
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Paliburg Holdings Limited**, you should at once hand this circular to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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DISCLOSEABLE TRANSACTION

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Announcement”	the announcement jointly made by Century City, Paliburg and Regal dated 8th July, 2005
“Board”	the board of directors of Paliburg
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda, whose ordinary shares are listed on the Main Board of the Stock Exchange
“Century Group”	Century City and its subsidiaries
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of Paliburg
“Hang Fok”	Hang Fok Properties Limited, a wholly-owned subsidiary of Paliburg prior to the completion of the Sale and Purchase Agreement on 8th July, 2005
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investee Companies”	北京世紀城市房地產開發有限公司 (Beijing Century City Real Estate Development Co., Ltd.) and 北京建業房地產開發有限公司 (Beijing Jianye Real Estate Developing Co., Ltd.), both being Sino-foreign cooperative joint ventures incorporated in the PRC
“Latest Practicable Date”	20th July, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Paliburg” or “Company”	Paliburg Holdings Limited, a company incorporated in Bermuda, whose ordinary shares are listed on the Main Board of the Stock Exchange
“Paliburg Group”	Paliburg and its subsidiaries
“Purchaser”	Collective Potential Investments Limited, a wholly-owned subsidiary of Regal, which is the purchaser under the Sale and Purchase Agreement
“PRC”	the People’s Republic of China

DEFINITIONS

“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda, whose ordinary shares and warrants are listed on the Main Board of the Stock Exchange
“Regal Group”	Regal and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement entered into between the Vendor, Paliburg, the Purchaser, Regal and Hang Fok on 8th July, 2005 in respect of the sale and purchase of a 50% equity interest in Hang Fok
“Shares”	ordinary shares of HK\$0.01 each in the capital of Paliburg
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Competitive Venture Limited, a wholly-owned subsidiary of Paliburg, which is the vendor under the Sale and Purchase Agreement

LETTER FROM THE BOARD



Executive Directors:

Mr. LO Yuk Sui (*Chairman and Managing Director*)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai

Registered Office:

Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Non-Executive Director:

Mrs. Kitty LO LEE Kit Tai

Head Office and

Principal Place of Business:

18th Floor, Paliburg Plaza
68 Yee Wo Street
Causeway Bay
Hong Kong

Independent Non-Executive Directors:

Mr. NG Siu Chan
Hon Abraham SHEK Lai Him, JP
Mr. WONG Chi Keung

25th July, 2005

To the Shareholders (for information purposes only)

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

As set out in the Announcement, the Paliburg Group disposed of a 50% interest in Hang Fok to the Regal Group on 8th July, 2005 pursuant to the Sale and Purchase Agreement.

The disposal constituted a discloseable transaction for Paliburg under the Listing Rules. The purpose of this circular is to provide you with, among other things, further information in relation to the disposal under the Sale and Purchase Agreement. The Sale and Purchase Agreement was completed on 8th July, 2005. This circular is for information purposes only.

THE SALE AND PURCHASE AGREEMENT

On 8th July, 2005, the Vendor, a wholly-owned subsidiary of Paliburg, Paliburg, the Purchaser, a wholly-owned subsidiary of Regal, Regal and Hang Fok entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire a 50% equity interest in Hang Fok at a consideration of HK\$145 million. Paliburg has agreed to

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guarantee the performance and obligations of the Vendor under the Sale and Purchase Agreement. Regal has agreed to guarantee the performance and obligations of the Purchaser, including the payment obligation under the promissory note issued by the Purchaser, under the Sale and Purchase Agreement.

The consideration represents a discount of approximately 24% to the value of the 50% equity interest in Hang Fok based upon the valuation (carried out by an independent international firm of valuers, which is a professional surveyor and property valuer, is not a connected person of Paliburg, and is jointly appointed by Paliburg and Regal) of the property project of the Investee Companies, after exclusion of certain specific entitlements beneficially owned by one of the other shareholders of the Investee Companies as detailed below, of RMB1,760 million (equivalent to approximately HK\$1,660 million at an exchange rate of RMB1.06 to HK\$1.0) as at 30th June, 2005 based on the existing status of the site after deducting the unsettled land acquisition cost attributable to the Investee Companies. The property interest of the property project is valued using the comparison method of valuation on the assumptions that the property can be sold with the benefit of vacant possession. Comparisons based on prices realized on actual sales or offerings of comparable properties have been made by the independent international professional valuer.

