世紀城市國際控股有限公司
Century City
International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 355)

ANNOUNCEMENT OF 2003 GROUP RESULTS

	Year ended 31st Dec., 2003	Year ended 31st Dec., 2002 (Restated)
	HK$'M	**HK$'M**
TURNOVER (Note 2)	**877.8**	1,365.0
Cost of sales	**(623.9)**	(969.2)
Gross profit	**253.9**	395.8
Other revenue (Note 4)	**401.5**	34.9
Gain on settlement of exchangeable bonds and convertible bonds	**—**	2,180.2
Administrative expenses	**(92.7)**	(118.0)
Other operating expenses (Note 5)	**(107.0)**	(272.8)
Write-back of provisions/(Provisions) for write-downs and impairments, net (Note 6)	**310.3**	(656.6)
Impairment of an overseas hotel property attributable to discontinued operation	**—**	(437.0)
Write-back of impairment/(Impairment) of hotel properties	**11.4**	(181.9)
Loss on disposal of overseas subsidiary companies attributable to discontinued operation	**(9.7)**	—
PROFIT FROM OPERATING ACTIVITIES (Note 2)	**767.7**	944.6
Finance costs (Note 8)	**(281.0)**	(623.6)
Share of profits less losses of:		
Jointly controlled entity	**206.6**	—
Associates	**(3.3)**	(19.5)
PROFIT BEFORE TAX	**690.0**	301.5
Tax (Note 9)	**63.2**	(3.9)
PROFIT BEFORE MINORITY INTERESTS	**753.2**	297.6
Minority interests	**(339.0)**	(320.2)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**414.2**	(22.6)
Earnings/(Loss) per share (Note 10)		
Basic	**HK$0.10**	HK$(0.01)
Diluted	**HK$0.01**	N/A
Net asset value per share as at year end date	**N/A**	N/A

Notes:

1. ADOPTION OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") AND RELATED INTERPRETATIONS

SSAP 12 (Revised) "Income taxes", Interpretation 18 "Consolidation and equity method - potential voting rights and allocation of ownership interests" and Interpretation 20 "Income taxes - Recovery of revalued non-depreciable assets" have been adopted for the first time in the preparation of the current year's consolidated financial statements.

The revised SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current year (current tax); and income taxes payable or recoverable in future, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP is that deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future. In addition, deferred tax assets have been recognised for tax losses arising in the current/prior years to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its hotel properties and investment properties in the deferred tax calculated under SSAP12.

The change in accounting policy has been applied retrospectively. Thus, comparative amounts for 2002 have been restated accordingly. The opening accumulated losses at 1st January, 2002 and 2003 have been increased by approximately HK$77.8 million and HK$28.9 million, respectively, which represented the cumulative effect of the change in accounting policy. Tax expense for the year ended 31st December, 2002 was increased by approximately HK$4.9 million.

Interpretation 18 prescribes the existence and effect of potential voting rights that are presently exercisable or presently convertible which should be considered when assessing whether an enterprise controls or significantly influences another enterprise. The principal impact of this Interpretation on these financial statements is that an associate which was previously accounted for in the consolidated balance sheet under the equity method of accounting is now consolidated in the Group's financial statements as a subsidiary company.

2. 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:

(a) the property development and investment segment comprises the development and sale of properties and the leasing of office and commercial premises;

(b) 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;

(c) the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;

(d) the brewery operations segment represents the Group's brewery operations in Mainland China; and

(e) the others segment mainly comprise the Group's securities trading, laundry services and restaurant 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.

