

OTHER INFORMATION

Directors' Interests in Share Capital

As at 30th June, 2006, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 30th June, 2006) |
|-------------------------|---------------------------|------------------------|------------------------------|------------------|---------------------------|---|
| | | | Personal Interests | Family Interests | Corporate Interests | |
| 1. The Company | Mr. Lo Yuk Sui | Ordinary (i) issued | 442,765 | - | 4,250,774,001 (Note c) | 4,251,216,766 |
| | | (ii) unissued | 180,000,000 (Note c(iii)) | - | | 180,000,000 |
| | | | | | | Total (i) & (ii): 4,431,216,766 (61.47%) |
| | Mr. Donald Fan Tung | Ordinary (i) issued | 2,718 | - | - | 2,718 |
| | | (ii) unissued | 20,000,000 (Note d) | - | - | 20,000,000 |
| | | | | | | Total (i) & (ii): 20,002,718 (0.28%) |
| | Mrs. Kitty Lo Lee Kit Tai | Ordinary (issued) | 100,000 | - | - | 100,000 (0.0014%) |
| | Mr. Jimmy Lo Chun To | Ordinary (i) issued | 284,000 | - | - | 284,000 |
| | | (ii) unissued | 20,000,000 (Note d) | - | - | 20,000,000 |
| | | | | | | Total (i) & (ii): 20,284,000 (0.28%) |
| Mr. Kenneth Ng Kwai Kai | Ordinary (unissued) | 20,000,000 (Note d) | - | - | 20,000,000 (0.28%) | |



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| | Name of Director | Class of Shares held | Number of Shares Held | | | Total (Approximate percentage of the Issued Shares as at 30th June, 2006) |
|--|---------------------------------------|----------------------|----------------------------------|-------------------------|-----------------------------|---|
| | | | Personal Interests | Family Interests | Corporate Interests | |
| 1. The Company | Mr. Ng Siu Chan | Ordinary (issued) | - | 536,500 | - | 536,500 (0.0074%) |
| | Name of Associated Corporation | | | | | |
| 2. Century City International Holdings Limited ("CCIHL") | Mr. Lo Yuk Sui | Ordinary (i) issued | 294,516,903 | - | 11,664,822,186 (Note a(ii)) | 11,959,339,089 |
| | | (ii) unissued | 408,903,380 (Notes a(i) & (iii)) | - | 2,332,964,436 (Note a(iv)) | 2,741,867,816 |
| | | | | | Total (i) & (ii): | 14,701,206,905 (89.27%) |
| | Mrs. Kitty Lo Lee Kit Tai | Ordinary (i) issued | 2,510,000 | - | - | 2,510,000 |
| | | (ii) unissued | 502,000 (Note b(i)) | - | - | 502,000 |
| | | | | | Total (i) & (ii): | 3,012,000 (0.018%) |
| | Mr. Jimmy Lo Chun To | Ordinary (i) issued | 1,659,800 | - | - | 1,659,800 |
| | | (ii) unissued | 331,960 (Note b(ii)) | - | - | 331,960 |
| | | | | | Total (i) & (ii): | 1,991,760 (0.012%) |
| | Mr. Ng Siu Chan | Ordinary (i) issued | - | 15,453,000 | - | 15,453,000 |
| | | (ii) unissued | - | 3,090,600 (Note b(iii)) | - | 3,090,600 |
| | | | | | Total (i) & (ii): | 18,543,600 (0.113%) |



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| Name of Associated Corporation | Name of Director | Class of Shares held | Number of Shares Held | | | Total (Approximate percentage of the Issued Shares as at 30th June, 2006) | |
|--|---------------------------|-------------------------|----------------------------------|---------------------|----------------------------------|---|--------------------|
| | | | Personal Interests | Family Interests | Corporate Interests | | |
| 3. Regal Hotels International Holdings Limited ("RHIHL") | Mr. Lo Yuk Sui | Ordinary (i) issued | 220,000 | – | 3,853,067,610 (Note e(i)) | 3,853,287,610 | |
| | | (ii) unissued | 200,022,000 (Notes e(iii) & (v)) | – | 369,805,453 (Note e(ii) to (iv)) | 569,827,453 | |
| | | | | | Total (i) & (ii): | 4,423,115,063 (52.33%) | |
| | | Preference (issued) | – | – | 3,440 (Note e(iv)) | 3,440 (20.54%) | |
| | Mr. Donald Fan Tung | Ordinary (unissued) | 20,000,000 (Note f) | – | – | 20,000,000 (0.24%) | |
| | Mrs. Kitty Lo Lee Kit Tai | Ordinary (i) issued | 2,370,000 | – | – | 2,370,000 | |
| | | (ii) unissued | 237,000 (Note g) | – | – | 237,000 | |
| | | | | | Total (i) & (ii): | 2,607,000 (0.031%) | |
| | | Mr. Jimmy Lo Chun To | Ordinary (unissued) | 15,000,000 (Note h) | – | – | 15,000,000 (0.18%) |
| | | Mr. Kenneth Ng Kwai Kai | Ordinary (unissued) | 20,000,000 (Note f) | – | – | 20,000,000 (0.24%) |
| 4. 8D International (BVI) Limited | Mr. Lo Yuk Sui | Ordinary (issued) | – | – | 1,000 (Note i) | 1,000 (100%) | |
| 5. Network Sky Limited | Mrs. Kitty Lo Lee Kit Tai | Ordinary (issued) | – | – | 50,000 (Note j) | 50,000 (25%) | |

