



2004 INTERIM ANNOUNCEMENT

HALF YEAR RESULTS

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'M	HK\$'M
TURNOVER (Note 2)	570.4	396.1
Cost of sales	(352.1)	(322.9)
Gross profit	218.3	73.2
Other revenue (Note 4)	60.8	345.7
Administrative expenses	(40.0)	(48.2)
Other operating expenses, net (Note 5)	(72.3)	(40.9)
Loss on disposal of overseas subsidiary companies	—	(9.7)
Write-back of impairment of properties	—	39.6
Write-back of impairment of a hotel property	165.8	—
PROFIT FROM OPERATING ACTIVITIES (Note 2)	332.6	359.7
Finance costs (Note 7)	(105.1)	(149.8)
Share of profits less losses of:		
Jointly controlled entity	59.3	(0.1)
Associates	(9.2)	(2.0)
PROFIT BEFORE TAX	277.6	207.8
Tax (Note 8)	(2.8)	48.9
PROFIT BEFORE MINORITY INTERESTS	274.8	256.7
Minority interests	(238.1)	26.4
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	36.7	283.1
Earnings/(Loss) per share (Note 9)		
Basic	HK\$0.007	HK\$0.074
Diluted	HK\$0.001	HK\$(0.003)

Notes:

- The interim financial statements for the six months ended 30th June, 2004 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, 2004 (the "2004 Interim Report") to be despatched to shareholders, and by the Audit Committee of the Company. Fundamental uncertainty in respect of the going concern basis upon which the interim financial statements has been prepared is set out in the 2004 Interim Report.
- SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- the property development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate agency services;
- the construction and building related segment is engaged in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and other software development and distribution;
- the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;
- the brewery operations segment represents the Group's brewery operations in Mainland China; and
- the others segment mainly comprises the Group's securities trading, laundry services and bakery operations.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

- Business segments

The following table presents revenue and profit/(loss) information for the Group's business segments.

Group

	Property development and investment		Construction and building related businesses		Hotel ownership and management		Brewery operations		Others		Eliminations		Consolidated	
	2004 (Unaudited) HK\$'M	2003 (Unaudited) HK\$'M	2004 (Unaudited) HK\$'M	2003 (Unaudited) HK\$'M	2004 (Unaudited) HK\$'M	2003 (Unaudited) HK\$'M	2004 (Unaudited) HK\$'M	2003 (Unaudited) HK\$'M	2004 (Unaudited) HK\$'M	2003 (Unaudited) HK\$'M	2004 (Unaudited) HK\$'M	2003 (Unaudited) HK\$'M	2004 (Unaudited) HK\$'M	2003 (Unaudited) HK\$'M
Segment revenue:														
Sales to external customers	32.6	6.0	55.5	47.3	454.3	323.0	26.1	17.6	1.9	2.2	—	—	570.4	396.1
Intersegment sales	0.5	0.5	21.2	9.8	1.2	0.1	—	—	4.9	4.1	(27.8)	(14.5)	—	—
Total	33.1	6.5	76.7	57.1	455.5	323.1	26.1	17.6	6.8	6.3	(27.8)	(14.5)	570.4	396.1
Segment results	12.5	39.2	(0.9)	16.1	289.2	8.0	(0.1)	(3.9)	(2.1)	2.8	—	—	286.6	62.2
Interest income and unallocated non-operating and corporate gains	—	—	—	—	—	—	—	—	—	—	—	—	59.3	343.1
Unallocated non-operating and corporate expenses, net	—	—	—	—	—	—	—	—	—	—	—	—	(25.3)	(45.6)
Profit from operating activities	—	—	—	—	—	—	—	—	—	—	—	—	332.6	359.7
Finance costs	—	—	—	—	—	—	—	—	—	—	—	—	(105.1)	(149.8)
Share of profits less losses of:														
Jointly controlled entity	59.3	(0.1)	—	—	—	—	—	—	—	—	—	—	59.3	(0.1)
Associates	—	—	—	—	(0.2)	(0.5)	—	—	—	—	—	—	(9.2)	(2.0)
Profit before tax	—	—	—	—	—	—	—	—	—	—	—	—	277.6	207.8
Tax	—	—	—	—	—	—	—	—	—	—	—	—	(2.8)	48.9
Profit before minority interests	—	—	—	—	—	—	—	—	—	—	—	—	274.8	256.7
Minority interests	—	—	—	—	—	—	—	—	—	—	—	—	(238.1)	26.4
Net profit from ordinary activities attributable to shareholders	—	—	—	—	—	—	—	—	—	—	—	—	36.7	283.1