(a) 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	
	2003 HK$'M	2002 HK$'M	2003 HK$'M	2002 HK$'M	2003 HK$'M	2002 HK$'M	2003 HK$'M	2002 HK$'M	2003 HK$'M	2002 HK$'M	2003 HK$'M	2002 HK$'M	2003 HK$'M	2002 HK$'M (Restated)
Segment revenue:														
Sales to external customers	12.2	150.0	90.3	225.9	747.2	964.7	24.7	17.3	3.4	7.1	-	-	877.8	1,365.0
Intersegment sales	0.7	21.0	21.1	5.8	-	0.4	-	-	-	13.6	(21.8)	(40.8)	-	-
Total	12.9	171.0	111.4	231.7	747.2	965.1	24.7	17.3	3.4	20.7	(21.8)	(40.8)	877.8	1,365.0
Segment results	55.5	(71.4)	21.1	22.1	415.1	(941.5)	(3.0)	(16.4)	10.3	(1.7)	-	(5.1)	499.0	(1,014.0)
Interest income and unallocated non-operating and corporate gains													372.6	2,206.1#
Unallocated non-operating and corporate expenses, net													(103.9)	(247.5)*
Profit from operating activities													767.7	944.6
Finance costs													(281.0)	(623.6)
Share of profits less losses of:														
Jointly controlled entity	206.6	-	-	-	-	-	-	-	-	-	-	-	206.6	-
Associates	-	-	-	-	(0.1)	(0.7)	-	-	(3.2)	(18.8)	-	-	(3.3)	(19.5)
Profit before tax													690.0	301.5
Tax													63.2	(3.9)
Profit before minority interests													753.2	297.6
Minority interests													(339.0)	(320.2)
Net profit/(loss) from ordinary activities attributable to shareholders													414.2	(22.6)

Inclusive of a gain of HK$2,180.2 million (as restated) on the settlement of exchangeable bonds and convertible bonds

* Inclusive of a write-back of provision against a loan receivable amounting to HK$19.1 million (Note 6).

(b) Geographical segments

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

Group

	Hong Kong		Canada		Mainland China		Eliminations		Consolidated	
	2003 HK$'M	2002 HK$'M	2003 HK$'M	2002 HK$'M	2003 HK$'M	2002 HK$'M	2003 HK$'M	2002 HK$'M	2003 HK$'M	2002 HK$'M
Segment revenue:										
Sales to external customers	820.6	1,258.6	32.2	88.6	25.0	17.8	—	—	877.8	1,365.0

3. DISCONTINUED OPERATION

The turnover, expenses and results attributable to discontinued operation in respect of the Regal group's hotel operation in Canada for the year ended 31st December, 2002 and for the period from 1st January, 2003 to 25th June, 2003 (date of completion of disposal of the Canadian hotel operation) are as follows:

	2003 HK$'M	2002 HK$'M
TURNOVER	**32.2**	88.6
Cost of sales	**(37.3)**	(87.4)
Gross profit/(loss)	**(5.1)**	1.2
Administrative expenses	**(1.9)**	(3.5)
Other operating expenses	**(1.1)**	(2.3)
LOSS FROM OPERATING ACTIVITIES	**(8.1)**	(4.6)
Finance costs	**(4.2)**	(6.4)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(12.3)**	(11.0)

4. Other revenue include the following major items:

	2003 HK$'M	2002 HK$'M
Interest income	**8.3**	15.9
Dividend income	**0.5**	1.0
Gain on disposal of an associate	**—**	6.5
Gain on deemed disposal of the Group's interest in a listed subsidiary company	**358.6**	—

5. Other operating expenses include the following major items:

	2003 HK$'M	2002 HK$'M (Restated)
Depreciation	**41.2**	51.6
Amortisation of goodwill	**14.3**	—
Loss on disposal of ordinary shares of a listed subsidiary company	**—**	53.7
Loss on deemed disposal of the Group's interest in a listed subsidiary company	**39.4**	—
Loss on disposal of an investment property	**—**	35.6
Loss on disposal of long term unlisted investments (after a transfer from the revaluation reserve of a deficit of HK$1.2 million)	**—**	95.0
Loss on disposal of long term listed investments (after a transfer from the revaluation reserve of a deficit of HK$0.2 million (2002 - HK$2.2 million))	**1.2**	2.2
Loss on disposal of a subsidiary company	**1.0**	—

