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**DEBT RESTRUCTURING WHICH INVOLVES, AMONG OTHER THINGS,
THE SETTLEMENT AND RESTRUCTURING OF INDEBTEDNESS THROUGH
ISSUE OF CONVERTIBLE PREFERENCE SHARES BY THE COMPANY
AND TRANSFER OF A MINORITY PART OF THE PALIBURG ORDINARY SHARES HELD BY THE COMPANY
MAJOR AND CONNECTED TRANSACTIONS**

The board of Directors is pleased to announce that the Group has successfully secured the agreement of all the Creditors to the Restructuring. The Master Restructuring Agreement was entered into between the Company, certain members of the Group, the Creditors and the Liaison Bank on 30th September, 2004 pursuant to which the entire balance of HK\$1,548.1 million of the Indebtedness will be settled and restructured.

Pursuant to the Restructuring, the Indebtedness will be settled and restructured by (i) the issue of the Preference Shares, (ii) the refinancing of part of the Indebtedness by the Secured Bilateral Loans and the Exchangeable Notes, and (iii) the transfer of approximately 572.8 million Paliburg Ordinary Shares held by the Group to certain Creditors. Aggregate interest of approximately HK\$242.6 million accrued and unpaid from 1st July, 2002 to 30th June, 2004 in respect of the Indebtedness will be waived by the Creditors upon completion of the Restructuring. A total of HK\$1,380.4 million of the Indebtedness will be settled by the issue of the Preference Shares (being the Series A Shares at an issue price of HK\$0.20 each, the Series B Shares at an issue price of HK\$0.175 each and the Series C Shares at an issue price of HK\$0.15 each) by the Company to the Creditors. Each Preference Share to be issued under the Restructuring will carry the right to convert into one new Ordinary Share, subject to adjustment in accordance with the terms of the Preference Shares, on a mandatory basis upon maturity of the relevant class of the Preference Shares. Creditors who opted to receive the Series A Shares will have the options to sell up to 25% of their Series A Shares back to the Company at a rate of HK\$0.01 per Series A Share upon completion of the Restructuring by irrevocable indications to the Company to be made prior to 12th October, 2004. Based on the irrevocable indications received from the relevant Creditors up to the date of this announcement, a total of approximately 392.7 million Series A Shares will be sold back to the Company upon completion of the Restructuring immediately after the issue of the Series A Shares. Creditors who opted to receive the Series B Shares and the Series C Shares will not have such put option. The Company will have an option to buy or redeem any of the Series A Shares at HK\$0.0165 each, the Series B Shares at HK\$0.03 each and the Series C Shares at HK\$0.15 each at any time prior to their respective maturity dates. After netting off the approximately 392.7 million Series A Shares which will be sold back to the Company, approximately 7,356.6 million Preference Shares will be in issue after completion of the Restructuring. Based on the initial conversion rate and assuming that 7,356.6 million Preference Shares will be in issue and will not be redeemed by the Group, a maximum of approximately 7,356.6 million Conversion Shares, representing approximately 136.3% of the Ordinary Shares presently in issue and approximately 30.9% of the issued ordinary share capital of the Company as enlarged by the conversion of the Preference Shares and the issue of new Ordinary Shares by the Company pursuant to the exercise of the rights to put under the Share Swap in full and assuming that there are no other changes in the shareholding structure of the Company, may be issued upon conversion of the Preference Shares in full.

Based on the same assumptions but if (1) only the Series A Shares will be redeemed in full, a maximum of approximately 3,527.0 million Conversion Shares, representing approximately 65.4% of the Ordinary Shares presently in issue and approximately 17.7% of the enlarged issued ordinary share capital of the Company may be issued; (2) all the Series A Shares and Series B Shares will be redeemed in full, the maximum number of Conversion Shares would be approximately 3,249.5 million, representing approximately 60.2% of the Ordinary Shares presently in issue and approximately 16.5% of the enlarged issued ordinary share capital of the Company; (3) all the Series A Shares, the Series B Shares and the Series C Shares will be redeemed in full, no Conversion Shares will be issued pursuant to the Restructuring.

Approximately HK\$79.4 million of the Indebtedness will be refinanced into the Secured Bilateral Loans, which will be for a term of two years and will be secured by a certain number of the Paliburg Shares beneficially held by the Group. Certain lenders of the Secured Bilateral Loans will have the right to opt to receive a total of approximately 137.8 million Paliburg Shares in lieu of cash prepayment or repayment.

The Exchangeable Notes, in an aggregate principal amount of approximately HK\$13.8 million, will be for a term of two years and carry the rights to exchange into an aggregate of 55.1 million Paliburg Ordinary Shares. The Exchangeable Notes are non-interest bearing and will only be exchanged into Paliburg Ordinary Shares at maturity on a mandatory basis.

In order to facilitate the Restructuring, Mr. Lo has agreed with one of the Creditors that he will provide a personal guarantee in favour of such Creditor in respect of the Secured Bilateral Loan to be granted by the Creditor to the Group and in return such Creditor will grant to Mr. Lo the right to purchase or procure the purchase of the Secured Bilateral Loan (and that, among other things, (i) the 309.5 million Paliburg Shares to be pledged as collateral for the Secured Bilateral Loan, and (ii) the benefit of an option to receive 123.8 million Paliburg Ordinary Shares in lieu of cash prepayment or repayment of the Secured Bilateral Loan shall be transferred to Mr. Lo (or such purchaser as procured by Mr. Lo) together with the Secured Bilateral Loan) at its principal amount of HK\$12.4 million plus any accrued but unpaid interest from the Creditor at any time within 2 years from completion of the Restructuring. If Mr. Lo acquires the Secured Bilateral Loan pursuant to the guarantee arrangement, certain Exchangeable Notes issued to such Creditor under the Restructuring, which shall amount to approximately HK\$6.2 million and carrying the right to exchange into approximately 24.8 million Paliburg Ordinary Shares, subject to adjustment in accordance with the terms of the Exchangeable Notes, will be transferred to Mr. Lo. Mr. Lo is a connected person of the Company. As a result of this arrangement, the Restructuring constitutes a connected transaction for the Company and is subject to the approval by the independent shareholders of the Company.

Approximately 572.8 million Paliburg Ordinary Shares held by the Group will be transferred to certain Creditors under the Restructuring in settlement of HK\$74.5 million of the Indebtedness and will be subject to a lock-up period of three months after completion of the Restructuring. The transfer of the Paliburg Ordinary Shares held by the Group to the Creditors under the Restructuring constitutes a major transaction for the Company under the Listing Rules.

Completion of the Restructuring is conditional on, among other things, approval from the independent shareholders of the Company and approval from the Stock Exchange for the listing of and permission to deal in the Conversion Shares. Mr. Lo, the Creditors and their respective associates (including, if applicable, the First Vendor, the Second Vendor and the Third Vendor) will abstain from voting on any of their shareholding in the Company at the SGM in respect of the resolution for approving the Restructuring.

