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A SUPPLEMENTAL AGREEMENT TO THE SHARE SWAP AGREEMENT

Financial Adviser to Century City International Holdings Limited



Ernst & Young Corporate Finance Limited

The Company refers to the announcement of the Company dated 2nd August, 2002 and the circular of the Company dated 26th August, 2002 in respect of the Share Swap Agreement.

On 30th December, 2003, the Company entered into the Supplemental Agreement with the other parties to the Share Swap Agreement. Pursuant to the Supplemental Agreement, the expiry date of the Exchange Period has been extended from 31st December, 2003 to 30th June, 2004. After extension of the Exchange Period, the exchange rights attaching to the Exchangeable Preference Shares, the Rights to Put, the Rights to Call and the repurchase provisions relating to the entire issued ordinary share capital of the Paliburg Shares SPC will continue to have full effect up to 30th June, 2004.

The purpose of the extension of the Exchange Period is to allow the Company to continue to have the benefit of the mechanism provided in the Share Swap Agreement to maintain, pending finalisation of the debt restructuring, its majority shareholding interest in Paliburg (being the principal subsidiary of the Company) with a view to facilitating further negotiations with the financial creditors of the Century City Group in respect of the debt restructuring of the Century City Group.

Further announcement regarding the status of the debt restructuring of the Century City Group will be made as and when required.

Shareholders and investors of the Company should note that the release of this announcement does not imply that the Century City Group will be able to reach an agreement with its financial creditors with a view to restructuring the indebtedness of the Century City Group. Caution should be exercised when dealing in the shares of the Company.

The board of directors of Century City International Holdings Limited (the "Company" or "Century City") refers to the announcement of the Company dated 2nd August, 2002 (the "Announcement") and the circular of the Company dated 26th August, 2002 (the "Circular") in respect of, among other things, an agreement entered into by the Company dated 2nd August, 2002 (as amended by a supplemental agreement dated 31st October, 2002) (the "Share Swap Agreement"). Capitalised terms used in this announcement shall have the same meanings as defined in the Announcement and the Circular, unless otherwise defined herein.

The Share Swap Agreement

Pursuant to the Share Swap Agreement: (i) the Vendors have sold the Paliburg Convertible Preference Shares to the Paliburg Shares SPC; (ii) the Paliburg Shares SPC has issued the Exchangeable Preference Shares to the Vendors; and (iii) the entire issued ordinary share capital of the Paliburg Shares SPC has been sold by the First Vendor to Century City.

Under the Share Swap Agreement and the terms of the Exchangeable Preference Shares:-

- Every four Exchangeable Preference Shares give their holder the right to exchange the same into one Paliburg Ordinary Share (so converted by a Paliburg Convertible Preference Share) or one Paliburg Convertible Preference Share held by the Paliburg Shares SPC during the Exchange Period. The holder of the Series A Exchangeable Preference Shares may not exercise the exchange rights attaching to the Series A Exchangeable Preference Shares unless: (i) a material adverse change has occurred in relation to the financial, business and/or listing status of the Century City Group (in the reasonable opinion of the First Vendor); or (ii) any creditor of any member of the Century City Group takes or purports to take any precipitating action against any member of the Century City Group; or (iii) any creditor of any member of the Century City Group takes or purports to take any action which, in the opinion of the First Vendor, could materially prejudice the position of the holders of the Exchangeable Preference Shares or in any way delay or impede the exercise of any of their rights as holders of such shares; or (iv) Mr. Lo: (a) ceases to be in direct or indirect control of over 50% of the voting rights of the Company; or (b) ceases to have the right to nominate more than 50% of the board of directors of the Company.
- The holders of the Exchangeable Preference Shares have been given the Rights to Put (i.e. the rights to require Century City to acquire any Exchangeable Preference Shares from them in return for one Century City Ordinary Share for each Exchangeable Preference Share so acquired by Century City during the Exchange Period).
- Century City has been given the Rights to Call (i.e. the rights to acquire any Series A Exchangeable Preference Shares in return for the issue of one Century City Ordinary Share for each Series A Exchangeable Preference Share so acquired by Century City during the Exchange Period). The Rights to Call may not be exercised unless: (i) the Century City Group has successfully restructured its debts (in the reasonable opinion of the First Vendor) within the period in which the Rights to Call can be exercised; (ii) Mr. Lo: (a) remains in direct or indirect control of over 50% of the voting rights of Century City; and (b) has the right to nominate more than 50% of the board of directors of the Company; (iii) the Century City Ordinary Shares remain listed on the Stock Exchange; and (iv) the Century City Group is no longer in default in respect of any material loan.
- The First Vendor has been given the right to acquire the entire issued ordinary share capital of the Paliburg Shares SPC back from the Company at HK\$8.0 (being the same amount as the consideration paid by the Company to the First Vendor for the acquisition of the entire issued ordinary share capital of the Paliburg Shares SPC under the Share Swap Agreement) if before the expiry of the Exchange Period, any creditor of any member of the Century City Group takes or purports to take any action which could, in the opinion of the First Vendor, materially prejudice the position of the holders of the Exchangeable Preference Shares or in any way delay or impede the exercise of any of their rights as holders of such shares. If the Company is not entitled to unconditional exercise of the Rights to Call before the expiry of the Exchange Period, the First Vendor shall purchase and the Company shall sell the entire issued ordinary share capital of the Paliburg Shares SPC upon expiry of the Exchange Period at HK\$8.0 (being the same amount as the consideration paid by the Company to the First Vendor for the acquisition of the entire issued ordinary share capital of the Paliburg Shares SPC under the Share Swap Agreement).