6. Write back of provisions/(Provisions) for write-downs and impairments, net, represent the following items:

	2003 HK$'M	2002 HK$'M
Write-back/(Write-down) in values of properties	**44.0**	(67.4)
Impairment of long term investments	**—**	(62.0)
Impairment of long term investments previously eliminated against long term investment revaluation reserve	**—**	(15.0)
Impairment of intangible assets	**—**	(2.3)
Write-back of deficit/(Deficit) on revaluation of hotel properties	**266.1**	(528.9)
Write-back of provision against a loan receivable	**0.2**	19.1
Deficit on revaluation of investment properties	**—**	(0.1)
	310.3	(656.6)

7. An analysis of loss on sale of investments or properties of the Group is as follows:

	2003 HK$'M	2002 HK$'M (Restated)
Loss on disposal of listed investments	**1.2**	55.9
Loss on sale of properties	**—**	35.6

8. Included in the Group's finance costs is an amount of HK$5.7 million (2002 — HK$12.3 million) representing the amortisation of loan costs.

9. The tax charge/(credit) for the year arose as follows:

	2003 HK$'M	2002 HK$'M (Restated)
Group:		
Current tax income	**(15.1)**	(1.1)
Deferred tax expenses/(income)	**(48.2)**	4.9
Associate	**0.1**	0.1
Total tax charge/(credit) for the year	**(63.2)**	3.9

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2002 – 16%) to the estimated assessable profits of the Group and an associate, which were earned in or derived from Hong Kong during the year.

Taxes on the profits of subsidiary companies operating overseas are 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 jointly controlled entity as no assessable profits were earned by the jointly controlled entity during the year (2002 – nil).

10. The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$414.2 million (2002 – net loss of HK$22.6 million, as restated) and on the weighted average of 4,056.8 million (2002 – 3,649.1 million) shares of the Company in issue during the year.

The calculation of diluted earnings per share for the year ended 31st December, 2003 is based on the adjusted net profit from ordinary activities attributable to shareholders for the year of HK$171.4 million and on the adjusted weighted average of 17,216.8 million shares of the Company that would have been in issue during the year assuming (i) all outstanding convertible preference shares and convertible bonds (including optional convertible bonds) of Regal were converted into ordinary shares of Regal at the beginning of the year; and (ii) all the 3,450.0 million convertible preference shares of Paliburg 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 year.

The exercise prices of share options of Paliburg and Regal outstanding during the year 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.

No diluted loss per share was presented for year ended 31st December, 2002 as there were no diultive events for that year.

11. In the prior year, an amount of HK$50.4 million was transferred from reserves to offset against accumulated losses.

12. Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the year under review.

SUMMARY OF AUDITORS' REPORT

Fundamental uncertainty

— **Investments in two investee companies**

- The Auditors, in forming their opinion, have considered the adequacy of the disclosures made in the financial statements for the year ended 31st December, 2003 concerning the outcome of the negotiations with the relevant government authorities in the People's Republic of China in respect of the resumption in 2000 of a land site beneficially and collectively held by two investee companies (the "Investee Companies"). The carrying value of the Paliburg group's investments in the Investee Companies amounted to HK$56.9 million (2002 – HK$56.9 million) as at 31st December, 2003 which is included in long term investments under non-current assets. The directors of Paliburg are not able to determine with reasonable certainty the ultimate outcome of the negotiations with respect to the grant of the land use rights and the resolution of certain other outstanding issues with the other parties involved in the Investee Companies. Should the Investee Companies fail to secure ultimately the title to the land site or the Paliburg group's proposed disposal of its investments in the Investee Companies fail to materialise, appropriate adjustments against the carrying value of the Paliburg group's investments in the Investee Companies might be required. The Auditors consider that appropriate disclosures have been made and their opinion is not qualified in this respect.