The consideration was determined after arm's length negotiations between Paliburg and Regal, in particular with reference to the independent valuation as mentioned above.

Completion of the Sale and Purchase Agreement has taken place immediately following the signing of the Sale and Purchase Agreement on 8th July, 2005. The Purchaser has been given a right exercisable at its discretion to rescind or terminate the Sale and Purchase Agreement if, within 6 months of the date of signing the Sale and Purchase Agreement (or such later date as may be mutually agreed between the Vendor and the Purchaser), the Vendor fails to provide the Purchaser with documentary evidence satisfactory to the Purchaser to demonstrate that any of the Investee Companies is entitled to acquire the land use right of the subject development site with total permissible gross floor area of not less than 430,000 square meters at a consideration of not more than RMB580 million by way of a bilateral agreement to be entered into on a private treaty basis, subject to any adjustment mutually acceptable to the Vendor and the Purchaser if the total permissible gross floor area and/or the permitted use of which has been altered, unless otherwise waived by the Purchaser. The condition subsequent had not been fulfilled as at the Latest Practicable Date. There is no compensation arrangement in case the rescission or termination right is exercised. The transaction contemplated under the Sale and Purchase Agreement does not require approval from the other shareholders of the Investee Companies.

Paliburg, as well as Century City and Regal, will issue separate announcements if (i) there is any adjustment to the condition subsequent mentioned above and (ii) the Purchaser exercises its rescission or termination right.

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The Purchaser has issued a promissory note with a principal amount of HK\$145 million bearing interest at 3% per annum to the Vendor. The promissory note will fall due upon the earlier of (i) the date falling on the 7th day after the above condition subsequent having been satisfied or waived by the Purchaser or (ii) 7 months after the issue of the promissory note (unless otherwise extended by mutual agreement between the Vendor and the Purchaser pursuant to the Sale and Purchase Agreement). The promissory note had not been settled as at the Latest Practicable Date.

INFORMATION ON HANG FOK AND THE INVESTEE COMPANIES

Hang Fok is an investment holding company and holds a 23% shareholding interest in each of the Investee Companies. Immediately prior to the completion of the Sale and Purchase Agreement, Hang Fok was a wholly-owned subsidiary of Paliburg. After completion of the Sale and Purchase Agreement, Hang Fok has become a 50% owned associated company of each of Paliburg and Regal. Paliburg has no present intention to sell its remaining shareholdings in Hang Fok. It is expected that the accounts of Hang Fok will be accounted for in the respective financial statements of Paliburg and Regal using equity accounting method.

The Investee Companies are jointly and principally engaged in the development of a property project in the Central Business District (CBD) of Beijing, the PRC. One of the Investee Companies obtained approval from the Beijing Municipal Commission of Urban Planning for the development plan of the property project of the Investee Companies in December 2003 comprising office, residential, hotel, commercial and carparking accommodations with a total permissible gross floor area of 430,000 square meters. Currently, each of the Investee Companies is owned as to 23% by Hang Fok and 77% by two other shareholders, who are not connected persons of Paliburg for the purposes of the Listing Rules. Of the total permissible gross floor area of the property project of 430,000 square meters, economic interest of a total of 64,000 square meters does not belong to the Investee Companies and beneficially belongs to one of the other shareholders of the Investee Companies.

The Beijing Municipal Administration of State Land and Resources granted in August 2004 a contract in respect of the granting of land use rights of the subject development site to one of the Investee Companies, subject to payment of the requisite land premium of approximately RMB580 million. However, up to the Latest Practicable Date, no consensus had been reached among the shareholders of the Investee Companies in respect of certain issues relating to the business of the Investee Companies, and the due date for the payment of the requisite land premium under the land grant contract has expired. The land premium remains unpaid. The Beijing Municipal Administration of State Land and Resources, being the grantor under the land grant contract, has informed the Investee Company of its decision to terminate the land grant contract and to resume the land use right pertaining thereto. According to the PRC legal opinion obtained by Hang Fok, the termination of the land grant contract will only become effective upon full compliance with the relevant legal procedures and thus, the Investee Companies are still entitled to negotiate with the relevant authority on the land grant contract (including the date for payment of the land premium) and secure the land use right pertaining thereto before the relevant legal procedures are complied with. In this connection, the Investee Companies are negotiating with the Beijing Municipal Administration of State Land and Resources in respect of the granting of the land use rights. However, it is currently uncertain as to the outcome of the negotiations relating to the granting of the land use rights by the Beijing Municipal Administration of State Land and Resources pertaining to the land site. Hang Fok is in active

