

2001 INTERIM ANNOUNCEMENT

HALF YEAR RESULTS

| | Six months ended 30th June, 2001 (Unaudited) | Six months ended 30th June, 2000 (Unaudited and restated) |
|--|--|--|
| | HK\$'M | HK\$'M |
| TURNOVER (Notes 2 & 3) | 845.1 | 937.4 |
| Cost of sales (Note 2) | (659.0) | (750.4) |
| Gross profit | 186.1 | 187.0 |
| Other revenue (Notes 4 & 5) | 114.7 | 63.8 |
| Gain on disposal of an overseas associate | — | 58.0 |
| Administrative expenses | (78.6) | (83.5) |
| Other operating income/(expenses), net (Note 5) | (70.3) | 296.7 |
| PROFIT FROM OPERATING ACTIVITIES (Note 3) | 151.9 | 522.0 |
| Finance costs (Note 6) | (492.5) | (466.6) |
| Share of profits less losses of | | |
| – Jointly controlled entity | (60.6) | (71.2) |
| – Associates | (3.0) | (0.2) |
| LOSS BEFORE TAX | (404.2) | (16.0) |
| Tax (Note 7) | (1.8) | (11.0) |
| LOSS BEFORE MINORITY INTERESTS | (406.0) | (27.0) |
| Minority interests | 154.9 | 140.6 |
| NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | (251.1) | 113.6 |
| Earnings/(Loss) per share (Note 9) | | |
| Basic | HK\$(0.075) | HK\$0.035 |
| Diluted | N/A | N/A |

Notes:

- The interim financial statements for the six months ended 30th June, 2001 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, 2001 (the "2001 Interim Report") to be despatched to shareholders, and by the Audit Committee of the Company.
- In previous years, service charges in respect of the Group's room sales and food and beverage sales were credited to direct staff costs included in the cost of sales. During the period under review, the Group considered it more appropriate to include the service charges in the Group's turnover, to be in line with accounting practice in hotel industry. The comparative amounts of turnover and cost of sales have been restated to conform to the current period presentation.
- An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and by geographical location is as follows:

| | Turnover | | Contribution | |
|--|---|----------------------------------|---|---------------------|
| | Six months ended 30th June, 2001 (Unaudited) | 2000 (Unaudited and restated) | Six months ended 30th June, 2001 (Unaudited) | 2000 (Unaudited) |
| | HK\$'M | HK\$'M | HK\$'M | HK\$'M |
| By activity: | | | | |
| Property investment and management | 104.0 | 111.7 | 49.8 | 44.6 |
| Property development | 113.3 | 27.3 | (3.3) | (4.8) |
| Construction and construction-related businesses | 75.5 | 224.8 | (0.8) | (2.0) |
| Development consultancy and project management | — | — | (2.3) | (8.1) |
| Hotel ownership and management | 510.8 | 493.9 | 62.3 | 61.1 |
| Other operations and investments | 41.5 | 79.7 | 46.2 | 431.2 |
| | 845.1 | 937.4 | 151.9 | 522.0 |
| By geographical location: | | | | |
| Hong Kong | 774.6 | 856.6 | 159.2 | 467.4 |
| U.S.A. | — | — | — | 58.0 |
| Canada | 55.4 | 63.1 | — | 3.9 |
| Others | 15.1 | 17.7 | (7.3) | (7.3) |
| | 845.1 | 937.4 | 151.9 | 522.0 |

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

| | Six months ended 30th June, 2001 (Unaudited) | Six months ended 30th June, 2000 (Unaudited) |
|---|--|--|
| | HK\$'M | HK\$'M |
| Gain on disposal of listed investments, net | 27.4 | 5.6 |
| Profit/(Loss) on sale of properties | (0.3) | 3.5 |

- Other revenue includes the following major items:

| | Six months ended 30th June, 2001 (Unaudited) | Six months ended 30th June, 2000 (Unaudited) |
|--|--|--|
| | HK\$'M | HK\$'M |
| Interest income | 33.2 | 39.5 |
| Profit on disposal of ordinary shares in a listed subsidiary company arising from exchange of exchangeable bonds | 64.7 | — |

- Other operating income/(expenses), net, include the following major items:

| | Six months ended 30th June, 2001 (Unaudited) | Six months ended 30th June, 2000 (Unaudited) |
|--|--|--|
| | HK\$'M | HK\$'M |
| Depreciation | (30.7) | (29.8) |
| Loss on disposal of ordinary shares in a listed subsidiary company | (8.5) | — |
| Loss on disposal of long term listed investments | (27.7) | — |
| Write back of provision for indemnity given* | — | 340.4 |

* The amount in the previous period was classified as other revenue. To accord with the presentation in the current period, which in the opinion of the Directors, better reflects the underlying nature of the transaction, it has been reclassified to other operating income.

