

# INTERIM REPORT 2009





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## CORPORATE INFORMATION

### DIRECTORS

Lo Yuk Sui  
(Chairman and Chief Executive Officer)  
Donald Fan Tung  
(Chief Operating Officer)  
Bowen Joseph Leung Po Wing, GBS, JP#  
Jimmy Lo Chun To  
Lo Po Man  
Kenneth Ng Kwai Kai  
Ng Siu Chan#  
Abraham Shek Lai Him, SBS, JP#  
Wong Chi Keung#  
Kenneth Wong Po Man

# *Independent Non-Executive Director*

### AUDIT COMMITTEE

Wong Chi Keung (Chairman)  
Bowen Joseph Leung Po Wing, GBS, JP  
Ng Siu Chan  
Abraham Shek Lai Him, SBS, JP

### REMUNERATION COMMITTEE

Lo Yuk Sui (Chairman)  
Ng Siu Chan  
Wong Chi Keung

### SECRETARY

Eliza Lam Sau Fun

### AUDITORS

Ernst & Young

### PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre, 11 Bermudiana Road,  
Pembroke HM08, Bermuda

### BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited  
26th Floor, Tesbury Centre,  
28 Queen's Road East, Wanchai,  
Hong Kong

### REGISTERED OFFICE

Rosebank Centre, 11 Bermudiana Road,  
Pembroke, Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,  
Causeway Bay,  
Hong Kong

Tel: 2894 7888

Fax: 2890 1697

Website: [www.paliburg.com.hk](http://www.paliburg.com.hk)

## DIRECTORS' PROFILE

**Mr. Lo Yuk Sui**, aged 65; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as Chief Executive Officer in 2007. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed companies of the Group since 1984 and 1986 respectively. He is also the chairman and chief executive officer of Century City International Holdings Limited (“CCIHL”), the ultimate listed holding company of the Company, and Regal Hotels International Holdings Limited (“RHIHL”), the listed associate of the Company, and the non-executive chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed associate of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

**Mr. Donald Fan Tung**, aged 52; *Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as Chief Operating Officer in 2007. Mr. Fan has been with the Group since 1987 and is principally involved in the Group’s property development, architectural design and project management functions as well as overseeing the building construction business of the Group. Mr. Fan is a qualified architect. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML.

**Mr. Bowen Joseph Leung Po Wing**, GBS, JP, aged 60; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing (“Beijing Office”) in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is also an independent non-executive director and a member of the Audit Committee of PYI Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**Mr. Jimmy Lo Chun To**, aged 35; *Executive Director* — Appointed to the Board in 1999. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a degree in architecture. Apart from his involvement in the design of the Group’s property projects and the hotel projects of the RHIHL Group, he undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.



**Miss Lo Po Man**, aged 30; *Executive Director* — Appointed to the Board in 2007. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a bachelor degree in psychology. She is also an executive director of CCIHL and RHIHL. Miss Lo joined the RHIHL Group in 2000 and has been involved in the marketing and sales functions of the RHIHL Group. She is an executive director of the estate agency business of the RHIHL Group and has undertaken an active role in directing the marketing campaign of the Regalia Bay luxury residential development in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the RHIHL Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

**Mr. Kenneth Ng Kwai Kai**, aged 55; *Executive Director* — Appointed to the Board in 1995. Mr. Ng has been with the Group since 1985 and is in charge of the corporate finance, company secretarial and administrative functions of the Group. Mr. Ng is a Chartered Secretary. He is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and a non-executive director of Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange.

**Mr. Ng Siu Chan**, aged 79; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1995. Mr. Ng is also an independent non-executive director of CCIHL and RHIHL. He is a non-executive director of Transport International Holdings Limited, which is publicly listed in Hong Kong.

**Hon Abraham Shek Lai Him**, SBS, JP, aged 64; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Shek holds a bachelor degree of Arts. He is currently a member of the Legislative Council for the Hong Kong Special Administrative Region. He is also a Member of the Council of The Hong Kong University of Science & Technology, Member of the Court of The University of Hong Kong, Director of The Hong Kong Mortgage Corporation Limited and Vice Chairman of Independent Police Complaints Council. Mr. Shek is an independent non-executive director and a member of the audit committee of Chuang's Consortium International Limited, the chairman and an independent non-executive director of Chuang's China Investments Limited, an independent non-executive director and a member of the audit committee of Country Garden Holdings Company Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited, SJM Holdings Limited and Titan Petrochemicals Group Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange), and RPML.