The Company entered into an agreement in respect of the Share Swap on 2nd August, 2002. The primary purpose of the Share Swap is to facilitate the possible debt restructuring of the Group. In order to facilitate the implementation of the Restructuring, certain amendments are proposed to be made to the Share Swap primarily to allow the Group to maintain a majority interest in Paliburg after the Restructuring. The Share Swap constituted a connected transaction for the Company and has been approved by the independent shareholders of the Company. The proposed amendments to the terms of the Share Swap constitutes another connected transaction for the Company under the Listing Rules and thus is subject to approval by the independent shareholders of the Company. A resolution will be proposed at the SGM to approve the proposed amendments to the Share Swap. Mr. Lo, the Creditors and their respective associates (including, if applicable, the First Vendor, the Second Vendor and the Third Vendor) will abstain from voting in respect of such resolution. Pending completion of the Restructuring and the proposed amendments to the terms of the Share Swap, the parties to the Share Swap entered into a further supplemental agreement on 30th September, 2004 to extend the expiry date of the arrangements under the Share Swap from 30th September, 2004 to 31st December, 2004.

The Company also proposes to: (i) amend the bye-laws of the Company in respect of the creation of the Preference Shares; and (ii) carry out the Capital Reorganisation pursuant to which, among others, the par value of the Ordinary Shares will be reduced from HK\$0.10 each to HK\$0.01 each.

As at the date of this announcement, the Group holds approximately 3,576.8 million Paliburg Ordinary Shares, representing approximately 63.2% of the Paliburg Ordinary Shares currently in issue, and 940 million Paliburg Preference Shares which may be converted into 940 million new Paliburg Ordinary Shares. Of the 940 million Paliburg Preference Shares, 202.5 million Paliburg Preference Shares may be transferred to the holders of the 810 million Series B EPSS (which are currently held by the Second Vendor) if the exchange rights attached to such shares are exercised (such rights are exercisable anytime at the discretion of the holders of such shares). After the Restructuring and assuming that the relevant lenders of the Secured Bilateral Loans will opt to receive Paliburg Ordinary Shares in lieu of cash prepayment or repayment, the exchange rights attached to the 810 million Series B EPSS are exercised and all the outstanding Paliburg Preference Shares will be converted into Paliburg Ordinary Shares, after exercise of the exchange rights attached to the Exchangeable Notes in full and there are no other changes in the shareholding structure of Paliburg, the shareholding interest of the Group in Paliburg will decrease from approximately 63.2% to approximately 53.8%, while the economic interest of the Group in Paliburg will increase from approximately 31.1% to approximately 53.8%.

As at the date of this announcement, Mr. Lo and his associates have an aggregate interest in the Company of approximately 50.6% of the Ordinary Shares in issue and, in addition, Mr. Lo and his associates hold 10,210 million Series A EPSS and 810 million Series B EPSS which confer upon their holders rights to receive a total of 11,020 million new Ordinary Shares if the rights to put under the Share Swap are exercised in full. Assuming all the 7,356.6 million Preference Shares (after netting off the approximately 392.7 million Series A Shares to be sold back to the Company, for which irrevocable indications have been received by the Company from the relevant Creditors up to the date of this announcement) which will be in issue after completion of the Restructuring are not redeemed by the Company and are converted into new Ordinary Shares, the rights to put under the Share Swap are exercised in full and there are no other changes to the shareholding structure of the Company, the ordinary share capital of the Company will be owned as to approximately 57.9% by Mr. Lo and his associates, approximately 0.1% by the other directors of the Company and Paliburg, approximately 30.9% by the holders of the Preference Shares and approximately 11.1% by the existing public shareholders of the Company. Under this scenario, approximately 30.9% of the Ordinary Shares then in issue would be held by public shareholders. After the Restructuring and if the rights to put attaching to 11,020 million EPSS under the Share Swap are exercised by the First Vendor and the Second Vendor in full, the aggregate shareholding interest of Mr. Lo and his associates in the Company will be (1) approximately 69.0% if all the Series A Shares are redeemed in full prior to their maturity and all the Series B Shares and Series C Shares are converted in full, (2) approximately 69.9% if the Series A Shares and Series B Shares are redeemed in full prior to their respective maturity and all the Series C Shares are converted in full, and (3) approximately 83.8% if all the Series A Shares, the Series B Shares and the Series C Shares are redeemed in full prior to their respective maturity, assuming that there are no other changes in the shareholding structure of the Company.

A circular containing, among other things, details of the Restructuring, the proposed amendments to the Share Swap, the proposed amendments to the bye-laws of the Company, the Capital Reorganisation, the recommendations from the independent board committee and the independent financial adviser, together with a notice of the SGM will be despatched to the shareholders of the Company in accordance with the requirements of the Listing Rules.

Shareholders and investors of the Company should note that the release of this announcement does not imply that the Restructuring, together with the proposed amendments to the Share Swap and the bye-laws of the Company, will become unconditional and be implemented, as completion of the Restructuring is subject to a number of conditions, including the approval from the independent shareholders of the Company and the approval from the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. Accordingly, caution should be exercised when dealing in the Ordinary Shares.

Trading in the Ordinary Shares was suspended from 9:30 a.m. on 4th October, 2004 at the request of the Company pending the issue of this announcement and application has been made to the Stock Exchange for the resumption of trading of the Ordinary Shares from 9:30 a.m. on 12th October, 2004.

The board of Directors is pleased to announce that the Group has successfully secured the agreement of all the Creditors to the Restructuring. The Master Restructuring Agreement was entered into between the Company, certain members of the Group, the Creditors and the Liaison Bank on 30th September, 2004.

THE MASTER RESTRUCTURING AGREEMENT

Under the Master Restructuring Agreement, the Creditors have agreed with the Group to restructure the Indebtedness, which for the purposes of calculating the entitlements to the Secured Bilateral Loans, the Exchangeable Notes and the Preference Shares under the Restructuring is based on the principal amount of the relevant loans and the relevant interest accrued up to 30th June, 2002, amounting to approximately HK\$1,548.1 million, as recorded in the financial statements of the Group and that no interest or fees will be charged on the Indebtedness from 1st July, 2002 onwards up to completion of the Restructuring. The Indebtedness is currently secured by a certain number of Paliburg Ordinary Shares held by the Group.

The Restructuring

Under the Restructuring, the relevant Creditors were given option to choose within a combination of (1) settlement of part of their relevant portion of the Indebtedness by the issue of the Series A Shares, the Series B Shares or the Series C Shares, (2) refinancing part of their relevant portion of the Indebtedness into the Secured Bilateral Loans and/or the Exchangeable Notes, and/or (3) the settlement of part of their relevant portion of the Indebtedness by the transfer of Paliburg Ordinary Shares to them. The entire amount of the Indebtedness will be restructured or settled under the Restructuring. Pursuant to the Restructuring, the entire Indebtedness amounting to approximately HK\$1,548.1 million will be restructured by means of the following:

	HK\$ million
1. the issue of approximately 4,222.3 million Series A Shares at HK\$0.20 each	844.4
2. the issue of approximately 277.5 million Series B Shares at HK\$0.175 each	48.6
3. the issue of approximately 3,249.5 million Series C Shares at HK\$0.15 each	487.4
4. the refinancing by way of the Secured Bilateral Loans	79.4
5. the issue of the Exchangeable Notes with an aggregate principal amount of approximately HK\$13.8 million	13.8
6. transfer of approximately 572.8 million Paliburg Ordinary Shares at HK\$0.13 each	74.5
Total	1,548.1

The terms of the Secured Bilateral Loans together with the relevant call option, the Exchangeable Notes, the transfer of Paliburg Ordinary Shares for the settlement of part of the Indebtedness, the Series A Shares, the Series B Shares and the Series C Shares, including the issue prices, the option prices, the redemption prices and the conversion rates, were determined after arm's length negotiations between the Company and the Creditors after taking into account a number of factors, including but not limited to the market prices of the Ordinary Shares and the Paliburg Ordinary Shares, the length of the lock-up period (if applicable), the various conditions in relation to the conversion and/or exchange rights (if applicable), the time to maturity, the rights to put the shares back to the Company (if applicable) and other rights applicable to each class of the Preference Shares.