- Included in the Group's finance costs is an amount of HK\$9.7 million (2000 - HK\$12.9 million) representing the amortisation of loan costs.
- The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16% (2000 - 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.
Tax on the profits of subsidiary companies operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing laws, practices and interpretations thereof.
No provision for tax is required for the associates or the jointly controlled entity as no assessable profits were earned by these associates or the jointly controlled entity during the period.
- For the period under review, an amount of HK\$2.4 million (2000 - nil) was transferred from reserves to accumulated losses.
- The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$251.1 million (2000 - net profit of HK\$113.6 million) and on the weighted average of 3,326.8 million (2000 - 3,255.6 million) shares of the Company in issue during the period.
No diluted earnings/(loss) per share is presented for the periods ended 30th June, 2000 and 2001, as no diluting events existed during the periods.
- Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the period under review.

INTERIM DIVIDEND

- The Directors have resolved not to declare the payment of an interim dividend for the financial year ending 31st December, 2001 (2000 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

- During the period under review, net cash inflow from operating activities amounted to HK\$190.8 million. Net interest payment for the period amounted to HK\$193.9 million.
- As at 30th June, 2001, the Group's borrowings net of cash and bank balances amounted to HK\$9,968.1 million, as compared to HK\$9,969.4 million as at 31st December, 2000. Gearing ratio based on total assets of HK\$17,493.3 million (31st December, 2000 - HK\$17,873.5 million) was about 57% (31st December, 2000 - 56%).
- 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, 2001 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2000 (the "2000 Annual Report"). During the period under review, the Group continued to adopt the same funding, treasury and remuneration policies as disclosed in the 2000 Annual Report. Detailed information in such aspects is contained in the Company's 2001 Interim Report.
- Further information relating to the Group's principal business operations and outlook is contained in the section headed "Review and Outlook" below.

REVIEW AND OUTLOOK

- For the six months ended 30th June, 2001, the Group recorded an unaudited consolidated net loss attributable to shareholders of HK\$251.1 million, as compared with a net profit of HK\$113.6 million in the same period last year. However, it should be noted that the comparative figure for 2000 included a gain of HK\$340.4 million due to a write back of provision for indemnity given.
- The Company is in continuous discussions with its financial creditors with a view to maintaining in place the present informal standstill. As the Company's debt restructuring proposal will, to a large extent, be dependent on the successful outcome of the negotiations between Paliburg Holdings Limited and its bondholders on the settlement of the two outstanding bonds, no substantive progress on the Company's restructuring proposal has yet been able to be achieved.
- Having regard to the change in market environment affecting the information technology sector, the Company is reviewing its position with respect to its proposed participation in the information technology project under Century Digital Enterprise Limited.
- Due to the continuingly contracting trading volume in the Hong Kong stock market, it has now become more difficult to sustain the business viability of the Group's stock brokerage operations. Accordingly, the Group has recently entered into a conditional agreement for the sale of its entire interests in Century City Brokerage Limited and Century City Futures Limited, both presently wholly-owned subsidiaries of the Company. The sale of these operating businesses is not expected to cause any material profit and loss impact in the current financial year.
- For the six months ended 30th June, 2001, Paliburg reported an unaudited consolidated net loss attributable to shareholders of HK\$258.2 million (2000 - HK\$279.0 million). The loss incurred was mainly attributable to the relatively high level of finance costs and the non-capitalisation of interest expenses related to Paliburg group's joint venture interests in the Stanley project.
- In February this year, Paliburg defaulted in the payment of its exchangeable bonds, which caused cross-default to the convertible bonds. Through its financial advisers, Paliburg is in active negotiations with the representatives of the bondholders, with a view to settling a consensual proposal for the settlement of the two outstanding bonds. On the other hand, the contemplated bilateral arrangements by Paliburg with its other financial creditors have now mostly been agreed in principle or are being finalised.
- Negotiations with the lenders on the resumption of draw down under the original construction facility for the luxury residential project at Wong Ma Kok Road in Stanley, in which Paliburg and Regal Hotels International Holdings Limited respectively owns a 40% and 30% interest, are at an advanced stage. It is hopeful that the requisite construction works could be recommenced shortly.
- For the six months ended 30th June, 2001, Regal incurred an unaudited consolidated net loss attributable to shareholders of HK\$167.9 million (2000 - HK\$99.2 million). As the interim results of Regal in 2000 included a profit of HK\$67.5 million derived from the disposal of an associate, the loss reported for the current period was comparatively higher than that of last year.
- 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.
- While every possible effort will be used to secure an overall restructuring for the entire Century City Group, the successful outcome of such restructuring will ultimately depend on the continuing support of the relevant creditor groups at different levels.

By Order of the Board

LO YUK SUI
Chairman

Hong Kong, 20th September, 2001

A detailed interim results announcement containing all the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be submitted to the Stock Exchange for publication on its website on or before 28th September, 2001.