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negotiations with the other shareholders of the Investee Companies and potential investors to explore various feasible alternatives in addressing the situation. There has been no significant development on the issues since the date of the Announcement. The Company will issue a separate announcement if there is any major new development on the negotiations in future which requires the Company to do so pursuant to Rule 13.09(1) of the Listing Rules. The Investee Companies will seek to procure, to the extent available, external financing for the development of the property project, including payment of the land premium. In respect of the financial statements of the Paliburg Group for the year ended 31 December 2004, the auditors of Paliburg set out in their auditors' report that should the Investee Companies fail to secure the title to the land site, appropriate adjustment against the carrying value of the Paliburg Group's investment in the Investee Companies may be required. The auditors of Paliburg also set out in their auditors' report in respect of the financial statements of the Paliburg Group for the year ended 31st December, 2004 that they considered that appropriate disclosures had been made and their opinions were not qualified in this respect.

For the two years ended 31st December, 2004, Hang Fok did not record any turnover based on the unaudited management accounts of Hang Fok prepared in accordance with the Hong Kong Financial Reporting Standards. The unaudited loss before and after taxation of Hang Fok were approximately HK\$37.2 million for the year ended 31st December, 2003 and approximately HK\$2.6 million for the year ended 31st December, 2004. The unaudited total asset value and net assets of Hang Fok as at 30th June, 2005 were both approximately HK\$62.4 million. Hang Fok did not have any liability as at 30th June, 2005.

Based on the unaudited management accounts of the Investee Companies prepared in accordance with the generally accepted accounting principles in the PRC, for the two years ended 31st December, 2004, the Investee Companies did not record any income and the aggregate unaudited net loss of the Investee Companies were approximately RMB4.8 million and RMB3.2 million respectively. As at 31st December 2004, the unaudited total assets of the Investee Companies amounted to approximately RMB652.9 million and the aggregate unaudited net asset value of the Investee Companies amounted to approximately RMB287.6 million. The assets of the Investee Companies as at 31st December, 2003 were mainly inventories which comprised the capitalized amount of the development costs incurred by the Investee Companies in relation to the development of the property project in the Central Business District (CBD) of Beijing, the PRC.

As set out in the annual report of Paliburg for the year ended 31st December, 2004, Hang Fok is not in a position to exercise significant influence over the financial and operating policies of the Investee Companies. Paliburg and Regal consider that the transaction contemplated under the Sale and Purchase Agreement will not affect Hang Fok's position in exercising its influence over the financial and operating policies of the Investee Companies. Accordingly, Hang Fok's 23% shareholding interests in each of the Investee Companies were accounted for and will continue to be accounted for as long-term investments in the financial statements of Hang Fok before and immediately after completion of the transaction contemplated under the Sale and Purchase Agreement.

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REASONS FOR AND BENEFITS OF THE TRANSACTION

The Paliburg Group is principally engaged in property development and investment, construction and building related businesses, and other investments.

Regal is an approximately 45% owned associated company of Paliburg. The Regal Group is principally engaged in hotel ownership and management, property investment and other investments. The Regal Group is a well known hotel owner and operator and property developer in Hong Kong. Given the experience and knowledge of the Regal Group and having regard to the planned hotel element within the project, the Directors consider that the introduction of Regal as a business partner in respect of the development of the property project of the Investee Companies will help enhance the prospects of the property project. The proceeds from the sale of the 50% interest in Hang Fok will also strengthen the liquidity position of the Paliburg Group. Paliburg intends to use the net proceeds from the Sale and Purchase Agreement as general working capital of the Paliburg Group. As at the Latest Practicable Date, the Paliburg Group has no plan on the specific usage of the proceeds.

Based on the latest net carrying value of Hang Fok of HK\$56.9 million (which has been written down from the initial carrying value of approximately HK\$700 million in the financial statements of Paliburg for the year ended 31st December, 1997 based on Hang Fok's then investment in the Investee Companies), it is estimated that the Paliburg Group may record a gain of approximately HK\$116.6 million before elimination of the unrealized gain attributable to its shareholding in Regal as a result of the disposal under the Sale and Purchase Agreement. The completion of the Sale and Purchase Agreement has no significant financial impact on the total assets and total liabilities of the Paliburg Group.

The Directors (including independent non-executive Directors) believe that the transaction contemplated under the Sale and Purchase Agreement is in the interests of Paliburg and its shareholders as a whole.