— **Fundamental uncertainty relating to the going concern basis**

- The Auditors, in forming their opinion, have considered the adequacy of the disclosures made in the financial statements which explain the circumstances giving rise to the fundamental uncertainty relating to the proposed debt restructuring of the Group, excluding the Paliburg Group and the Regal Group. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the debt restructuring. The Auditors consider that appropriate disclosures have been made and their opinion is not qualified in this respect.

DIVIDEND

- The Directors have resolved not to recommend the payment of a final dividend for the year ended 31st December, 2003 (2002 – nil). No interim dividend was paid for the year ended 31st December, 2003 (2002 – nil).

MANAGEMENT DISCUSSION AND ANALYSIS

- Net cash inflow from operating activities during the year under review amounted to HK$247.0 million (2002 – HK$263.3 million). Net interest payment for the year amounted to HK$136.3 million (2002 – HK$305.0 million).
- As at 31st December, 2003, the Group's gross borrowings net of cash and bank balances amounted to HK$5,431.6 million, as compared to HK$6,149.2 million in 2002. Gearing ratio based on the total assets of HK$9,893.1 million (2002 – HK$9,723.2 million) was 54.9% (2002 – 63.2%). The Group expects that the surplus cash proceeds to be realised from the Regalia Bay project will further reduce the Group's borrowings significantly and hence its gearing level.

- As at 31st December, 2003, the Company recorded a consolidated negative net worth of HK$732.9 million (2002 – HK$521.5 million, as restated). The increase incurred in the negative net worth 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 31st December, 2003 is disclosed in the annual report of the Company for the year ended 31st December, 2003 (the "2003 Annual Report"), which will be despatched to the shareholders on or before 30th April, 2004. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the Company's 2003 Interim Report for the six months ended 30th June, 2003. Detailed information in such aspects is contained in the 2003 Annual Report.
- As previously reported in the 2003 Interim Report, in June 2003, following the default by a third party purchaser in the closing of a sale and purchase agreement dated 3rd September, 2002 for the disposal of the Group's 100% interest in a subsidiary company owning the Regal Constellation Hotel in Canada, the Group divested of its 100% shareholding interest in the immediate holding company of such subsidiary company to another third party purchaser for a nominal consideration, with sharing arrangements on any recovery from the defaulted purchaser. As the principal repayment obligation under the bank loan originally secured on the Regal Constellation Hotel was without recourse to the Group, such bank loan in the principal sum of approximately HK$195.8 million has been taken off the consolidated balance sheet of the Group as at 30th June, 2003. A loss on disposal of the Group's investments in relation to the Regal Constellation Hotel has been fully accounted for in the results under review. Details of the transaction were disclosed in an announcement of the Company dated 7th July, 2003.
- On 29th August, 2003, the Group entered into a sale and purchase agreement (the "SP Agreement") for the disposal of its 100% interest in a subsidiary company which indirectly owns the Regal Oriental Hotel. Subsequently, on 30th March, 2004, the parties to the SP Agreement entered into a supplemental agreement to the SP Agreement to extend the completion date of the SP Agreement to 30th June, 2004 and to reinstate the termination option (in a revised form) to the Group to terminate the agreement. Details of the SP Agreement and the supplemental agreement were disclosed in two announcements of the Company dated 4th September, 2003 and 31st March, 2004, respectively.
- Save as otherwise disclosed in this Announcement, the Group has no immediate plans for material investments or capital assets.
- 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 year 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 sections headed "Operating Highlights" and "Outlook" below, respectively.