**Mr. Wong Chi Keung**, aged 54; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and RHIHL. He holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and corporate finance for Legend Capital Partners, Inc. under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited (Provisional Liquidators Appointed), FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, PacMOS Technologies Holdings Limited and TPV Technology Limited, all of which companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

**Mr. Kenneth Wong Po Man**, aged 43, *Executive Director* — Appointed to the Board in 2007. Mr. Wong is a qualified architect. He graduated from the University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor Degree of Architecture. He also holds a Master of Science Degree in Real Estates from the University of Hong Kong. Mr. Wong has been with the Group for over 15 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and its associates and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance.

### **Change in Information of Directors**

The change in the information of the Directors of the Company since the publication of the 2008 Annual Report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is set out below:

Mr. Wong Chi Keung, an Independent Non-Executive Director, resigned as an independent non-executive director of Great Wall Motor Company Limited, a company listed on the Stock Exchange, on 5th June, 2009.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out above in this section of "Directors' Profile".



## FINANCIAL RESULTS

For the six months ended 30th June, 2009, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$162.3 million, which was relatively lower than the profit of HK\$305.1 million recorded in the last corresponding period, due primarily to the decrease in the profit contribution from Regal Hotels International Holdings Limited, the Group's listed associate, for reasons as explained in the financial results of Regal in the section below.

For the purpose of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on an adjusted basis to reflect more fairly the share of net assets as attributable to the interests held by Regal in Regal Real Estate Investment Trust, is provided in the section headed "Management Discussion and Analysis" below.

## REVIEW OF OPERATIONS

### PROPERTIES

#### Hong Kong

##### **Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East**

The Group has a 30% joint venture interest in this development project. The development has a total gross floor area of about 913,000 square feet, comprising 9 residential towers with 715 luxury residential apartments and certain commercial areas on the ground floor, which will be complemented with club house and car parking facilities. The superstructure works for the project are progressing and the presale marketing program is expected to be commenced early next year.

##### **211 Johnston Road, Wanchai**

The Group owns certain ground floor units and all the office floors above the podium level in this commercial building. With a view to enhancing the property value, the Group is undertaking a conversion program to convert 9 upper floors into a hotel with 50 guest rooms. Two other units owned on the ground floor are also included in the program for conversion into restaurant use, which are planned to be operated in conjunction with the hotel. It is currently anticipated that the conversion works for the hotel portion will be completed and ready for operation around the end of this year.

#### The People's Republic of China

##### **Development Project in the Central Business District of Beijing**

This development project is held through a Sino-foreign joint venture entity that is 59%-owned by Hang Fok Properties Limited, an associate that is in turn 50% each held by the Group and the Regal group. The joint venture entity is now in the course of finalising with the Beijing Municipal Bureau of Land and Resources the terms of the contract for the grant of the primary development rights for the Phase II land. In the meantime, Hang Fok is engaged in arbitration disputes over certain claims made by the vendor under the contracts entered into between the parties in 2005 with respect to the purchase by Hang Fok of the additional 36% interests in the joint venture entities, which Hang Fok and its legal advisers consider to be without merit. Pending the satisfactory resolution of the arbitration disputes by Hang Fok and the settlement of the differences with the local partner over the detailed terms of the joint venture, it is intended that the development work for this joint venture project is to be proceeded with in the not too distant future.

## CONSTRUCTION AND BUILDING RELATED BUSINESSES

Chatwin Engineering Limited, the Group's wholly-owned construction arm, continues to operate steadily and contributed satisfactory profit to the Group during the period under review. The contract works undertaken by Chatwin for the construction of three additional stories on top of the Regal Riverside Hotel in Shatin was recently completed in June, while the contract works for the Housing Authority for the redevelopment of Sau Mau Ping Estate Phases 13 & 16 have also been substantially completed. In the meantime, Chatwin has secured a number of new projects, including a school re-provisioning contract in Wanchai and a contract for maintenance works for the MTR stations. Despite the difficult environment encountered by the construction industry in Hong Kong, Chatwin will strive to secure further new contracts from different sectors, making use of its competitive advantage afforded by a relatively compact and cost effective operating structure.

In the meantime, the building related businesses encompassing development consultancy, project management, building services, estate management as well as technology-based building management and security systems and services are operating satisfactorily and are gradually expanding the services to external clients.

## OTHER INVESTMENTS

As mentioned in the Annual Report 2008 published by the Company in April this year, the Group converted in February 2009 part of its holding of the convertible bonds due 2009 issued by a subsidiary of Cosmopolitan International Holdings Limited in a principal amount of HK\$14 million into 200 million new ordinary shares of Cosmopolitan and the Group's remaining holding of the convertible bonds due 2009 in a principal amount of HK\$31 million were redeemed on maturity by Cosmopolitan group in cash in March 2009.