1. Issue of the Preference Shares

A total of HK\$1,380.4 million of the Indebtedness will be settled by the issue of the Preference Shares by the Company to the Creditors. Based on the choices of the Creditors, upon completion of the Restructuring, there will be issued to the Creditors approximately 4,222.3 million Series A Shares at an issue price of HK\$0.20 each, approximately 277.5 million Series B Shares at an issue price of HK\$0.175 each and 3,249.5 million Series C Shares at an issue price of HK\$0.15 each. The Preference Shares are non-voting and shall rank in priority to the Ordinary Shares on a return of capital of the Company, with the Series A Shares, the Series B Shares and the Series C Shares ranking pari passu. The Preference Shares will not be entitled to any income distribution. The Preference Shares will not be listed on the Stock Exchange or any other stock exchanges.

a. the Series A Shares

The issue price of HK\$0.20 per Series A Share represents a premium of approximately 83.5% over the closing price of Ordinary Shares of HK\$0.109 each on 30th September, 2004 (being the date of the Master Restructuring Agreement); and a premium of approximately 94.9% over the average closing price of the Ordinary Shares of HK\$0.1026 each for the five trading days prior to 30th September, 2004. Each Series A Share is convertible into one new Ordinary Share, subject to adjustment in accordance with the terms of the Series A Shares. Except in the occurrence of an event of default as defined in the terms of the Series A Shares, conversion shall only take place upon maturity (being one year after the date of issue) on a mandatory basis. Under the Master Restructuring Agreement, Creditors who have chosen to receive Series A Shares will have an option to sell back to the Company their Series A Shares at a consideration of HK\$0.01 per Series A Share up to a maximum of 25% of the total number of the Series A Shares which may be issued to them, amounting to approximately 1,055.6 million Series A Shares, upon completion of the Restructuring. All the relevant Creditors are required to make irrevocable indications to the Company in respect of the number of Series A Shares they choose to sell back to the Company prior to 12th October, 2004. The consideration of HK\$0.01 per Series A Share represents a discount of 95% to the issue price of the Series A Shares, a discount of approximately 90.8% to the closing price of Ordinary Shares of HK\$0.109 each on 30th September, 2004, and a discount of approximately 90.3% to the average closing price of the Ordinary Shares of HK\$0.1026 each for the five trading days prior to 30th September, 2004. Up to the date of this announcement, the Company has received irrevocable indications from a number of Creditors to sell to the Company in respect of approximately 392.7 million Series A Shares, representing approximately 9.3% of the total number of Series A Shares which would be issued under the Restructuring, immediately after the issue of the Series A Shares in accordance with the terms of the Series A Shares upon completion of the Restructuring. Under the Restructuring, the total number of the Series A Shares to be issued to the Creditors amounts to approximately 4,222.3 million Series A Shares. After netting off the approximately 392.7 million Series A Shares which, up to the date of this announcement the relevant Creditors have confirmed to sell back to the Company, approximately 3,829.6 million Series A Shares will be in issue immediately after the issue and

redemption of the 392.7 million Series A Shares upon completion of the Restructuring. If all the relevant Creditors elect to sell back 25% of their Series A Shares back to the Company, then the number of Series A Shares in issue will be further reduced to approximately 3,166.7 million.

In addition, holders of the Series A Shares will have the right to sell all the outstanding Series A Shares to the Company at the same price of HK\$0.01 per Series A Share on the business day immediately prior to the maturity date.

The Company will have a right to redeem or procure the purchase of any of the outstanding Series A Shares at any time at a price of HK\$0.0165 per Series A Share, which represents a discount of approximately 91.8% to the issue price of the Series A Shares, a discount of approximately 84.9% to the closing price of Ordinary Shares of HK\$0.109 each on 30th September, 2004, and a discount of approximately 83.9% to the average closing price of the Ordinary Shares of HK\$0.1026 each for the five trading days prior to 30th September, 2004. The Series A Shares are freely transferable.

b. the Series B Shares

The issue price of HK\$0.175 per Series B Share represents a premium of approximately 60.6% over the closing price of Ordinary Shares of HK\$0.109 each on 30th September, 2004 (being the date of the Master Restructuring Agreement); and a premium of approximately 70.6% over the average closing price of the Ordinary Shares of HK\$0.1026 each for the five trading days prior to 30th September, 2004. Each Series B Share is convertible into one new Ordinary Share, subject to adjustment in accordance with the terms of the Series B Shares. The holders of the Series B Shares will not have the right to require the Company to redeem or buy back any of the Series B Shares. Except in the occurrence of an event of default as defined under the terms of the Series B Shares, conversion shall only take place upon maturity (being two years after the date of issue) on a mandatory basis. The Company will have the right to redeem or to procure the purchase of any of the outstanding Series B Shares at any time prior to maturity at a price of HK\$0.03 per Series B Share, which represents a discount of approximately 82.9% to the issue price of the Series B Shares, a discount of approximately 72.5% to the closing price of the Ordinary Shares of HK\$0.109 each on 30th September, 2004, and a discount of approximately 70.8% to the average closing price of the Ordinary Shares of HK\$0.1026 each for the five trading days prior to 30th September, 2004.

c. the Series C Shares

The issue price of HK\$0.15 per Series C Share represents a premium of approximately 37.6% over the closing price of the Ordinary Shares of HK\$0.109 each on 30th September, 2004 (being the date of the Master Restructuring Agreement); and a premium of approximately 46.2% over the average closing price of the Ordinary Shares of HK\$0.1026 each for the five trading days prior to 30th September, 2004. Each Series C Share is convertible into one new Ordinary Share, subject to adjustment in accordance with the terms of the Series C Shares. The holders of the Series C Shares will not have the right to require the Company to redeem or buy back any of the Series C Shares. Conversion may take place in stages at the discretion of the holders in the following manner: (i) up to 25% after the second anniversary of issuance; (ii) up to 50% cumulatively after the third anniversary of issuance; (iii) up to 75% cumulatively after the fourth anniversary of issuance; and (iv) up to 100% upon maturity on the fifth anniversary of issuance. At maturity, all the outstanding Series C Shares will be converted into new Ordinary Shares on a mandatory basis. The Company will have the right to redeem or to procure the purchase of any of the outstanding Series C Shares at any time at a price of HK\$0.15 per Series C Share which is equal to the issue price of the Series C Shares.

Holders of the Series C Shares are granted pre-emptive rights pursuant to which, if the Company proposes to issue any new Ordinary Shares or securities convertible into new Ordinary Shares, each holder of the Series C Shares shall be given a right to subscribe for such Ordinary Shares or securities so that its interest in the Company shall remain unchanged on a fully diluted basis, subject to any limitation or restriction under the applicable laws or regulations, including, but not limited to, the Listing Rules.