Notes:

- (a) (i) The interests in 914,822,186 issued ordinary shares of CCIHL 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 10,750,000,000 issued ordinary shares of CCIHL were held through corporations controlled by Mr. Lo as detailed below:

| (a) Name of corporation | Controlled by | % of control |
|--|-----------------------------------|--------------|
| CCIHL | Mr. Lo | 72.62 |
| Century City BVI Holdings Limited | CCIHL | 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 350,000,000 unissued ordinary shares of CCIHL were held through the interests in the options granted under the share option scheme of CCIHL named as "The Century City International Holdings Limited Share Option Scheme" (the "Century City Option Scheme"), entitling the holder thereof to subscribe for a total of 350,000,000 new ordinary shares of CCIHL at an exercise price of HK\$0.12 per ordinary share (subject to adjustments). The options became effective on 21st July, 2005 and 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:

| <u>Exercise period</u> | <u>Number of ordinary shares of CCIHL under vested options</u> |
|----------------------------------|--|
| 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 |

- (iii) The interests in 58,903,380 unissued ordinary shares of CCIHL related to the interests in the warrants of CCIHL (the "2011 Warrants") carrying subscription rights in an aggregate amount of HK\$5,890,338.00, which are exercisable during the period from 18th April, 2006 to 11th January, 2011 to subscribe for new ordinary shares of CCIHL at an initial subscription price of HK\$0.10 per ordinary share (subject to adjustment).



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- (iv) The interests in 2,332,964,436 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$233,296,443.60, which are exercisable to subscribe for new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (b) (i) The interests in 502,000 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$50,200.00, which are exercisable to subscribe for new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (ii) The interests in 331,960 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$33,196.00, which are exercisable to subscribe for new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (iii) The interests in 3,090,600 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$309,060.00, which are exercisable to subscribe for new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (c) (i) The interests in 3,944,018,001 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 72.62% shareholding interests.

The interests in 106,756,000 issued ordinary shares of the Company 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 ordinary shares of the Company 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 CCIHL and its subsidiary companies (then excluding the Company and RHIHL 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 ordinary shares of the Company (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 CCIHL 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 Notes, which are for a term of two years and non-interest bearing, are exchangeable into a total of 55,120,000 issued ordinary shares of the Company held by the CCIHL Group at a price of HK\$0.25 per ordinary 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 ordinary shares of the Company 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 ordinary shares of the Company (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 ordinary shares of the Company at a price of HK\$0.25 per ordinary share, subject to adjustment, will be transferred to Mr. Lo.

- (iii) The interests in 180,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"), entitling the holder thereof to subscribe for a total of 180,000,000 new ordinary shares of the Company at an exercise price of HK\$0.22 per ordinary share (subject to adjustments). The options became effective on 21st July, 2005 and 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:

| <u>Exercise period</u> | <u>Number of ordinary shares of the Company under vested options</u> |
|----------------------------------|--|
| 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 |



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- (d) The interests in 20,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of the Company at an exercise price of HK\$0.22 per ordinary share (subject to adjustments). The options became effective on 28th July, 2005 and will become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

| <u>Exercise period</u> | <u>Number of ordinary shares of the Company under vested options</u> |
|------------------------------------|--|
| 25th July, 2007 to 24th July, 2011 | 8,000,000 |
| 25th July, 2008 to 24th July, 2011 | 4,000,000 |
| 25th July, 2009 to 24th July, 2011 | 4,000,000 |
| 25th July, 2010 to 24th July, 2011 | 4,000,000 |