- Geographical segments

The following table presents revenue information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Canada		Eliminations		Consolidated	
	2004 (Unaudited) HK\$'M	2003 (Unaudited) HK\$'M								
Segment revenue:										
Sales to external customers	544.1	346.2	26.3	17.7	—	—	32.2	—	570.4	396.1

- DISCONTINUED OPERATION

The turnover, expenses and results attributable to discontinued operation in respect of the Regal group's previous hotel operation in Canada for the period from 1st January, 2003 to 25th June, 2003 (date of completion of disposal of the Canadian hotel operation) were as follows:

	Six months ended 30th June, 2003 (Unaudited) HK\$'M
TURNOVER	32.2
Cost of sales	(37.3)
Gross loss	(5.1)
Administrative expenses	(1.9)
Other operating expenses	(1.1)
LOSS FROM OPERATING ACTIVITIES	(8.1)
Finance costs	(4.2)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(12.3)

- Other revenue includes the following major items:

	Six months ended 30th June, 2004 (Unaudited) HK\$'M	Six months ended 30th June, 2003 (Unaudited) HK\$'M
Interest income	1.6	3.4
Dividend income	2.0	0.4
Gain on deemed disposal of the Group's interest in a listed subsidiary company	55.7	337.4

- Other operating expenses, net, include the following major items:

	Six months ended 30th June, 2004 (Unaudited) HK\$'M	Six months ended 30th June, 2003 (Unaudited) HK\$'M
Depreciation	20.4	21.7
Amortisation of goodwill	6.3	7.2
Loss on deemed disposal of the Group's interest in a listed subsidiary company	—	4.6
Termination fee in respect of cancellation of the disposal of a hotel property	39.0	—

- An analysis of profit on sale of investments or properties of the Group is as follows:

	Six months ended 30th June, 2004 (Unaudited) HK\$'M	Six months ended 30th June, 2003 (Unaudited) HK\$'M
Profit on disposal of listed investments	0.1	—
Profit on sale of properties	8.8	—

- Included in the Group's finance costs is an amount of HK\$5.1 million (2003 - HK\$3.5 million) representing the amortisation of loan costs.

- The tax charge/(credit) for the period arose as follows:

	Six months ended 30th June, 2004 (Unaudited) HK\$'M	Six months ended 30th June, 2003 (Unaudited) HK\$'M
Group:		
Provision for tax in respect of profits for the period:		
Hong Kong	1.8	1.4
Overseas	0.1	0.1
Deferred tax expenses/(income)	0.9	(50.4)
Tax charge/(credit) for the period	<u>2.8</u>	<u>(48.9)</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2003 - 17.5%) 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 legislation, 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 (2003 - nil).

Deferred tax expenses/(income) have been calculated by applying the rate that is expected to apply in the period when the asset is realised or the liability is settled.

- The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$36.7 million (2003 - HK\$283.1 million) and on the weighted average of 5,396.8 million (2003 - 3,816.8 million) shares of the Company in issue during the period.