Subject to their terms, the Series C Shares are not freely transferable. Please refer to the sections headed "The Conversion Shares and the listing application" and "The Company" below for the amount and relative size of the Conversion Shares which may be issued as a result of the conversion of the Preference Shares.

2. Grant of Secured Bilateral Loans

Under the Restructuring, part of the Indebtedness in an aggregate amount of approximately HK\$79.4 million will be refinanced into the Secured Bilateral Loans for a term of two years, which will be secured by certain Paliburg Shares, representing approximately 29.0% of the issued ordinary share capital of Paliburg as enlarged by the issue of new Paliburg Ordinary Shares upon conversion of the Paliburg Preference Shares in full and assuming there are no other changes in the shareholding structure of Paliburg. The Secured Bilateral Loans will not be freely transferable under their relative terms.

Under the terms of certain Secured Bilateral Loans with an aggregate principal amount of HK\$13.8 million, the Group may choose to prepay any part of the Secured Bilateral Loans at 130% of the relevant principal amount plus 100% of the accrued but unpaid interest, in which case the relevant lenders may opt to receive Paliburg Ordinary Shares at a price of HK\$0.10 each for the settlement of the relative principal amount of the Secured Bilateral Loans proposed to be prepaid by the Group in lieu of cash prepayment. Such relevant Creditors will also have a similar right of electing to receive Paliburg Ordinary Shares upon final repayment at maturity. The number of Paliburg Ordinary Shares which may be transferred to the lenders of the Secured Bilateral Loans if all the lenders opt to receive Paliburg Ordinary Shares in lieu of cash prepayment or repayment represents approximately 2.1% of the issued ordinary share capital of Paliburg as enlarged by the issue of new Paliburg Ordinary Shares upon conversion of the Paliburg Preference Shares in full and assuming there are no other changes in the shareholding structure of Paliburg. The option price of HK\$0.10 per Paliburg Ordinary Share, which represents a discount of approximately 49.5% to the closing price of Paliburg Ordinary Shares of HK\$0.198 each on 30th September, 2004 (being the date of the Master Restructuring Agreement), and a discount of approximately 47.9% to the average closing price of Paliburg Ordinary Shares of HK\$0.1918 each for the five trading days prior to 30th September, 2004, was determined after arm's length negotiations between the Group and the Creditors and is subject to adjustment in accordance with the terms of the call option attached to the Secured Bilateral Loans. The lender of the remaining Secured Bilateral Loan in respect of an Indebtedness of approximately HK\$65.6 million will not have the right to elect for Paliburg Ordinary Shares in lieu of cash prepayment or repayment.

In order to facilitate the Restructuring, Mr. Lo has agreed with one of the Creditors that he will provide a personal guarantee in favour of such Creditor in respect of the Secured Bilateral Loan to be granted by such Creditor to the Group and in return such Creditor will grant to Mr.

Lo the right to purchase or procure the purchase of the Secured Bilateral Loan (and that, among other things, (i) the 309.5 million Paliburg Shares to be pledged as collateral for the Secured Bilateral Loan, and (ii) the benefit of an option to receive 123.8 million Paliburg Ordinary Shares in lieu of cash prepayment or repayment of the Secured Bilateral Loan shall be transferred to Mr. Lo (or such purchaser as procured by Mr. Lo) together with the Secured Bilateral Loan) at its principal amount of approximately HK\$12.4 million plus any accrued but unpaid interest from the Creditor at any time within two years from completion of the Restructuring. If Mr. Lo acquires the Secured Bilateral Loan pursuant to the guarantee arrangement, then certain Exchangeable Notes issued to such Creditor under the Restructuring, which shall amount to approximately HK\$6.2 million and carrying the right to exchange into approximately 24.8 million Paliburg Ordinary Shares, subject to adjustment in accordance with the terms of the Exchangeable Notes, will be transferred to Mr. Lo. Mr. Lo is a connected person of the Company. As a result of this arrangement, such Creditor is deemed to be a connected person of the Company only for the purposes of this transaction under the Listing Rules and thus the Restructuring constitutes a connected transaction for the Company and is subject to the approval by the independent shareholders of the Company. Save as disclosed above, all the Creditors are financial institutions or affiliated companies of a financial institution and are not connected persons of the Company for the purposes of the Listing Rules. Please refer to the section headed "Disposal of shareholding in Paliburg and the Listing Rules requirements" below for details of the changes in the shareholding interest of Mr. Lo and his associates in Paliburg as a result of the Restructuring.

3. Issue of the Exchangeable Notes

Under the Restructuring, Exchangeable Notes with an aggregate principal amount of approximately HK\$13.8 million will be issued by the Group to certain Creditors at their principal value upon completion of the Restructuring. Subject to their terms, the Exchangeable Notes are not freely transferable.

The Exchangeable Notes will be issued by Smartaccord Limited, a wholly owned subsidiary of the Company and a special purpose vehicle newly incorporated for the purpose of issuing the Exchangeable Notes. The Exchangeable Notes will be for a term of two years and will be exchangeable into Paliburg Ordinary Shares at an exchange rate of HK\$0.25 per Paliburg Ordinary Share, subject to adjustment in accordance with the terms of the Exchangeable Notes. The Exchangeable Notes will not bear any interest. Based on the initial exchange rate, approximately 55.1 million Paliburg Ordinary Shares will be transferred by the Group to the holders of the Exchangeable Notes. The exchange rate per Paliburg Ordinary Share, which represents a premium of approximately 26.3% over the closing price of Paliburg Ordinary Shares of HK\$0.198 each on 30th September, 2004 (being the date of the Master Restructuring Agreement), and a premium of approximately 30.3% over the average closing price of Paliburg Ordinary Shares of HK\$0.1918 each for the five trading days prior to 30th September, 2004, was determined after arm's length negotiations between the Company and the Creditors.

The holders of the Exchangeable Notes will not have any right to demand for cash repayment of the Exchangeable Notes. Except in the occurrence of an event of default as defined in the terms of the Exchangeable Notes, the Exchangeable Notes will only be exchanged into Paliburg Ordinary Shares upon maturity on a mandatory basis. However, prior to maturity, the Group will have the right to redeem any of the Exchangeable Notes at their principal amount. The Exchangeable Notes will not be listed on the Stock Exchange or any other stock exchanges.

4. Transfer of the Paliburg Ordinary Shares

Under the Restructuring, a total of approximately 572.8 million Paliburg Ordinary Shares, representing approximately 8.7% of the issued ordinary share capital of Paliburg as enlarged by the issue of new Paliburg Ordinary Shares upon conversion of the Paliburg Preference Shares in full and assuming there are no other changes in the shareholding structure of Paliburg and beneficially owned by the Group will be transferred to certain Creditors at a consideration of HK\$0.13 per Paliburg Ordinary Share upon completion of the Restructuring. The relevant Creditors have agreed to hold such Paliburg Ordinary Shares and will not in any way dispose of, whether directly or indirectly, the beneficial interest in such Paliburg Ordinary Shares within three months after completion of the Restructuring. The consideration for the transfer, which represents a discount of approximately 34.3% to the closing price of Paliburg Ordinary Shares of HK\$0.198 each on 30th September, 2004 (being the date of the Master Restructuring Agreement), and a discount of approximately 32.2% to the average closing price of the Paliburg Ordinary Shares of HK\$0.1918 each for the five trading days prior to 30th September, 2004, was determined after arm's length negotiations between the Company and the Creditors.