According to the original terms of the Share Swap Agreement, the Exchange Period would end on 31st December, 2003. Upon the expiry of the Exchange Period, the exchange rights (to exchange into the Paliburg Ordinary Shares so converted by the Paliburg Convertible Preference Shares and/or the Paliburg Convertible Preference Shares held by the Paliburg Shares SPC) attaching to the Exchangeable Preference Shares will be exercised on a mandatory basis.

As set out in the Circular, the primary purpose of the Share Swap is to provide the Company with a mechanism by which it may maintain its majority shareholding interest in Paliburg pending finalisation of the debt restructuring, as after completion of the Paliburg Acquisition (as disclosed in the Announcement and the

Circular), Paliburg (being the principal subsidiary of the Company) may cease to be a subsidiary of the Company upon exercise of the conversion rights attaching to the Paliburg Convertible Preference Shares.

The Share Swap constituted a major and connected transaction for the Company and was approved by the Independent Shareholders on 16th October, 2002 at a special general meeting of the Company.

Proposed debt restructuring of the Century City Group

As set out in the Announcement and the Circular, the Century City Group has encountered financial problems and has been negotiating with its financial creditors with a view to finalising a restructuring plan in respect of the indebtedness of the Century City Group. In October 2002, the Century City Group, together with its independent financial adviser, presented a debt restructuring proposal to the financial creditors of the Century City Group. As set out in the interim report of the Company for the six months ended 30th June, 2003, although a majority of the financial creditors had earlier in the year indicated their in-principle support to the financial restructuring proposal presented by the Company, the ultimate implementation of the proposal will require the formal approval of all relevant financial creditors. Up to the date of this announcement, the debt restructuring proposal has not been finalised and agreed with all relevant financial creditors. The Company anticipates that it is now unlikely that any formal agreement with all its financial creditors in respect of the possible debt restructuring proposal may be reached before the expiry of the original Exchange Period (i.e. 31st December, 2003). Hence, the Company is not and is unlikely to be in a position to exercise the Rights to Call as the conditions to such exercise have not been and are unlikely to be satisfied by the end of the original Exchange Period (i.e. 31st December, 2003).

Further announcement regarding the status of the debt restructuring will be made as and when required.

Shareholders and investors of the Company should note that the release of this announcement does not imply that the Century City Group will be able to reach an agreement with its financial creditors with a view to restructuring the indebtedness of the Century City Group. Caution should be exercised when dealing in the shares of the Company.

The Supplemental Agreement to the Share Swap Agreement

The Company, the Vendors and the Paliburg Shares SPC (all being parties to the Share Swap Agreement) entered into a second supplemental agreement to the Share Swap Agreement on 30th December, 2003 (the "Supplemental Agreement"). Pursuant to the Supplemental Agreement, the expiry date of the Exchange Period has been extended from 31st December, 2003 to 30th June, 2004. After extension of the Exchange Period, the exchange rights attaching to the Exchangeable Preference Shares, the Rights to Put, the Rights to Call and the repurchase provisions relating to the entire issued ordinary share capital of the Paliburg Shares SPC will continue to have full effect up to 30th June, 2004.

Apart from the aforesaid matters, there is no change to any other terms and conditions of the Share Swap Agreement and the Exchangeable Preference Shares.

The Company has the power to give effect to the extension of the Exchange Period under the Supplemental Agreement, as the relevant resolution approved by the Independent Shareholders on 16th October, 2002 already authorised the Directors to execute all such documents and to do all such acts as they may in their discretion consider necessary or desirable on behalf of the Company in connection with the Share Swap. No separate approval from the Independent Shareholders is required for the execution of the Supplemental Agreement.

Reasons for entering into the Supplemental Agreement

Assuming the Supplemental Agreement were not entered into and if: (i) no debt restructuring proposal were to be agreed and implemented and hence the Rights to Call would not be exercised before the original expiry date of the Exchange Period; (ii) all the outstanding Paliburg Convertible Preference Shares were converted into Paliburg Ordinary Shares; and (iii) all the Exchangeable Preference Shares were exchanged into Paliburg Ordinary Shares on or before the original expiry date of the Exchange Period on 31st December, 2003, Paliburg would then cease to be a subsidiary of Century City which may have a negative impact on the ongoing negotiations with the financial creditors of the Century City Group in respect of the debt restructuring proposal.

Having reviewed the current progress of the discussions regarding the debt restructuring proposal with the financial creditors, the Company believes that the extension of the Exchange Period to 30th June, 2004 will facilitate further negotiations with the financial creditors of the Century City Group with a view to finalising and implementing the debt restructuring proposal. In view of the current financial position of the Century City Group and the importance of the debt restructuring to the Century City Group, the Company believes that it is in its and its shareholders' best interests to enter into the Supplemental Agreement.

By Order of the Board
Century City International Holdings Limited
Eliza Lam Sau Fun
Secretary

Hong Kong, 30th December, 2003