The calculation of diluted earnings per share for the period ended 30th June, 2004 is based on the adjusted net profit from ordinary activities attributable to shareholders for the period of HK\$10.3 million as adjusted for the deemed changes in the Group's interest in the listed subsidiary companies and on the adjusted weighted average of 16,416.8 million shares of the Company that would have been in issue during the period assuming (i) all outstanding convertible preference shares and optional convertible bonds of the Regal group were converted into ordinary shares of Regal Hotels International Holdings Limited at the beginning of the period; (ii) all the 1,990.0 million convertible preference shares of Paliburg Holdings Limited (the "Paliburg Convertible Preference Shares") were converted into the same number of ordinary shares of Paliburg at the beginning of the period; and (iii) 11,020.0 million shares were issued by the Company to acquire 2,755.0 million ordinary shares of Paliburg (including the 1,990.0 million ordinary shares of Paliburg so converted as noted in (ii)) pursuant to the relevant terms under a share swap agreement, at the beginning of the period. The exercise prices of share options of Paliburg and Regal outstanding during the period are higher than the average market prices of the respective ordinary shares of Paliburg and Regal and, accordingly, they have no dilutive effect on the basic earnings per share.

The calculation of diluted loss per share for the period ended 30th June, 2003 was based on the adjusted net loss from ordinary activities attributable to shareholders for the period of HK\$48.6 million as adjusted for the deemed changes in the Group's interest in the listed subsidiary companies and on the adjusted weighted average of 17,216.8 million shares of the Company that would have been in issue during the period assuming (i) all outstanding convertible preference shares and convertible bonds (including optional convertible bonds) of the Regal group were converted into ordinary shares of Regal at the beginning of the period; and (ii) all the 3,450.0 million Paliburg Convertible Preference Shares were converted into the same number of ordinary shares of Paliburg, of which 3,350.0 million shares were acquired by the Company through issuing 13,400.0 million shares of the Company pursuant to the relevant terms under a share swap agreement, at the beginning of the period. The exercise of share options of Paliburg and Regal were anti-dilutive.

- Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2004.

DIVIDEND

- The Directors have resolved not to declare the payment of any interim dividend for the financial year ending 31st December, 2004 (2003 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

- During the period under review, net cash inflow from operating activities amounted to HK\$133.9 million (2003 - HK\$54.3 million). Net interest payment for the period amounted to HK\$52.2 million (2003 - HK\$53.7 million).
- As at 30th June, 2004, the Group's gross borrowings net of cash and bank balances amounted to HK\$5,388.2 million (31st December, 2003 - HK\$5,431.6 million). Gearing ratio based on total assets of HK\$10,107.0 million (31st December, 2003 - HK\$9,893.1 million) was 53.3% (31st December, 2003 - 54.9%).
- As at 30th June, 2004, the Company recorded an unaudited consolidated negative net worth of HK\$909.8 million (31st December, 2003 - audited consolidated negative net worth of HK\$732.9 million), which was primarily due to the reduction in the attributable share of the underlying net assets of Paliburg as a result of the diluted shareholding interest owned by the Group in Paliburg.
- As the majority part of the Group's borrowings is 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 30th June, 2004 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2003 (the "2003 Annual Report"). During the period under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the 2003 Annual Report. Detailed information in such aspects is contained in the Company's 2004 Interim Report.

- On 3rd June, 2004, the Regal group exercised the option granted by the relevant purchaser to terminate the sale and purchase agreement dated 29th August, 2003 (as supplemented by the supplemental agreement dated 30th March, 2004) (the "SP Agreement") for the disposal of its 100% interest in a subsidiary company which indirectly owns the Regal Oriental Hotel. The termination became effective on 24th June, 2004 and the Regal group has returned the HK\$30.0 million deposit and all interest earned thereon to the purchaser in accordance with the terms of the SP Agreement. A termination fee of HK\$39.0 million was paid to the purchaser pursuant to the terms of the SP Agreement, which was satisfied by the issue of 195.0 million new ordinary shares of Regal to the purchaser at an issue price of HK\$0.2 each, as agreed between the parties to the SP Agreement, on 12th July, 2004. Details of the termination of the SP Agreement were disclosed in the joint announcement of the Company dated 8th June, 2004.