GENERAL

The transaction under the Sale and Purchase Agreement constituted a discloseable transaction for Paliburg and is subject to the reporting and announcement requirements pursuant to Rule 14.33 of the Listing Rules.

Your attention is drawn to the general information regarding the Company which is required to be included in this circular under the Listing Rules as set out in Appendix I to this circular.

By Order of the Board
Paliburg Holdings Limited
Lo Yuk Sui
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in the Listing Rules, were as follows:

	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Family interests	Corporate interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	442,765	—	4,250,774,001 <i>(Note b)</i>	4,251,216,766
		(ii) unissued	180,000,000 <i>(Note b(iii))</i>	—	—	180,000,000
					Total (i) & (ii):	4,431,216,766 (61.47%)
	Mr. Donald Fan Tung	Ordinary (issued)	2,718	—	—	2,718 (0.00004%)
	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	100,000	—	—	100,000 (0.0014%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	284,000	—	—	284,000 (0.0039%)
	Mr. Ng Siu Chan	Ordinary (issued)	—	536,500	—	536,500 (0.0074%)

Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)	
			Personal interests	Family interests	Corporate interests		
2. Century City	Mr. Lo Yuk Sui	Ordinary					
		(i) issued	543,344,843	—	9,845,994,246 <i>(Note a(i))</i>	10,389,339,089	
		(ii) unissued	350,000,000 <i>(Note a(iii))</i>	—	2,110,000,000 <i>(Note a(ii))</i>	2,460,000,000	
					Total (i) & (ii):	12,849,339,089 (89.81%)	
	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	2,510,000	—	—	2,510,000 (0.018%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	1,659,800	—	—	1,659,800 (0.012%)	
	Mr. Ng Siu Chan	Ordinary (issued)	—	15,453,000	—	15,453,000 (0.108%)	
3. Regal	Mr. Lo Yuk Sui	Ordinary					
		(i) issued	220,000	—	3,805,401,610 <i>(Note c(i))</i>	3,805,621,610	
		(ii) unissued	200,022,000 <i>(Notes c(iii) & (v))</i>	—	369,805,453 <i>(Notes c(ii) to (iv))</i>	569,827,453	
					Total (i) & (ii):	4,375,449,063 (52.00%)	
			Preference (issued)	—	—	3,440 <i>(Note c(iv))</i>	3,440 (20.54%)
	Mrs. Kitty Lo Lee Kit Tai	Ordinary					
		(i) issued	2,370,000	—	—	2,370,000	
		(ii) unissued	237,000 <i>(Note d)</i>	—	—	237,000	
					Total (i) & (ii):	2,607,000 (0.031%)	
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1,000 <i>(Note e)</i>	1,000 (100%)	
5. Network Sky Limited	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	—	—	50,000 <i>(Note f)</i>	50,000 (25%)	

Notes:

- (a) (i) The interests in 1,205,994,246 issued ordinary shares of Century City were held through companies wholly owned by Mr. Lo Yuk Sui (“Mr. Lo”) and a company, namely Master City Limited, 99.96% owned by Mr. Lo.

The interests in 8,640,000,000 issued ordinary shares of Century City were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	72.62
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited (“Grand Modern”)	Century Digital Holdings Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

- (ii) The interests in 2,110,000,000 unissued ordinary shares of Century City related to the rights to put attached to the 2,110,000,000 Series A exchangeable preference shares (“Almighty Series A Shares”) of Almighty International Limited (“Almighty”), a wholly owned subsidiary of Century City, held by Grand Modern. Grand Modern may exercise such rights to put during the period from 31st December, 2002 to 15th December, 2009 (as extended), requiring Century City to acquire the 2,110,000,000 Almighty Series A Shares at the consideration of the issuance by Century City to Grand Modern of 2,110,000,000 new ordinary shares of Century City on the basis of one new ordinary share for one Almighty Series A Share.

The interests in 2,110,000,000 unissued ordinary shares of Century City were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	72.62
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

- (iii) The interests in 350,000,000 unissued ordinary shares of Century City were held through the interests in the options conditionally granted to Mr. Lo, entitling Mr. Lo to subscribe for a total of 350,000,000 new ordinary shares of Century City at an exercise price of HK\$0.12 per ordinary share (subject to adjustments), under The Century City International Holdings Limited Share Option Scheme adopted by the shareholders of Century City on 16th June, 2005. The options will become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise Period	Number of ordinary shares of Century City under vested options
12th May, 2007 to 11th May, 2011	140,000,000
12th May, 2008 to 11th May, 2011	70,000,000
12th May, 2009 to 11th May, 2011	70,000,000
12th May, 2010 to 11th May, 2011	70,000,000

- (b) (i) The interests in 3,944,018,001 issued Shares were held through companies (including Almighty) wholly owned by Century City, in which Mr. Lo held 72.62% shareholding interests.

