments in respect of acquisition of interest in a hotel property in The People's Republic of China:		
Authorised and contracted for	3.4	6.5
Capital commitments in respect of renovation or improvement of hotel properties:		
Authorised and contracted for	19.8	26.0
Authorised, but not contracted for	6.1	81.0
	<u>25.9</u>	<u>107.0</u>
	<u>29.3</u>	<u>113.5</u>

At 30th June, 2001, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	30th June, 2001 (Unaudited)
	HK\$'million
Land and buildings:	
Within one year	10.4
In the second to fifth years, inclusive	27.7
After five years	25.3
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	63.4
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Other equipment:	
Within one year	4.0
In the second to fifth years, inclusive	2.8
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	6.8
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	70.2
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At 31st December, 2000, the Group had annual commitments payable in the following year under non-cancellable operating leases in respect of:

	31st December, 2000 (Audited)
	HK\$'million
Land and buildings expiring:	
Within one year	6.1
In the second to fifth years, inclusive	6.9
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	13.0
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Other equipment expiring:	
Within one year	2.4
In the second to fifth years, inclusive	2.1
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	4.5
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	17.5
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