



世紀城市國際控股有限公司
Century City
International Holdings Limited
(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF 2001 GROUP RESULTS

	Year ended 31st Dec., 2001	Year ended 31st Dec., 2000 (Restated) (Note 1)
	HK\$'M	HK\$'M
TURNOVER (Note 2)	1,952.1	1,890.5
Cost of sales	(1,623.4)	(1,430.2)
Gross profit	328.7	460.3
Other revenue (Note 3)	152.7	105.1
Gain on disposal of an overseas associate	–	58.8
Administrative expenses	(152.2)	(160.1)
Other operating expenses (Note 4)	(230.2)	(111.5)
Provisions for write-downs/ impairments, net (Note 5)	(1,367.3)	(256.9)
Write-back of provisions for indemnity/guarantee given	–	370.3
Loss on disposal of overseas subsidiary companies	–	(13.8)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES (Note 2)	(1,268.3)	452.2
Finance costs (Note 6)	(872.2)	(959.1)
Share of profits less losses of:		
Jointly controlled entity	(90.9)	(142.3)
Associates	(6.5)	2.3
LOSS BEFORE TAX	(2,237.9)	(646.9)
Tax (Note 7)	3.7	(18.9)
LOSS BEFORE MINORITY INTERESTS	(2,234.2)	(665.8)
Minority interests	583.5	387.7
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(1,650.7)	(278.1)
Loss per share (Note 8)		
Basic	HK\$(0.50)	HK\$(0.08)
Diluted	N/A	N/A
Net asset value per share as at year end date	N/A	HK\$0.47

Notes:

- (a) 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 year under review, the Group considered it more appropriate to include the service charges in the Group's turnover, to be in line with general accounting practice in the hotel industry. The comparative amounts of turnover and cost of sales have been restated to conform to the current year presentation.
 - (b) Due to the adoption of the Hong Kong Statements of Standard Accounting Practice No.30, the Group has adopted a policy to assess goodwill eliminated against reserves for impairment. This change of accounting policy has been accounted for retrospectively as a prior year adjustment. The effect of the prior year adjustment is to increase both the accumulated losses and the capital reserve of the Group as at 1st January, 2001 by HK\$156.5 million, (net of minority interests of HK\$66.7 million). There is no attributable tax effect in respect of the prior year adjustment.
2. An analysis of the Group's turnover and contribution to trading results during the year by each principal activity and by geographical location is as follows:

	Turnover		Contribution	
	2001 HK\$'M	2000 HK\$'M (Restated)	2001 HK\$'M	2000 HK\$'M (Restated)
By principal activity:				
Property development and investment	302.4	241.4	(395.6)	23.9
Property management	22.5	21.5	17.5	17.8
Construction and construction-related businesses	558.0	433.4	(13.1)	7.4
Hotel ownership and management	1,001.5	1,075.7	(577.1)	263.5
Other operations	67.7	118.5	(105.2)	(172.1)
	1,952.1	1,890.5	(1,073.5)	140.5
Unallocated corporate income/(expenses), net			(194.8)	311.7
			(1,268.3)	452.2
By geographical location:				
Hong Kong	1,834.7	1,733.1	(762.0)	228.3
Canada	95.6	127.3	(2.5)	12.9
Others	21.8	30.1	(309.0)	(100.7)
	1,952.1	1,890.5	(1,073.5)	140.5
Unallocated corporate income/(expenses), net			(194.8)	311.7
			(1,268.3)	452.2

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

	2001 HK\$'M	2000 HK\$'M
Gain/(Loss) on disposal of listed investments, net	(143.4)	26.5
Profit on sale of properties	0.3	3.9

3. Other revenue include the following major items:

	2001 HK\$'M	2000 HK\$'M
Interest income	56.5	84.1
Profit on disposal of ordinary shares in a listed subsidiary company arising from exchange of exchangeable bonds	64.7	–

4. Other operating expenses include the following major items:

	2001 HK\$'M	2000 HK\$'M
Depreciation	61.2	60.2
Loss on disposal of ordinary shares in a listed subsidiary company	8.5	–
Loss on disposal of long term listed investments (after a transfer from the revaluation reserve of a deficit of HK\$140.4 million)	142.6	–
Tax indemnity in respect of the disposal of overseas subsidiary companies/partnerships in the prior year	–	24.2