Cosmopolitan is a listed company in Hong Kong principally engaged in property development and investment businesses in China and Hong Kong. With a view to maintaining the Group's strategic position in Cosmopolitan, the Group has earlier in January 2009 subscribed for certain zero coupon guaranteed convertible bonds due 2011 issued by Cosmopolitan group for a principal amount of HK\$28 million, which are convertible into new ordinary shares of Cosmopolitan at a prevailing conversion price of HK\$0.3 per share.

Presently, the Group holds approximately 16.9% of the issued ordinary shares of Cosmopolitan as well as substantial interests in the convertible bonds issued by Cosmopolitan group. The fair value gains on the Group's holdings of shares and convertible bonds of Cosmopolitan group, net of the loss on redemption of the convertible bonds due 2009, have been reflected in the results of the period under review.

Assuming all the outstanding convertible bonds of and the options on convertible bonds granted by Cosmopolitan group, including those held by the Group, are fully converted and/or exercised and converted, the Group can hold up to approximately 25.9% of the fully diluted shareholding of Cosmopolitan. At the same time, Regal group also holds substantial interests in the securities of Cosmopolitan group and, on the same fully-diluted basis, it can also come to own up to approximately 32.8% of the enlarged share capital of Cosmopolitan.



## REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2009, Regal achieved an unaudited consolidated profit attributable to shareholders of HK\$147.2 million, which is lower than the comparative profit of HK\$600.1 million in 2008. However, it should be noted that the profit attained by Regal in the corresponding period last year included fair value gains of approximately HK\$358.5 million arising from reclassification of the retained houses in Regalia Bay, Stanley to investment properties.

Due to the slowdown in world-wide economies caused by the global financial crisis and, more recently, the deterrent impact on travelling caused by the H1N1 pandemic, the hotel industry in Hong Kong on the whole has been operating under a difficult environment, particularly in the second quarter of this year. These have had a significant adverse effect on the overall business operations of the Regal group, as the lessee of the five Regal Hotels in Hong Kong, during the period under review.

### Hotels

#### Hong Kong

During the initial few months, hotels in Hong Kong were still able to perform relatively better than those in other major cities around the world, mainly benefiting from the continued strong influx of visitors from Mainland China. Since early May, the H1N1 pandemic has severely affected travelling to Hong Kong from all key source markets, including those from United States, Europe, Japan and Mainland China. For the whole of the period under review, there were a total number of 13.7 million visitors to Hong Kong which represented a negative growth of about 3.4% compared on a year-on-year basis, and Mainland China was the only market which still recorded an overall increase.

In the first half of 2009, the average hotel room occupancy rate for all hotels in different categories published by the Hong Kong Tourism Board was 74%, a negative growth of about 10.8%, while the average achieved room rate decreased by about 17.1%, resulting in an overall reduction in RevPAR (Revenue per Available Room) of about 26.2%, as compared with the corresponding period in 2008. The performance of the five Regal Hotels in Hong Kong has likewise been adversely affected under pressure from this very competitive market and, at the operating level, the hotels recorded a drop in RevPAR of about 22.9% from that attained in the comparative period last year.

To maintain the competitiveness of the Regal Hotels as well as to strengthen its overall network and in preparation for further expansion, the Regal group, as the operator of the hotel business and the owner of the Regal brand, has continued to sponsor extensive marketing program to promote market awareness, brand recognition and client affiliation.

The second stage of the Asset Enhancement Program at the Regal Riverside Hotel was duly completed in June 2009. Accordingly, the remaining number of approximately 155.7 million units held by the Regal group in Regal REIT, which were previously subject to the distribution waiver pending completion of this final phase of the Asset Enhancement Program, are now entitled to all future distributions of Regal REIT.

## **The People's Republic of China**

It has been the stated objective of the Regal group as a whole to expand its hotel portfolio in Mainland China, through hotel ownership and/or hotel management.

In January 2009, the Regal group announced that it has secured a management contract for the management of a new 350-room five star luxury hotel in Chengdu, the capital city of Sichuan Province. The hotel is now named as the Regal Master Hotel and scheduled for opening in the fourth quarter of this year.

Recently in August 2009, the Regal group entered into a hotel management agreement with Bosideng Holdings Limited for the Regal group to manage a five-star luxury hotel being developed by Bosideng in Dezhou, Shandong Province. This 215-room hotel will be named as the Regal Kangbo Hotel and, with its 100-meter height, will pose as the highest building as well as the first five-star international hotel in Dezhou. The hotel is presently scheduled to be opened in the third quarter of 2010.