The interests in 306,756,000 issued Shares were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 200,000,000 issued Shares were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (ii) Under the debt restructuring in respect of Century City and its subsidiary companies (then excluding the Company and Regal and their respective subsidiary companies) (the “CCIHL Group”) with the financial creditors of the CCIHL Group (the “Creditors”), which was completed on 15th December, 2004, (the “Restructuring”), part of the indebtedness had been refinanced into the secured bilateral loans with an aggregate principal amount of HK\$13.78 million (the “HK\$13.78 million Secured Bilateral Loans”) granted by certain Creditors for a term of two years. The HK\$13.78 million Secured Bilateral Loans were secured by, among others, a total of 137,800,000 issued Shares (the “137.8 million Charged PHL Shares”) held by the CCIHL Group. Under the terms of the HK\$13.78 million Secured Bilateral Loans, the relevant Creditors granting such loans have the right to opt to receive the 137.8 million Charged PHL Shares at a price of HK\$0.10 each for the settlement of the relative amount of the HK\$13.78 million Secured Bilateral Loans proposed to be prepaid by the CCIHL Group in lieu of cash repayment. Such Creditors also have a similar right of electing to receive the 137.8 million Charged PHL Shares upon final repayment at maturity of the HK\$13.78 million Secured Bilateral Loans.

On completion of the Restructuring, a wholly owned subsidiary company of Century City issued exchangeable notes with an aggregate principal amount of approximately HK\$13.78 million (the “Exchangeable Notes”) at their principal value to certain Creditors. The Exchangeable Loans, which are for a term of two years and non-interest bearing, are exchangeable into a total of 55,120,000 issued Shares held by the CCIHL Group at a price of HK\$0.25 per Share, subject to adjustment. The holders of the Exchangeable Notes do 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 are only exchangeable into Shares upon maturity on a mandatory basis. However, prior to maturity, the CCIHL Group have the right to repay any of the Exchangeable Notes at their principal amount.

On completion of the Restructuring, Mr. Lo provided a personal guarantee in favour of one of the Creditors (the “Relevant Creditor”) in respect of the secured bilateral loan of HK\$12.38 million (the “HK\$12.38 million Secured Bilateral Loan”) granted by the Relevant Creditor to the CCIHL Group under the Restructuring and in return the Relevant Creditor granted to Mr. Lo the right to purchase or procure the purchase of the HK\$12.38 million Secured Bilateral Loan at any time within two years from completion of the Restructuring. Under the terms of the HK\$12.38 million Secured Bilateral Loan, the Relevant Creditor

has the right to opt to receive the 123,800,000 issued Shares (the “123.8 million Charged PHL Shares”), which form part of the security for the HK\$12.38 million Secured Bilateral Loan, at a price of HK\$0.10 each for the settlement of the relative amount of the HK\$12.38 million Secured Bilateral Loan proposed to be prepaid by the CCIHL Group in lieu of cash repayment. The Relevant Creditor also has a similar right of electing to receive the 123.8 million Charged PHL Shares upon final repayment at maturity of the HK\$12.38 million Secured Bilateral Loans. If Mr. Lo exercises his right to acquire the HK\$12.38 million Secured Bilateral Loan, he will be entitled to have the rights to acquire the 123.8 million Charged PHL Shares. If Mr. Lo exercises his right to acquire the HK\$12.38 million Secured Bilateral Loan or is required to perform under his guarantee, 50% of the Exchangeable Notes issued to the Relevant Creditor under the Restructuring, which amounted to HK\$6.19 million and carrying the right to exchange into 24,760,000 million Shares at a price of HK\$0.25 per Share, subject to adjustment, will be transferred to Mr. Lo.