5. Provisions for write-downs/impairments, net, represent the following:

	2001 HK\$'M	2000 HK\$'M (Restated)
Write-down in value of properties	(61.9)	(106.0)
Impairment of fixed assets	(50.8)	–
Impairment of long term investment	(180.0)	–
Write-back of provision against advances and interest receivable	–	9.6
Write-back of provision for loss on deposit paid	–	10.0
Provision against other loans, promissory notes and interest receivable	(75.6)	(13.1)
Impairment of goodwill previously eliminated against capital reserve	–	(223.2)
Deficit on revaluation of hotel and investment properties	(999.0)	–
Write-back of deficit on revaluation of hotel properties	–	65.8
	(1,367.3)	(256.9)

6. Included in the Group's finance costs is an amount of HK\$16.5million (2000 – HK\$23.4 million) representing the amortisation of loan costs.

7. The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16% (2000 – 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

Taxes on the profits of subsidiary companies and associates operating overseas are 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 jointly controlled entity as no assessable profits were earned by the jointly controlled entity during the year.

8. The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$1,650.7 million (2000 – HK\$278.1 million, as restated) and on the weighted average of 3,326.8 million (2000 – 3,288.5 million) shares of the Company in issue during the year.

No diluted loss per share is presented for the years ended 31st December, 2000 and 2001, as no diluting events existed during the years.

9. For the year under review, an amount of HK\$4.5 million (2000 – HK\$5.0 million) was transferred from reserves to accumulated losses.

10. 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 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, 2001 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") of Paliburg Holdings Limited, the Company's principal listed subsidiary. The carrying value of the investments of Paliburg in the Investee Companies amounted to HK\$118.9 million (2000 - HK\$298.9 million) as at 31st December, 2001. The directors of Paliburg are currently unable to determine with reasonable certainty the outcome of the negotiations for the reversion of the land site to the Investee Companies. Accordingly, it is not possible to determine at this stage as to whether any further provision against Paliburg group's investments in the Investee Companies is necessary. The Auditors consider that appropriate disclosures have been made and their opinion is not qualified in this respect.

– 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 comprising (i) a deferred consideration of US\$45 million (HK\$351 million) which arose in connection with the disposal by Regal Hotels International Holdings Limited, the listed hotel subsidiary of Paliburg, of its hotel interests in the United States of America in December 1999 (the "Disposal") and (ii) interest aggregating HK\$49.1 million accrued thereon (collectively the "Consideration Receivable") which was due to be paid by the purchaser (the "Purchaser") on 17th December, 2001. The Purchaser alleges that the aggregate amount of certain third party claims covered by indemnifications given by Regal group under the Disposal agreement exceeds the deferred consideration and has withheld payment of the Consideration Receivable. The directors of Regal are currently unable to determine with reasonable certainty the time required for the resolution of the underlying legal claims, the legal or settlement costs that may be involved, and the timing of the receipt of the Consideration Receivable. Accordingly, the directors of Regal are currently unable to determine whether a provision, if any, is required against the Consideration Receivable. The Auditors consider that appropriate disclosures have been made and their opinion is not qualified in this respect.

Fundamental uncertainties relating to the going concern basis

- 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 relating to:
 1. the outcome of the proposed restructuring of the existing outstanding indebtedness of the Group to replace the Group's existing informal standstill arrangement;
 2. the outcome of completion of the proposed settlement with the bondholders of the two outstanding bonds of Paliburg group;
 3. the outcome of finalisation of the proposed bilateral facilities arrangement with the financial creditors of Paliburg group to replace Paliburg group's existing informal standstill arrangement;
 4. the outcome of the proposed restructuring of a syndicated loan and a construction loan, with outstanding amounts of HK\$3,822.1 million and HK\$1,079.5 million as at 31st December, 2001, respectively, of Regal group;
 5. the successful recovery of Regal group's Consideration Receivable;
 6. the outcome of the proposed fund-raising arrangement of Regal group through equity issues; and
 7. the continued successful implementation of assets disposal programmes of Paliburg group and Regal group.

The Auditors consider that appropriate disclosures have been made but the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme that they have disclaimed their opinion.

DIVIDEND

- The Directors have resolved not to recommend the payment of a final dividend for the year ended 31st December, 2001 (2000 – nil). No interim dividend was paid for the year ended 31st December, 2001 (2000 – nil).