Conditions of the Restructuring

Completion of the Restructuring pursuant to the Master Restructuring Agreement is conditional on the satisfaction or, if applicable, waiver of, among others, the following conditions:

1. The shareholders of the Company approving the Restructuring including the creation of the Preference Shares, the issue of the Exchangeable Notes and the issue of the Conversion Shares.
2. The bye-laws of the Company being amended to give effect to the creation of the Preference Shares.
3. The issued Ordinary Shares remaining listed on the Stock Exchange.
4. The Stock Exchange granting the approval for the listing of, and permission to deal in, the Conversion Shares.
5. No events of default as defined under the terms of the Exchangeable Notes and the Preference Shares having occurred.
6. The Group becoming the legal and beneficial owner of the Paliburg Shares then held by Almighty free from any encumbrances or claims.
7. All authorisations, consents, approvals and waivers reasonably required by any of the Creditors and their shareholders, holding companies or affiliates as applicable to approve the Creditors entering into the Master Restructuring Agreement and giving effect to the transactions contemplated under the Restructuring being obtained and continuing to be in full force and effect.
8. The necessary documents required for the implementation of the Restructuring being duly executed.
9. The Bermuda Monetary Authority approving the issue of the Exchangeable Notes, the Preference Shares and the Conversion Shares which may be issued upon conversion of the Preference Shares or a legal opinion confirming that such approval is not necessary being obtained.

10. The agreement to give effect to the proposed amendments to the terms of the Share Swap being executed (details of the proposed amendments to the terms of the Share Swap are set out below in this announcement).

All the conditions precedent under the Master Restructuring Agreement may be modified or waived by the Liaison Bank acting on the instruction of the relevant Creditors, except for conditions 1, 2, 4, 6, 9 and 10 which cannot be modified or waived except by the agreement of all the parties to the Master Restructuring Agreement. If the conditions of the Restructuring have not been satisfied or, if applicable, waived on or before 15th December, 2004 (or such other date as agreed between the Company and the Liaison Bank (acting on the instruction of the Creditors)), the Restructuring will lapse and all the Indebtedness existing at that date will remain unsatisfied and undischarged and become immediately due and payable.

THE CONVERSION SHARES AND THE LISTING APPLICATION

Based on the initial conversion rate of the Preference Shares and the irrevocable indications that the Company has received from the Creditors to sell back to the Company part of their Series A Shares to be issued to them under the Restructuring up to the date of this announcement, a total of approximately 7,356.6 million Conversion Shares, representing approximately 136.3% of the Ordinary Shares presently in issue and approximately 30.9% of the issued ordinary share capital of the Company as enlarged by the conversion of the Preference Shares and the issue of new Ordinary Shares by the Company pursuant to the exercise in full of the rights to put under the Share Swap and assuming there are no other changes in the shareholding structure of the Company, may fall to be issued by the Company upon full conversion of the Preference Shares. The Conversion Shares will rank pari passu with other Ordinary Shares then in issue at the time when the Conversion Shares are issued and allotted.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

DISPOSAL OF SHAREHOLDING IN PALIBURG AND THE LISTING RULES REQUIREMENTS

As part of the Restructuring, a maximum number of approximately 765.7 million Paliburg Ordinary Shares may be transferred to the Creditors, the lenders of the Secured Bilateral Loans and the holders of the Exchangeable Notes. As at the date of this announcement, the Group holds approximately 3,576.8 million Paliburg Ordinary Shares, representing approximately 63.2% of the Paliburg Ordinary Shares in issue, and 940 million Paliburg Preference Shares which may be converted into 940 million Paliburg Ordinary Shares. Of the 940 million Paliburg Preference Shares, 202.5 million Paliburg Shares may be transferred to holder of the 810 million Series B EPSS (which are currently held by the Second Vendor) if the exchange rights attaching to such Series B EPSS are exercised (such rights are exercisable anytime at the discretion of the holder of such shares). Save for the 940 million Paliburg Preference Shares held by the Group, there are no other Paliburg Preference Shares outstanding as at the date of this announcement. As at the date of this announcement, there are approximately 2.5 million share options of Paliburg outstanding.

After the Restructuring and assuming that the maximum number of approximately 765.7 million Paliburg Ordinary Shares would be transferred to the Creditors, the lenders of the Secured Bilateral Loans and the holders of the Exchangeable Notes, the exchange rights attaching to the 810 million Series B EPSS are exercised, all the outstanding Paliburg Preference Shares are converted into Paliburg Ordinary Shares, and there are no other changes in the shareholding structure of Paliburg, the shareholding interest of the Group in Paliburg would decrease to approximately 53.8%, while the economic interest of the Group in Paliburg will increase from approximately 31.1% to approximately 53.8%. Based on the effect of the Restructuring on the shareholding structure of Paliburg and the present generally accepted accounting principles in Hong Kong, the auditors of the Company have confirmed that Paliburg will continue to be accounted for as a subsidiary of the Group and the financial statements of Paliburg would still be consolidated in the consolidated financial statements of the Company as a result of the Restructuring after taking into account all the existing and potential voting rights in Paliburg held by the Group.

The table below sets out the shareholding structure of Paliburg (1) as at the date of this announcement (column 1), (2) after completion of the Restructuring, the exercise of the exchange rights attaching to the Exchangeable Notes in full and assuming that Mr. Lo acquires the Secured Bilateral Loan of approximately HK\$12.4 million from the Creditor pursuant to the guarantee arrangement between Mr. Lo and a Creditor as described above and the option to receive Paliburg Ordinary Shares in lieu of cash prepayment or repayment is exercised, the Second Vendor exercises the exchange rights attaching to the EPSS in full, all the outstanding Paliburg Preference Shares will be converted into Paliburg Ordinary Shares and all the Secured Bilateral Loans will be settled by the transfer of Paliburg Ordinary Shares and assuming there are no other changes in the shareholding structure of Paliburg (column 2), and (3) after completion of the Restructuring and based on the same assumptions as in scenario 2 except that the Second Vendor does not exercise the exchange rights attaching to the EPSS (column 3).

	Column 1		Column 2		Column 3	
	number (million)	%	number (million)	%	number (million)	%
The Group	3,576.8	63.2%	3,548.6	53.8%	3,751.1	56.9%
Mr. Lo and his associates	307.3	5.4%	658.4	10.0%	455.9	6.9%
Other directors of the Company and Paliburg	0.8	0.0%	0.8	0.0%	0.8	0.0%
Creditors	—	—	617.1	9.4%	617.1	9.4%
Public	1,773.6	31.4%	1,773.6	26.8%	1,773.6	26.8%
Total	5,658.5	100.0%	6,598.5	100.0%	6,598.5	100.0%
Total public float	1,773.6	31.4%	2,390.7	36.2%	2,390.7	36.2%

The possible disposal of interests in Paliburg by the Group under the Restructuring constitutes a major and connected transaction for the Company under the Listing Rules. Accordingly, the Restructuring is subject to, among other things, approval of the independent shareholders of the Company at the SGM by poll. Mr. Lo, the Creditors and their respective associates (including, if applicable, the First Vendor, the Second Vendor and the Third Vendor) will abstain from voting at the SGM in respect of the resolution for approving the Restructuring. Paliburg is an investment holding company, which, together with its subsidiaries and associated companies, is principally engaged in property development and investment, property management, and construction and building-related businesses, hotel ownership and management and other investment. The audited consolidated total assets and net assets of Paliburg as at 31st December, 2003 were approximately HK\$9,825.6 million and approximately HK\$2,285.7 million respectively.