OPERATING HIGHLIGHTS

- For the year ended 31st December, 2003, the Group recorded an audited consolidated net profit attributable to shareholders of HK$414.2 million, as compared with a net loss of HK$22.6 million (as restated) recorded for the 2002 financial year.
- The net profit attained for the year under review was largely the result of an accounting profit of HK$358.6 million recognised on the deemed disposal of its shareholding interest in Paliburg. However, on account of the diluted shareholding interest in Paliburg and the consequent reduction in the sharing of Paliburg's underlying net assets attributable to the Group, the consolidated net assets value of the Group as at 31st December, 2003 has been adversely affected.
- The Group itself continues to hold beneficially an aggregate of approximately 1,366.8 million Paliburg ordinary shares, representing approximately 28.1% of the existing issued ordinary share capital of Paliburg, which were pledged to various financial creditors to secure credit facilities granted to the Century City Group. Moreover, Almighty International Limited presently owns an aggregate of 1,910.0 million Paliburg ordinary shares, representing approximately 39.3% of the existing issued ordinary share capital of Paliburg and, in addition, an aggregate of 1,240.0 million Paliburg Convertible Preference Shares which are convertible into a same number of new Paliburg ordinary shares. The Company currently owns the entire issued ordinary share capital of Almighty under the terms of the Share Swap Agreement.
- The Share Swap Agreement was intended to provide to the Century City Group with a share swap mechanism such that, if a consensual debt restructuring is successfully implemented, it will maintain a majority beneficial interest in Paliburg. Under the original terms of the Share Swap Agreement, the period for the exercise of the share swap was to end on 31st December, 2003. As it became evident that a consensual financial restructuring would not have been able to be finalised before 31st December, 2003 and, in order to facilitate further negotiations with its financial creditors, the Company entered into a supplemental agreement with the other parties to the Share Swap Agreement on 30th December, 2003, pursuant to which the various rights provided under the Share Swap Agreement would continue to have effect until 30th June, 2004. Full details of this supplemental agreement were contained in an announcement by the Company dated 30th December, 2003.
- Since the entering into of the supplemental agreement to the Share Swap Agreement, the Company has obtained in January 2004 the written in-principle approval on the debt restructuring proposal from all its financial creditors. The debt restructuring proposal presented primarily envisages the settlement of a large majority of the outstanding indebtedness of the Century City Group by 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. These in-principle approvals are not legally binding and are subject to finalisation and execution of the definitive legal agreements to give effect to the debt restructuring proposal.
- If a consensual financial restructuring cannot be implemented, the Company will cease to own the issued ordinary share capital of Almighty and the Paliburg ordinary shares and Paliburg Convertible Preference Shares presently owned by Almighty will be accounted to the holders of the Exchangeable Preference Shares of Almighty in accordance with their respective entitlements. In such event, Paliburg will be directly controlled by companies owned and controlled by Mr. Y.S. Lo instead of through the Company.

PALIBURG HOLDINGS LIMITED

- For the year ended 31st December, 2003, Paliburg achieved an audited consolidated net profit attributable to its shareholders of HK$387.6 million, as compared with a net profit of HK$1,704.1 million (as restated) recorded for the 2002 financial year.
- Further information on the operations of Paliburg, including management discussion and analysis, is contained in announcement separately released by Paliburg today.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

- Regal achieved a turnaround in the financial year ended 31st December, 2003 and recorded an audited consolidated net profit attributable to its shareholders of HK$207.8 million (2002 – net loss of HK$780.8 million (as restated)), having sustained operating losses for five years since 1998.
- Further information on the operations of Regal, including management discussion and analysis, is contained in announcement separately released by Regal today.

OUTLOOK

- Following the in-principle approval obtained from all the financial creditors earlier this year, the Company has recently circulated the requisite documentation for the debt restructuring proposal to the financial creditors and these documentation are being reviewed by the financial creditors with the assistance of the independent financial adviser previously appointed.
- While Regal and Paliburg have each achieved very satisfactory progress in the year under review, the clear advantages of sustained stability have been reflected in the marked improvement in the market price of the listed shares of all the three listed group companies as compared with a year before. In this regard, the Company hopes to be able to see that the debt restructuring proposal can ultimately be finalised and implemented, which should be beneficial to both the financial creditors as well as shareholders.

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 15th April, 2004

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, Mrs. Kitty LO LEE Kit Tai (Non-Executive Director), Mr. Jimmy LO Chun To, Mr. Kenneth NG Kwai Kai and Mr. NG Siu Chan (Independent Non-Executive Director).

A detailed results announcement containing all the relevant information as 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 April, 2004.