MANAGEMENT DISCUSSION AND ANALYSIS

- Net cash inflow from operating activities during the year under review amounted to HK\$333.2 million (2000 – HK\$254.0 million). Net interest payment for the year amounted to HK\$397.0 million (2000 – HK\$748.1 million).
- As at 31st December, 2001, the Group's gross borrowings net of cash and bank balances amounted to HK\$10,135.4 million, as compared to HK\$9,969.4 million in 2000. Gearing ratio based on the total assets of HK\$14,634.5 million (2000 – HK\$17,873.5 million) was 69% (2000 – 56%). As at 31st December, 2001, the Company recorded a consolidated negative net worth of HK\$160.3 million, which was primarily the result of significant losses incurred and the continuing downward adjustment in the valuation of the investment and hotel properties owned by the Group.
- 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, 2001 is disclosed in the annual report of the Company for the year ended 31st December, 2001 (the "2001 Annual Report"), which will be despatched to the shareholders on or before 30th April, 2002. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the Company's 2001 Interim Report for the six months ended 30th June, 2001. Detailed information in such aspects is contained in the 2001 Annual Report.
- Further information relating to the Group's principal business operations and outlook is contained in the sections headed "Operating Highlights" and "Outlook" below, respectively.

OPERATING HIGHLIGHTS

- For the year ended 31st December, 2001, the Group recorded an audited consolidated net loss attributable to shareholders of HK\$1,650.7 million, as compared with a net loss of HK\$278.1 million, as restated, recorded for the 2000 financial year.
- In the loss incurred for the year under review, HK\$634.2 million was attributable to the share of loss of Paliburg and a sum of HK\$999.0 million was related to a charge to the consolidated profit and loss account of the revaluation deficit of investment properties owned by Paliburg and hotel properties owned by Regal.
- In the joint announcement made by the Company, Paliburg and Regal on 16th November, 2001, it was announced that the principal terms of proposal for the settlement of the outstanding bonds of Paliburg have been formulated. Details of the proposal are further reported below in the section headed "Paliburg Holdings Limited".
- While the bonds settlement proposal of Paliburg is progressing, the Company is engaged in continuing discussions with its financial creditors. At the request of the financial creditors, an independent financial adviser has been appointed this year to assist in the debt restructuring discussions. It is currently anticipated that a formal restructuring proposal will shortly be presented to the financial creditors for their consideration.
- Due to the changes in the market environment, the business plan of the information technology project under Century Digital Enterprise Limited has been modified. On the other hand, the financial position of the Company has also materially changed since September 2000 when approval was obtained from the Company's shareholders on possible participation in the project through an option structure. Consequently, neither party to the transaction has so far exercised any option that requires the issue of new shares by the Company. The Company will continue to keep under review its position with regard to its participation in this project.
- As mentioned earlier in the Interim Report published in September 2001, the Company has disposed of its stock brokerage operations in November 2001 in view of the difficult operating environment faced by the local stock brokerage operators.
- In February this year, the Company entered into an agreement with Prism Communications International Limited, an independent third party, for the issue of 250,000,000 new shares of the Company at HK\$0.1 each to Prism in satisfaction of the consideration for 10,000,000 new shares in Prism, which transaction was completed in March 2002.
- Prism is carrying on, through its wholly owned subsidiary, telecommunications and internet-related businesses and equipment trading, and provides international voice and fax long distance services with an operational rate structure that is highly competitive among traditional long distance telephony services.
- Under the agreement, the Company has also been granted an option by Prism to subscribe for up to a further 30,000,000 shares in Prism at a same exercise price of 25 new shares of the Company for each share in Prism, exercisable before the earlier of 1st October, 2002 or the listing of Prism on an internationally recognised investment exchange.