- (e) (i) The issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 54.71% shareholding interests.
- (ii) The interests in 369,805,453 unissued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 54.71% shareholding interests.
- (iii) The interests in 22,000 and 354,197,026 unissued ordinary shares of RHIHL related to the interests in the warrants of RHIHL (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 RHIHL 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 RHIHL related to the interests in 3,440 convertible cumulative preference shares of RHIHL carrying rights to convert into 15,608,427 new ordinary shares of RHIHL, 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 RHIHL were held through the interests in the options granted under the share option scheme of RHIHL named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme"), entitling the holder thereof to subscribe for a total of 200,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 per ordinary share (subject to adjustments). The options became effective on 21st July, 2005 and 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:

| <u>Exercise period</u> | <u>Number of ordinary shares of RHIHL under vested options</u> |
|----------------------------------|--|
| 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 |

- (f) The interests in 20,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 per ordinary share (subject to adjustments). The options became effective on 28th July, 2005 and will become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

| <u>Exercise period</u> | <u>Number of ordinary shares of RHIHL under vested options</u> |
|------------------------------------|--|
| 25th July, 2007 to 24th July, 2011 | 8,000,000 |
| 25th July, 2008 to 24th July, 2011 | 4,000,000 |
| 25th July, 2009 to 24th July, 2011 | 4,000,000 |
| 25th July, 2010 to 24th July, 2011 | 4,000,000 |

- (g) The interests in 237,000 unissued ordinary shares of RHIHL related to the interests in the 2007 Warrants carrying subscription rights in an aggregate amount of HK\$59,250.00, which are exercisable to subscribe for such new ordinary shares of RHIHL upon the terms as set out in note (e)(iii) above.

- (h) The interests in 15,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 15,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 per ordinary share (subject to adjustments). The options became effective on 28th July, 2005 and will become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

| <u>Exercise period</u> | <u>Number of ordinary shares of RHIHL under vested options</u> |
|------------------------------------|--|
| 25th July, 2007 to 24th July, 2011 | 6,000,000 |
| 25th July, 2008 to 24th July, 2011 | 3,000,000 |
| 25th July, 2009 to 24th July, 2011 | 3,000,000 |
| 25th July, 2010 to 24th July, 2011 | 3,000,000 |

- (i) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 72.62% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (j) The shares were held through a company wholly owned by Mrs. Kitty Lo Lee Kit Tai.



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Save as disclosed herein, as at 30th June, 2006, 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.

Save as disclosed in note 17 to the condensed consolidated financial statements, during the period, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Paliburg Share Option Scheme and no option granted to such persons under the Paliburg Share Option Scheme has been cancelled and lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Paliburg Share Option Scheme with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants under the Paliburg Share Option Scheme.

Substantial Shareholders' Interests in Share Capital

As at 30th June, 2006, the following substantial shareholders (as defined in the Listing Rules) (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name of substantial shareholder | Number of issued ordinary shares held | Approximate percentage of issued ordinary shares as at 30th June, 2006 |
|---|---------------------------------------|--|
| CCIHL (Notes i and ii) | 3,944,018,001 | 54.71% |
| Century City BVI Holdings Limited (Note ii) | 3,944,018,001 | 54.71% |
| Almighty International Limited (Note ii) | 1,909,853,045 | 26.49% |
| Cleview Investments Limited (Note ii) | 1,185,026,955 | 16.44% |
| Cheah Cheng Hye (Note iii) | 360,896,000 | 5.01% |
| Value Partners Limited (Note iii) | 360,896,000 | 5.01% |

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 72.62% shareholding interests in CCIHL and the interests in these ordinary shares of the Company held by CCIHL through its wholly owned subsidiary companies were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) These companies are wholly owned by CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (iii) Mr. Cheah Cheng Hye held 32.77% shareholding interests in Value Partners Limited and the interests in these ordinary shares of the Company held by it as investment manager were included in the interests held by Mr. Cheah Cheng Hye.

Save as disclosed herein, there is no person who being a substantial shareholder (as defined in the Listing Rules), as at 30th June, 2006, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO.



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Corporate Governance

Code of Corporate Governance Practices

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2006, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity on account of the Group's corporate operating structure.
- (2) The Non-Executive Directors and the Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that the Non-Executive Directors and the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Paliburg Code during the six months ended 30th June, 2006.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2006.

Review of Results

The Audit Committee of the Company currently comprises Mr. Wong Chi Keung (Chairman of the Committee), Mr. Ng Siu Chan and Hon Abraham Shek Lai Him, JP, all of whom are Independent Non-Executive Directors of the Company.

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2006, in conjunction with the external auditors. The review report of the external auditors is set out on page 43 of this report.