- (iii) The interests in 180,000,000 unissued Shares were held through the interests in the options conditionally granted to Mr. Lo, entitling Mr. Lo to subscribe for a total of 180,000,000 new Shares at an exercise price of HK\$0.22 per Share (subject to adjustments), under The Paliburg Holdings Limited Share Option Scheme adopted by the shareholders of the Company on 16th June, 2005. The options will become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise Period	Number of Shares under vested options
12th May, 2007 to 11th May, 2011	72,000,000
12th May, 2008 to 11th May, 2011	36,000,000
12th May, 2009 to 11th May, 2011	36,000,000
12th May, 2010 to 11th May, 2011	36,000,000

- (c) (i) The issued ordinary shares of Regal were held through companies wholly owned by the Company, in which Century City held 54.71% shareholding interests.
- (ii) The interests in 369,805,453 unissued ordinary shares of Regal were held through companies wholly owned by the Company, in which Century City held 54.71% shareholding interests.
- (iii) The interests in 22,000 and 354,197,026 unissued ordinary shares of Regal related to the interests in the warrants of Regal (the “2007 Warrants”) carrying subscription rights in an aggregate amount of HK\$88,554,756.50, which are exercisable during the period from 2nd February, 2005 to 26th July, 2007 to subscribe for a total of 354,219,026 new ordinary shares of Regal at an initial subscription price of HK\$0.25 per ordinary share (subject to adjustment).
- (iv) The interests in 15,608,427 unissued ordinary shares of Regal related to the interests in 3,440 convertible cumulative preference shares of Regal carrying rights to convert into 15,608,427 new ordinary shares of Regal, based on the conversion price of HK\$1.7037 per ordinary share and on a reference amount of US\$1,000 per preference share at the fixed exchange rate of HK\$7.730255 to US\$1.00, during the period from 5th December, 1993 to 5th December, 2008.

- (v) The interests in 200,000,000 unissued ordinary shares of Regal were held through the interests in the options conditionally granted to Mr. Lo, entitling Mr. Lo to subscribe for a total of 200,000,000 new ordinary shares of Regal at an exercise price of HK\$0.75 per ordinary share (subject to adjustments), under The Regal Hotels International Holdings Limited Share Option Scheme adopted by the shareholders of Regal on 16th June, 2005. The options will become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise Period	Number of ordinary shares of Regal under vested options
12th May, 2007 to 11th May, 2011	80,000,000
12th May, 2008 to 11th May, 2011	40,000,000
12th May, 2009 to 11th May, 2011	40,000,000
12th May, 2010 to 11th May, 2011	40,000,000

- (d) The interests in these unissued ordinary shares of Regal related to the interests in the 2007 Warrants carrying subscription rights in an aggregate amount of HK\$59,250.00, which are exercisable during the period from 2nd February, 2005 to 26th July, 2007 to subscribe for a total of 237,000 new ordinary shares of Regal at an initial subscription price of HK\$0.25 per ordinary share (subject to adjustment).
- (e) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 72.62% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (f) The interests in the shares of Network Sky Limited were held through a company wholly owned by Mrs. Kitty Lo Lee Kit Tai.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Paliburg Group.

Name of Substantial Shareholder	Number of issued Shares held	Approximate percentage of the issued Shares as at the Latest Practicable Date
Century City (<i>Notes i and ii</i>)	3,944,018,001	54.71%
Century City BVI Holdings Limited (<i>Note ii</i>)	3,944,018,001	54.71%
Almighty International Limited (<i>Note ii</i>)	1,909,853,045	26.49%
Clevertview Investments Limited (<i>Note ii</i>)	1,185,026,955	16.44%

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 72.62% shareholding interests in Century City and the interests in these Shares of the Company held by Century City through its wholly owned subsidiary companies were included in the corporate interests of Mr. Lo Yuk Sui in the shares of the Company as disclosed under the paragraph headed "Disclosure of Directors' Interests" above.
- (ii) These companies are wholly owned by Century City and their interests in the Shares of the Company were included in the interests held by Century City.

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Paliburg Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Paliburg Group which would not expire or would not be determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration of material importance and there was no litigation or claim known to the Directors to be pending or threatened against the Company or any of its subsidiaries which in the opinion of the Directors would be or is likely to be of material importance.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Paliburg Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Paliburg Group.

7. GENERAL

- (a) The head office and principal place of business of Paliburg is located at 18th Floor, Paliburg Plaza, 68 Yee Wo Street, Causeway Bay, Hong Kong. The registered office of Paliburg is located at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (b) The branch share registrar of Paliburg in Hong Kong is Tengis Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The secretary of Paliburg is Ms. Lam Sau Fun, Eliza, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.
- (d) The qualified accountant of Paliburg is Mr. Allen Wan Tze Wai, an associate of the Hong Kong Institute of Certified Public Accountants.
- (e) The English text of this circular shall prevail over the Chinese text.