The table below shows the consolidated profits of Paliburg (i) before taxation and minority interests, (ii) after taxation but before minority interests and (iii) after taxation and minority interests for the two years ended 31st December, 2003:

	For the year ended 31st December, 2003	For the year ended 31st December, 2002
	HK\$ (million)	HK\$ (million)
Consolidated profits before taxation and minority interests	449.2	1,333.3
Consolidated profits after taxation but before minority interests	512.4	1,329.4
Consolidated profits after taxation and minority interests	387.6	1,704.1

REASONS FOR THE RESTRUCTURING

Since October 1998, the Group has encountered liquidity problems. As at 30th June, 2004, the consolidated balance of the bank loans and other borrowings of the Company and its then subsidiaries amounted to approximately HK\$6,398.5 million, of which the bank loans and other borrowings (including a provision for guarantee and related interest payable) of the Group amounted to approximately HK\$1,790.7 million (being the entire aggregate principal amounts and the accrued but unpaid interest of the relevant debts under the Indebtedness as at 30th June, 2004) and the consolidated balance of the bank loans and other borrowings of Paliburg and its then subsidiaries amounted to approximately HK\$4,607.8 million. Repayment of all the above bank loans and other borrowings of the Group has been suspended and are currently subject to an informal standstill arrangement. In the absence of the Restructuring, the Group will not have sufficient financial resources to repay all its indebtedness.

Pursuant to the Restructuring, save for the part of the Indebtedness which will be refinanced into the Secured Bilateral Loans of approximately HK\$79.4 million and the Exchangeable Notes of approximately HK\$13.8 million (which shall not involve any cash repayment but will be exchanged into Paliburg Ordinary Shares upon maturity on a mandatory basis), the entire Indebtedness (together with the accrued but unpaid interest) will be settled and retired. Aggregate interest of approximately HK\$242.6 million accrued and unpaid from 1st July, 2002 to 30th June, 2004 in respect of the Indebtedness will be waived by the Creditors upon completion of the Restructuring.

If the Restructuring can be successfully implemented, the Group will be relieved from its liquidity problems and will thus be able to refocus its management resources on business development.

The terms of the Restructuring were agreed between the Group and the Creditors after arm's length negotiations. The Directors, excluding the independent non-executive Directors who will opine on the terms of the Restructuring after considering the advice from the independent financial adviser, consider that the terms of the Restructuring are fair and reasonable and the Restructuring is in the interests of the Company and its shareholders as a whole.

THE SHARE SWAP

Structure of the Share Swap

Details of the Share Swap were set out in the announcement of the Company dated 2nd August, 2002 and the circular of the Company dated 26th August, 2002. The Share Swap constituted a major and connected transaction for the Company and was approved by the independent shareholders of the Company on 16th October, 2002 at a special general meeting of the Company.

Under the Share Swap, the EPSS were issued. Each four EPSS give their holder the right to exchange the same into one Paliburg Ordinary Share (so converted by a Paliburg Preference Share) or one Paliburg Preference Share held by Almighty during the exchange period, which was previously extended to 30th September, 2004 as disclosed in the Company's announcement dated 29th June, 2004 prior to the further extension as mentioned below.

The holders of the EPSS have been given the rights to put (i.e. the rights to require the Company to acquire any EPSS from them in return for one Ordinary Share for each EPSS so acquired by the Company during the exchange period). The exchange rights attaching to the Series A EPSS may not be exercised unless: (i) a material adverse change has occurred in relation to the financial, business and/or listing status of the Group (in the reasonable opinion of the First Vendor); or (ii) any creditor of any member of the Group takes or purports to take any precipitating action against any member of the Group; or (iii) any creditor of any member of the 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 EPSS 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. The exchange rights attaching to the Series B EPSS are exercisable at any time prior to the expiry date of the Share Swap.

The Company has been given the rights to call (i.e. the rights to acquire certain Series A EPSS in return for the issue of one Ordinary Share for each EPSS so acquired by the Company during the exchange period). The rights to call may not be exercised unless: (i) the 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 the Company; and (b) has the right to nominate more than 50% of the board of Directors; (iii) the Ordinary Shares remain listed on the Stock Exchange; and (iv) the Group is no longer in default in respect of any material loan.

Under the Share Swap, the First Vendor has been given the right to acquire the entire issued ordinary share capital of Almighty 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 Almighty under the Share Swap) if certain adverse conditions occur in relation to the financial position of the Group.

Upon expiry of the exchange period of the Share Swap, the exchange rights (to exchange into the Paliburg Ordinary Shares so converted by the Paliburg Preference Shares and/or the Paliburg Preference Shares held by Almighty) attaching to the EPSS would be exercised on a mandatory basis pursuant to the provisions of the Share Swap.

Up to the date of this announcement, 12,600 million EPSS are outstanding, of which, 10,210 million Series A EPSS are held by the First Vendor, 810 million Series B EPSS are held by the Second Vendor and 1,580 million Series B EPSS are held by the Group. Both the First Vendor and the Second Vendor are controlled by Mr. Lo.

Amendments to the Share Swap

As a condition to the Restructuring, the Group is required to have sufficient free Paliburg Shares to facilitate the implementation of the Restructuring. If (i) the exchange rights attaching to the EPSS are exercised in full, and/or (ii) the entire issued ordinary share capital of Almighty is transferred back to the First Vendor pursuant to the repurchase right given to the First Vendor under the Share Swap, Paliburg will then cease to be a subsidiary of the Group. Accordingly, it is proposed that, subject to the completion of the Restructuring, the terms of the Share Swap shall be amended as follows:

- the exchange rights attaching to the outstanding EPSS shall lapse and be cancelled and Almighty shall become the absolute legal and beneficial owner of all the Paliburg Shares then held by it;
- the rights to call granted to the Company shall lapse and be cancelled;
- the repurchase right in respect of the entire issued ordinary share capital of Almighty given to the First Vendor shall lapse and be cancelled;
- the period for rights to put shall be extended to the fifth anniversary from the date of completion of the Restructuring which shall be exercisable on one or more occasions at the discretion of the First Vendor; and
- the EPSS shall rank pari passu with the Preference Shares and shall be granted the same pre-emptive rights as those under the terms of the Series C Shares.

A further supplemental agreement will be executed by the parties to the Share Swap with a view to giving effect to the above proposed amendments subject to the approval of the independent shareholders of the Company. The proposed amendments to the terms of the Share Swap were determined after arm's length negotiations between, among others, the Company, the Creditors and the holders of the EPSS. The Directors, excluding the independent non-executive Directors who will opine on the proposed amendments to the Share Swap after considering the advice of the independent financial adviser, consider that the proposed amendments to the Share Swap are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Interim extension of the Share Swap

As completion of the Restructuring is subject to the fulfilment of a number of conditions, it is not possible for completion of the Restructuring to take place prior to the previously extended expiry period of the Share Swap on 30th September, 2004. Pending completion of the Restructuring and the proposed amendments to the terms of the Share Swap, the parties to the Share Swap entered into a further supplemental agreement on 30th September, 2004 to further extend the expiry date of the arrangements under the Share Swap to 31st December, 2004. As a result, the expiry period of the EPSS, the rights to call, the rights to put and the repurchase right under the Share Swap as described above has been further extended to 31st December, 2004.

