

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)	693.3	845.1
Cost of sales	(497.3)	(659.0)
Gross profit	196.0	186.1
Other revenue (Note 3)	16.9	114.7
Administrative expenses	(71.9)	(78.6)
Other operating expenses, net (Note 4)	(108.5)	(70.3)
PROFIT FROM OPERATING ACTIVITIES (Note 2)	32.5	151.9
Finance costs (Note 5)	(344.1)	(492.5)
Share of profits less losses of: Jointly controlled entity Associates	—	(60.6)
	3.3	(3.0)
LOSS BEFORE TAX	(308.3)	(404.2)
Tax (Note 6)	(0.6)	(1.8)
LOSS BEFORE MINORITY INTERESTS	(308.9)	(406.0)
Minority interests	103.8	154.9
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(205.1)	(251.1)
Loss per share (Note 8)		
Basic	HK\$(0.059)	HK\$(0.075)
Diluted	N/A	N/A

Notes:

1. 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.

2. 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 (Unaudited) HK\$'M	2001 (Unaudited) HK\$'M	Six months ended 30th June, 2002 (Unaudited) HK\$'M	2001 (Unaudited) HK\$'M
By principal activity:				
Property development and investment	91.1	206.0	24.3	71.6
Property management	11.1	11.3	8.7	8.9
Construction and construction-related businesses	109.8	75.5	5.2	(0.2)
Hotel ownership and management	467.2	510.8	82.5	67.3
Other operations	14.1	41.5	(11.6)	(19.6)
	693.3	845.1	109.1	128.0
Unallocated income/(expenses), net			(76.6)	23.9
			32.5	151.9
By geographical location:				
Hong Kong	636.0	774.9	118.0	138.1
Canada	48.0	55.4	(1.2)	1.4
Others	9.3	14.8	(7.7)	(11.5)
	693.3	845.1	109.1	128.0
Unallocated income/(expenses), net			(76.6)	23.9
			32.5	151.9

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

	Six months ended 30th June, 2002 (Unaudited) HK\$'M	Six months ended 30th June, 2001 (Unaudited) HK\$'M
Gain/(Loss) on disposal of listed investments, net	(58.8)	27.4
Loss on disposal of unlisted investments	(1.6)	—
Loss on sale of properties	(35.6)	(0.3)

3. Other revenue includes the following major items:

	Six months ended 30th June, 2002 (Unaudited) HK\$'M	Six months ended 30th June, 2001 (Unaudited) HK\$'M
Interest income	9.2	33.2
Profit on disposal of ordinary shares in a listed subsidiary company arising from exchange of exchangeable bonds	—	64.7

4. Other operating expenses, net, include the following major items:

	Six months ended 30th June, 2002 (Unaudited) HK\$'M	Six months ended 30th June, 2001 (Unaudited) HK\$'M
Depreciation	28.4	30.7
Loss on disposal of long term listed investments	2.2	27.7
Loss on disposal of long term unlisted investments	1.6	—
Loss on disposal of ordinary shares in a listed subsidiary company	56.6	8.5
Loss on disposal of investment property	35.6	—
Write back of provision against other loan receivable	(19.1)	—

5. Included in the Group's finance costs is an amount of HK\$6.7 million (2001 - HK\$9.7 million) representing the amortisation of loan costs.

6. The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16% (2001 - 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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.