PALIBURG HOLDINGS LIMITED

- For the year ended 31st December, 2001, Paliburg recorded an audited consolidated net loss attributable to shareholders of HK\$1,071.0 million (2000 – HK\$730.2 million, as restated).
- In the loss incurred by Paliburg for the year under review, HK\$374 million was attributable to its share of loss incurred by Regal, HK\$183.7 million was attributable to a charge to the consolidated profit and loss account of the revaluation deficit of hotel properties owned by Regal, HK\$180 million as impairment of investment in a development property in the People's Republic of China, and HK\$234 million as provision for interest and redemption premium accruing on the outstanding bonds.
- Moreover, although the construction works at the Stanley development project, in which Paliburg and Regal holds a 40% and 30% interest respectively, have resumed in October 2001, the bank loan interest incurred by the joint venture entity for the first ten months of 2001 has not been capitalised and the interest on the shareholders' loans advanced to the joint venture entity for the whole year of 2001 has also not been recognised. Had such interest been capitalised and recognised respectively, the loss incurred by Regal and Paliburg (excluding its attributable share of Regal's loss) for the financial year 2001 would have been reduced by approximately HK\$120 million and HK\$160 million, respectively.
- Paliburg announced in November 2001 that the principal terms of a proposal for the settlement of Paliburg's outstanding exchangeable bonds and convertible bonds have been formulated. The proposal involves, among others, the exchange and cancellation of the outstanding bonds in return for (i) Paliburg's entire interests in Paliburg Plaza and Kowloon City Plaza (together with the securitised loan attached), (ii) the issue of 463,669,490 new shares of Paliburg, representing approximately 16.7% of the enlarged issued share capital of Paliburg, and (iii) the transfer of 1,432,798,472 existing shares held by Paliburg in Regal, representing approximately 36.4% of the then issued share capital of Regal.
- Implementation of the proposal will be conditional on, among others, settlement of the definitive documentation and the obtaining of all necessary consents and approvals, including the approval by the bondholders, other relevant lenders and shareholders. Management of Paliburg is diligently working with all relevant parties to settle the ultimate structure of the transaction and the various outstanding issues involved.
- Further information on the operations of Paliburg, including management discussion and analysis, is contained in its announcement separately released today.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

- For the year ended 31st December, 2001, Regal reported an audited consolidated net loss attributable to shareholders of HK\$514.2 million (2000 – HK\$347.9 million, as restated).
- Due to the unsatisfactory operating environment, particularly after the September 11 event, and in order to preserve liquidity, Regal has taken steps to realise most of its securities investments and certain other non-core assets despite the relatively depressed market condition. Consequently, one-time losses and other provisions in an aggregate of over HK\$260 million were incurred, which had severely affected the financial results of Regal for the year under review. Furthermore, as explained above, the non-capitalisation of the bank loan interest and the non-recognition of the interest on the shareholder's loan in respect of the Stanley development project have also adversely impacted Regal's results to the tune of approximately HK\$120 million.
- Further information on the operations of Regal, including management discussion and analysis, is contained in its announcement separately released today.

OUTLOOK

- For the first three months of 2002, overall performance of Regal's five hotels in Hong Kong surpassed that recorded in the comparative period last year.
- Regal is implementing a number of strategies to restructure the hotel operations with a view to improving their performance and bottom-line. The restructuring and streamlining of the management structure of the head office and the hotels in Hong Kong are being implemented by stages and positive results are being produced.
- Barring any unforeseen circumstances, it is expected by the directors of Regal that the operating results of Regal's hotel business in Hong Kong for the current financial year should be able to fare better than that for the year under review.
- Regal has recently commenced preliminary discussions with its lending banks to secure their ongoing support to a proposed rescheduling of the banking facilities with a view to maintaining the financial stability of Regal group.
- At Paliburg's level, if the bonds settlement proposal could be successfully implemented, Paliburg group's total debt and hence the gearing will be substantially reduced through the elimination of indebtedness in an aggregate sum of approximately HK\$4,863.4 million. Though Paliburg group will inevitably become leaner due to the transfer of some major assets, this is considered to be a crucial step that is required to re-establish Paliburg group's overall stability and for its revival going forward.
- The sustained economic downturn of the economy has resulted in severe losses as well as downward revaluations of assets being recorded by the Group during the past few years. Moreover, due to the lack of market liquidity, the Group as a whole has to resort to restructuring of the indebtedness at different corporate levels.
- Apart from the relatively minor investments in various information technology businesses, the Company's only major asset comprises the shares held in Paliburg which are pledged to the financial creditors. To revitalize the Company's own operating business, it will seek to increase its participation in the information technology and telecommunications sectors as and when circumstances are deemed appropriate. However, this is obviously also dependent on an overall restructuring scheme being able to be successfully concluded with the Company's financial creditors. In this regard, the Company's management is working diligently in co-ordination with the appointed independent financial adviser with a view to finalising an overall restructuring scheme that may be acceptable to the relevant parties concerned.

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 19th April, 2002

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, 2002.