- The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the section headed "Review and Outlook" below.

- The Group's significant investments constitute primarily the ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of these hotels during the period 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, together with the progress and prospects on the Regalia Bay development are contained in the section headed "Review and Outlook" below.

REVIEW AND OUTLOOK

- For the six months ended 30th June, 2004, the Group recorded an unaudited consolidated net profit attributable to shareholders of HK\$36.7 million, as compared with a net profit of HK\$283.1 million attained in the corresponding period in 2003. It should however be noted that, as explained before, the net profit attained in the corresponding period last year was primarily the result of an accounting profit recognised on the deemed disposal of shareholding interest in Paliburg.

- During the period under review, the Company continued to engage primarily in the negotiations with its financial creditors with a view to concluding a consensual debt restructuring. As previously reported, the financial restructuring proposal presented by the Company essentially involves the settlement of a large majority of the outstanding indebtedness of the Century City Group by their conversion into one or more financial instruments and convertible securities proposed to be issued by the Century City Group and the remaining small minority portion of the outstanding indebtedness to be replaced by new loans. In January this year, the Company obtained the written in-principle approvals of the proposal from all its financial creditors. Those approvals were not legally binding and would be subject to finalisation and execution of the definitive legal agreements among the parties concerned.

- Due to the complexity of the debt restructuring and the number of financial creditors involved, the process for the finalisation of the proposal has taken much longer time than originally expected. As announced by the Company on 29th June, 2004, the parties to the Share Swap Agreement entered into a Third Supplemental Agreement to extend the Exchange Period under the Share Swap Agreement from 30th June, 2004 to 30th September, 2004. The purpose of the further extension is to allow the Company to continue to have the benefit of the mechanism provided in the Share Swap Agreement to maintain a majority shareholding interest in Paliburg, with a view to facilitating the ongoing negotiations with the financial creditors of the Century City Group for the finalisation of the debt restructuring.

- As most of the outstanding issues with the financial creditors have now been resolved, it is anticipated that, barring any unforeseen circumstances, the detailed terms of the debt restructuring should be able to be finalised and concluded within a relatively short time. Nevertheless, it should also be cautioned that the implementation of the consensual debt restructuring would require the formal agreement of all the financial creditors involved and all necessary approvals required being obtained. Shareholders will be kept posted on any material development in this respect.

- For the six months ended 30th June, 2004, Paliburg Holdings Limited attained an unaudited consolidated net profit attributable to shareholders of HK\$127.5 million, representing an increase of about 7 times as compared with the HK\$15.8 million recorded in the corresponding period in 2003.

- For the six months ended 30th June, 2004, Regal Hotels International Holdings Limited achieved an unaudited consolidated net profit attributable to shareholders of HK\$285.1 million, while for the corresponding period in 2003, a net loss of HK\$69.1 million was recorded.

- 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.

- If the Company's consensual debt restructuring can be successfully implemented, management believes that the Century City Group would equally be able to rebuild its financial strength and to progress steadily forward towards sustained revival, as what Regal and Paliburg have been capable to achieve.

CODE OF BEST PRACTICE

The Directors of the Company are not aware of any information that would reasonably indicate that the Company is not, or was not at any time during the six months ended 30th June, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the Independent Non-Executive Directors of the Company were not appointed for specific terms. However, they were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the Bye-laws of the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Mr. LO Yuk Sui (Chairman and Managing Director), Mr. Anthony CHUANG (Independent Non-Executive Director), Mr. Tommy LAM Chi Chung (Executive Director), Mrs. Kitty LO LEE Kit Tai (Non-Executive Director), Mr. Jimmy LO Chun To (Executive Director), Mr. Kenneth NG Kwai Kai (Executive Director) and Mr. NG Siu Chan (Independent Non-Executive Director).

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 16th September, 2004

A detailed interim results announcement containing all the information required by 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, 2004.