- For the period under review, an amount of HK\$1.7 million (2001 - HK\$2.4 million) was transferred from reserves to accumulated losses.
- The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$205.1 million (2001 - HK\$251.1 million) and on the weighted average of 3,505.3 million (2001 - 3,326.8 million) shares of the Company in issue during the period.
No diluted loss per share is presented for the periods ended 30th June, 2001 and 2002, as no diluting events existed during the periods.
- 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 amounted to HK\$120.4 million (2001 - HK\$181.9 million). Net interest payment for the period amounted to HK\$190.0 million (2001 - HK\$193.9 million).
- As at 30th June, 2002, the Group's borrowings net of cash and bank balances amounted to HK\$10,015.1 million, as compared to HK\$10,135.4 million as at 31st December, 2001. Gearing ratio based on total assets of HK\$14,345.3 million (31st December, 2001 - HK\$14,634.5 million) was about 70% (31st December, 2001 - 69%).
- 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 incurred an unaudited consolidated net loss attributable to shareholders of HK\$205.1 million, as compared with a net loss of HK\$251.1 million in the same period last year.
- In March this year, the Company completed a share exchange agreement entered into with Prism Communications International Limited in February 2002, pursuant to which the Company allotted and issued 250 million new shares of the Company at HK\$0.1 each in exchange for 10 million new shares in Prism. Later in July, the Company exercised in part an option granted to it under the share exchange agreement, exercisable before 1st October, 2002, pursuant to which the Company further issued 240 million new shares of the Company at HK\$0.1 each in exchange for an additional 9.6 million new shares in Prism. At present, the Company holds an aggregate of 19.6 million shares in Prism, representing approximately 9.7% of Prism's existing issued share capital. 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.
- Apart from the relatively minor investments in various information technology businesses, the Company's only major asset comprises the majority holding of shares in Paliburg Holdings Limited that have been pledged to the financial creditors. Therefore, in order to sustain the continued viability of the Company, it will be crucial that a consensual restructuring of the Company's indebtedness can be secured with its financial creditors and that the majority shareholding in Paliburg is maintained.
- Against this background, the Company announced on 2nd August, 2002 the entering into of the Share Swap Agreement which was contemplated in conjunction with a series of reorganisation exercises proposed at different corporate levels within the overall Century City Group including, among other things, the Stanley Transfer between Paliburg and Regal Hotels International Holdings Limited, the Settlement Proposal in respect of the Exchangeable Bonds and the Convertible Bonds of Paliburg and the Paliburg Acquisition of Paliburg. Relevant details including the terms and conditions of these proposed transactions were fully set out in the circular to the Company's shareholders dated 26th August, 2002.
- The Share Swap under the Share Swap Agreement was proposed with a view to providing the Company with a mechanism to maintain a controlling interest in Paliburg following the Paliburg Acquisition, and the Paliburg Acquisition itself was aimed to strengthening the business base and cash resources of Paliburg. The Company regards the Share Swap as beneficial as it can help the Company in maintaining a controlling stake in Paliburg and facilitate the negotiation and implementation of the debt restructuring of the Group.
- The completion of the Share Swap is conditional on, among other things, the implementation of the Paliburg Acquisition. As the poll demanded on the resolution to approve the Paliburg Acquisition at the special general meeting of Paliburg held on 18th September, 2002 has been directed to be taken on 2nd October, 2002, the Company accordingly adjourned the special general meeting of the Company held later on that date for the consideration of the Paliburg Acquisition and the Share Swap, to be reconvened at 12:00 noon on 2nd October, 2002.
- For the six months ended 30th June, 2002, Paliburg incurred an unaudited consolidated net loss attributable to shareholders of HK\$230.0 million (2001 - HK\$258.2 million). The loss incurred was mostly attributable to the continuing accrual of interest on the two outstanding Bonds of Paliburg, the sale of certain Regal shares and the deemed disposal of shares in Regal due to the placement of new shares by Regal, and the disposal of Redhill Plaza during the period under review.
- For the six months ended 30th June, 2002, Regal reported an unaudited consolidated net loss attributable to shareholders of HK\$25.5 million (2001 - HK\$167.9 million).
- Further information on the principal business operations of Paliburg and Regal, including management discussion and analysis, is contained in their respective announcements separately released today.
- 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 local hotels of the Regal group will be able to produce improving performance and positive contributions over the coming years.
- Though the Paliburg group will inevitably become leaner due to the transfer of some of its major assets after the Settlement Proposal with its Bondholders, the implementation of the restructuring proposals being contemplated are extremely crucial for Paliburg to emerge from the difficult environment encountered during the past few years.
- The Company's management has all along worked diligently and in co-ordination with the appointed independent financial adviser on the restructuring discussions with the financial creditors. The Company will continue to use its utmost efforts to work out an overall restructuring proposal in order to bring the Company out of the present difficulties, however, any consensual resolution will inevitably depend on obtaining the agreement of all relevant parties involved.

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.