Listing Rules requirements

As stated above, the Share Swap constituted a connected transaction for the Company and has been approved by the independent shareholders of the Company. The proposed amendments to the terms of the Share Swap constitutes another connected transaction for the Company under the Listing Rules and thus is subject to approval by the independent shareholders of the Company. A resolution will be proposed at the SGM to approve the proposed amendments to the Share Swap. Mr. Lo, the Creditors and their respective associates (including, if applicable, the First Vendor, the Second Vendor and the Third Vendor) will abstain from voting in respect of such resolution.

THE COMPANY

The Company is an investment holding company which, through its subsidiaries and associated companies, is principally engaged in property development, investment and management, construction and building-related businesses, hotel ownership and management and other investments.

The table below sets out the shareholding structure of the Company: (1) as at the date of this announcement (column 1); (2) after all the Preference Shares (after netting off the approximately 392.7 million Series A Shares which will be sold back to the Company) are converted in full and the rights to put under the Share Swap are exercised in full (column 2); (3) assuming that all the Series A Shares are redeemed and after all the Series B Shares and the Series C Shares are converted and the rights to put under the Share Swap are exercised in full (column 3); (4) assuming that all the Series A Shares and the Series B Shares are redeemed and after all the Series C Shares are converted and the rights to put under the Share Swap are exercised in full (column 4); and (5) assuming that all the Series A Shares, Series B Shares and Series C Shares are redeemed and after the rights to put under the Share Swap are exercised in full (column 5).

	Column 1		Column 2		Column 3		Column 4		Column 5	
	Number (million)	%								
Mr. Lo and his associates	2,731.8	50.6%	13,751.8	57.9%	13,751.8	69.0%	13,751.8	69.9%	13,751.8	83.8%
Other directors of the Company and Paliburg	17.1	0.3%	17.1	0.1%	17.1	0.1%	17.1	0.1%	17.1	0.1%
Creditors	—	—	7,356.6	30.9%	3,527.0	17.7%	3,249.5	16.5%	—	—
Public	2,647.9	49.1%	2,647.9	11.1%	2,647.9	13.2%	2,647.9	13.5%	2,647.9	16.1%
	5,396.8	100.0%	23,773.4	100.0%	19,943.8	100.0%	19,666.3	100.0%	16,416.8	100.0%
Total public float (Note)	2,647.9	49.1%	7,353.0	30.8%	3,523.4	17.6%	3,245.9	16.5%	2,647.9	16.1%

Notes:

- The above table is prepared on the assumptions that the exchange rights attaching to all the outstanding EPSS will not be exercised and assuming that there are no other changes in the shareholding structure of the Company save as stated above.
- Based on the current shareholding structure of the Company and the terms of Restructuring, and assuming that there will be no other changes in the shareholding structure of the Company, upon conversion of the Preference Shares and the exercise of the rights to put under the Share Swap in full, one of the Creditors will become a substantial shareholder of the Company holding approximately 11.2% (under scenario 2), approximately 13.3% (under scenario 3) and approximately 13.5% (under scenario 4) of the enlarged issued ordinary share capital of the Company. All the other Creditors should be regarded as public shareholders of the Company.
- The above table is prepared on the basis that the Second Vendor will not exercise the exchange rights attaching to the Series B EPSS held by it. If the Second Vendor exercises the exchange rights attaching to the EPSS, under scenarios 2, 3, 4 and 5, the aggregate shareholding interest of Mr. Lo, and his associates in the Company will be approximately 56.4%, approximately 67.6%, approximately 68.6% and approximately 82.9% respectively and the total public float of the Company will become approximately 32.0%, approximately 18.4%, approximately 17.2% and approximately 17.0% respectively.

The Stock Exchange has indicated that should the Restructuring be completed, it will closely monitor trading in the Ordinary Shares if less than 25% of the issued Ordinary Shares are held by the public. If the Stock Exchange believes that a false market exists or may exist in the Ordinary Shares; or there are too few Ordinary Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Ordinary Shares until a sufficient level of public float is attained.

Mr. Lo has undertaken to the Company that he will not cause the public float of the Company to fall below the minimum public float required under Rule 8.08 of the Listing Rules as a result of exercising the rights to put attached to the EPSS held by him and his associates.

PROPOSED CAPITAL REORGANISATION

The board of Directors has proposed to put forward for approval by the shareholders of the Company at the SGM, the Capital Reorganisation which principally comprises the following:

- the nominal value of each issued Ordinary Share as at the Effective Date will be reduced from HK\$0.10 to HK\$0.01 by the cancellation of HK\$0.09 of the paid-up capital on each issued Ordinary Share;
- the credit created in 1. above will be transferred to the Contributed Surplus Account;
- the entire amount standing to the credit of the Share Premium Account as at the Effective Date will be cancelled;
- the credit created in 3. above will also be transferred to the Contributed Surplus Account; and
- the then existing authorised but unissued share capital of the Company (including the unissued ordinary share capital arising from the Capital Reduction in 1. above) will be cancelled and the authorised share capital of the Company will be subsequently increased to HK\$1,174,925,548 by the creation of an additional 34,603,226,047 Adjusted Ordinary Shares of HK\$0.01 each and 7,749,255,480 Preference Shares of HK\$0.10 each.

Effects of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company was HK\$2,000 million divided into 20,000 million Ordinary Shares of par value HK\$0.10 each. 5,396.8 million Ordinary Shares were in issue and fully paid or credited as fully paid, and there was an amount of approximately HK\$888.4 million standing to the credit of the Share Premium Account of the Company as at the date of this announcement. As at 31st December, 2003, the Company had audited accumulated losses of approximately HK\$3,350.1 million.

Based on the number of Ordinary Shares in issue as at the date of this announcement and assuming that no further Ordinary Shares will be issued prior to the Effective Date, upon the Capital Reorganisation becoming effective, the issued and paid-up share capital of the Company will be reduced by approximately HK\$485.7 million and the entire balance standing to the credit of the Share Premium Account will be cancelled. The credit arising as a result of the Capital Reduction and the cancellation of the entire amount in the Share Premium Account will first be transferred to the Contributed Surplus Account. The credit in the Contributed Surplus Account will then be used to offset the accumulated losses of the Company.

The authorised but unissued ordinary share capital of the Company (including the unissued share capital arising from the Capital Reduction) will be cancelled and the authorised share capital of the Company will be subsequently increased to HK\$1,174,925,548 comprising 40,000 million Adjusted Ordinary Shares of HK\$0.01 each and 7,749,255,480 Preference Shares of HK\$0.10 each.

Conditions of the Capital Reorganisation

The Capital Reorganisation is subject to, among others, the following conditions:

- the passing of a special resolution by the shareholders of the Company to approve the Capital Reorganisation;
- the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Ordinary Shares; and
- the publication of a notice in relation to the Capital Reorganisation in Bermuda in accordance with the Companies Act.

The Company will issue a further announcement in respect of the Capital Reorganisation when it has determined when the Effective Date shall be. It is expected that the Capital Reorganisation will become effective after completion of the Restructuring.

Reasons for the Capital Reorganisation

The Directors consider that, other than the expenses relating to the Capital Reorganisation, implementation of the Capital Reorganisation will not, of itself, affect the Company's underlying assets, business operation and financial position or the interests of the shareholders of the Company. The Capital Reorganisation will reduce the par value of the Ordinary Shares which can enhance the Company's future fund raising capability. By offsetting all or part of the accumulated losses of the Company, the Company will be able to declare dividends to its shareholders at an earlier opportunity than it would if it had to first generate future profits to offset accumulated losses.

Listing application

The Company will make an application to the Stock Exchange seeking approval from the Stock Exchange for the listing of, and permission to deal in, the Adjusted Ordinary Shares.

GENERAL INFORMATION

The Restructuring and the proposed amendments to the Share Swap are subject to approval from the independent shareholders of the Company. The proposed amendments to the bye-laws of the Company and the Capital Reorganisation are subject to the approval from the shareholders of the Company. The Company will convene the SGM to consider and, if thought fit, to approve, among other things, the transactions contemplated under the Restructuring, the proposed amendments to the terms of the Share Swap, the proposed amendments to the bye-laws of the Company and the Capital Reorganisation.

Mr. Lo, the Creditors and their respective associates (including, if applicable, the First Vendor, the Second Vendor and the Third Vendor) will abstain from voting in respect of the resolution(s) for approving the transactions contemplated under the Restructuring and the proposed amendments to the Share Swap.

An independent board committee, comprising Mr. Anthony CHUANG, Mr. NG Siu Chan and Mr. WONG Chi Keung, being all the independent non-executive Directors of the Company, will be established to advise the independent shareholders of the Company in respect of the Restructuring and the proposed amendments to the Share Swap. An independent financial adviser will be appointed to advise the independent board committee in this regard.

A circular containing, among other things, details of the Restructuring, the proposed amendments to the Share Swap, the proposed amendments to the bye-laws of the Company and the Capital Reorganisation, the recommendations from the independent board committee and the independent financial adviser, together with a notice of the SGM will be despatched to the shareholders of the Company in accordance with the requirements of the Listing Rules.

The Company will issue a further announcement setting out the results of the SGM.

Shareholders and investors of the Company should note that the release of this announcement does not imply that the Restructuring, together with the proposed amendments to the Share Swap and the bye-laws of the Company, will become unconditional, as completion of the Restructuring is subject to a number of conditions, including the approvals from the independent shareholders of the Company and the approval from the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. Accordingly, caution should be exercised when dealing in the shares of the Company.

Trading in the Ordinary Shares was suspended from 9:30 a.m. on 4th October, 2004 at the request of the Company pending the issue of this announcement and application has been made to the Stock Exchange for the resumption of trading of the Ordinary Shares from 9:30 a.m. on 12th October, 2004.

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors of the Company comprises the following members:

Executive Directors:

Mr. LO Yuk Sui (Chairman and Managing Director)

Mr. Tommy LAM Chi Chung

Mr. Jimmy LO Chun To

Mr. Kenneth NG Kwai Tai

Non-Executive Director:

Mrs. Kitty LO LEE Kit Tai

Independent Non-Executive Directors:

Mr. Anthony CHUANG

Mr. NG Siu Chan

Mr. WONG Chi Keung

DEFINITIONS

"Adjusted Ordinary Share(s)"	adjusted ordinary share(s) of par value HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
"Almighty"	Almighty International Limited, a wholly owned subsidiary of the Company
"associate(s)"	has the meaning as defined under the Listing Rules
"Capital Reduction"	the proposed adjustment of nominal value of each issued Ordinary Share from HK\$0.10 to HK\$0.01 by the cancellation of paid-up capital of HK\$0.09 in respect of each issued Ordinary Share
"Capital Reorganisation"	the proposed share capital reorganisation of the Company as more fully set out under the section headed "Proposed Capital Reorganisation" in this announcement
"connected person(s)"	has the meaning as defined under the Listing Rules
"Company"	Century City International Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Main Board of the Stock Exchange
"Companies Act"	the Companies Act 1981 of Bermuda
"Contributed Surplus Account"	the contributed surplus account of the Company
"Conversion Shares"	the new Ordinary Shares which may fall to be issued upon conversion of the Preference Shares
"Creditor(s)"	the financial creditor(s) of the Group participating in the Restructuring
"Director(s)"	director(s) of the Company
"Effective Date"	the effective date of the Capital Reorganisation
"EPS(s)"	the non-voting exchangeable preference share(s) in two series (Series A and Series B) in the share capital of Almighty
"Exchangeable Notes"	the exchangeable notes to be issued by a wholly owned subsidiary of the Company pursuant to the Restructuring, exchangeable into Paliburg Ordinary Shares at an initial exchange price of HK\$0.25 per share, subject to adjustment in accordance with terms of the Exchangeable Notes
"First Vendor"	Grand Modern Investments Limited, a company controlled by Mr. Lo, which is a party to the Share Swap
"Group"	the Company and its subsidiaries, excluding Paliburg and its subsidiaries
"Indebtedness"	the amount of indebtedness due from the Group to the Creditors, including the principal amount of the loans and the relevant accrued interest, the repayment of which has been suspended pursuant to a standstill arrangement and for the purpose of the Restructuring, the amount of the Indebtedness is calculated based on the principal amount of the loans plus the relevant interest accrued up to 30th June, 2002
"Liaison Bank"	the liaison bank under the Master Restructuring Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Restructuring Agreement"	the master agreement entered into between the Company certain members of the Group, the Creditors and the Liaison bank on 30th September, 2004 in respect of the Restructuring
"Mr. Lo"	Mr. Lo Yuk Sui, the chairman of the board of directors of the Company
"Ordinary Shares"	ordinary shares of par value HK\$0.10 each in the share capital of the Company or in other nominal value after the relevant capital reduction of the Company
"Paliburg"	Paliburg Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Main Board of the Stock Exchange
"Paliburg Ordinary Shares"	the ordinary shares of HK\$0.01 each in the capital of Paliburg
"Paliburg Preference Shares"	the convertible non-voting preference shares of HK\$0.10 each in the share capital of Paliburg, convertible into Paliburg Ordinary Shares on a one for one basis, subject to adjustment in accordance with the terms of the Paliburg Preference Shares
"Paliburg Shares"	Paliburg Ordinary Shares and/or Paliburg Preference Shares
"Preference Shares"	the Series A Shares, the Series B Shares and the Series C Shares
"Restructuring"	the restructuring of the Indebtedness on the terms of the Master Restructuring Agreement
"Second Vendor"	Select Wise Holdings Limited, a company controlled by Mr. Lo, which is a party to the Share Swap
"Secured Bilateral Loans"	the loans which certain Creditors have agreed to lend or to continue to lend to the Group after the Restructuring
"Series A Shares"	the convertible non-voting preference shares of HK\$0.10 each to be issued by the Company pursuant to the Restructuring with a term of one year at an issue price of HK\$0.20 each
"Series B Shares"	the convertible non-voting preference shares of HK\$0.10 each