The Regal Jinfeng Hotel, a 380-room four star business hotel located in Pudong, Shanghai, being another new addition to the hotel network in China under the management of the Regal group, is now preparing for soft opening later this month.

Together with the two existing managed hotels in Shanghai, there will be altogether four Regal managed hotels under operation in the Mainland by the end of this year. In pursuit of its stated objective, the Regal group is currently engaged in active discussions on a number of new hotel projects in different cities in China.

## **Regal Real Estate Investment Trust**

The Regal group holds approximately 74.0% of the issued units of Regal REIT, which owns the five Regal Hotels in Hong Kong. Regal REIT is being accounted for as an associate of the Regal group and the share of its profits attributable to the Regal group is based on the cash distributions received from Regal REIT during the relevant periods.

For the six months ended 30th June, 2009, Regal REIT attained an unaudited consolidated profit of approximately HK\$187.5 million. The profit attained in the period under review was comparatively lower than the profit of HK\$278.3 million recorded in the corresponding period in 2008, primarily due to the fact that while there is a deferred tax charge of approximately HK\$51.9 million incurred in the period under review, a net deferred tax credit of approximately HK\$53.9 million was recorded in the last corresponding period.

After adjusting for the non-cash items, the distributable income available for distribution to holders of the units for the period amounted to approximately HK\$280.5 million, which was equivalent to approximately HK\$0.092 per each unit entitled to the distribution (6 months ended 30th June, 2008 – HK\$247.4 million, equivalent to approximately HK\$0.083 per unit). Regal REIT has recently declared a distribution of HK\$0.085 per unit for the six months ended 30th June, 2009, which represents a distribution of approximately 92.4% of the available distributable income and an increase of about 2.4% over the HK\$0.083 per unit distributed for the comparative period in 2008.



With the completion of the second stage of the Asset Enhancement Program at Regal Riverside Hotel in June 2009, the hotel has added 280 new Regal iClub rooms to its room inventory, now boasting a total of 1,138 available rooms. In early July this year, the renovation and upgrade of one additional floor with 51 guest rooms in Regal Kowloon Hotel to club floor standard was also completed. Other notable capital additions projects that were completed during the period under review included the renovation of the new Chinese restaurant, Regal Court, in Regal Kowloon Hotel and the coffee shop, Café Neo, in Regal Oriental Hotel.

### **Regal Portfolio Management Limited**

Regal Portfolio Management Limited is a wholly-owned subsidiary of the Regal group and acts as the REIT Manager providing asset management services to Regal REIT. REIT Manager's fees received for the period amounted to approximately HK\$32.4 million, a major part of which was in the form of new units issued by Regal REIT.

### **Properties**

#### **Hong Kong**

##### **Regalia Bay, Stanley**

Despite the general economic slowdown, the property market in Hong Kong rebounded substantially in the first half of the year, particularly in the luxury residential sector, which was largely attributable to the immensely increased market liquidity and the low interest rate environment. The Regal group sold three of its allocated house units during the period under review at satisfactory price levels and the profits derived have been reflected in the interim financial results.

Since the half year end date, the Regal group has further disposed of four additional house units at increasingly higher prices and the profits derived will be accounted for in the second half of the year. At present, the Regal group still owns a total of 24 allocated house units, of which 10 houses are under lease for rental income.

#### **The People's Republic of China**

##### **Development Project in the Central Business District of Beijing**

As referred to above, Regal group is the 50% co-shareholder of the Paliburg group in the associate undertaking the joint venture investment in the development project held through the Sino-foreign joint venture entity in the PRC.

### **Development Project in Xindu District, Chengdu, Sichuan Province**

This development project is 50% beneficially owned by each of the Regal group and the Cosmopolitan group. The project site is composed of two separate land parcels. One of the parcels is planned to be developed into a hotel and commercial complex with a maximum gross floor area of about 180,000 square meters above ground together with a maximum of about 50,000 square meters of commercial and auxiliary services and car parking areas below ground. The other parcel is designated for residential development with a permitted maximum gross floor area of about 315,000 square meters. The Planning Permits for Construction Land for the proposed development have been obtained and detailed planning work is in progress. The project is anticipated to be completed in phases within the next few years.

### **Other Investment**


Apart from the substantial interest held in the securities of Cosmopolitan and with a view to diversifying its investment and income base, the Regal group undertakes, as part of its ordinary business, other investments in securities and financial instruments. These investment activities are conducted at all times with a cautious and prudent approach and the Regal group has no exposure to any highly leveraged or speculative investment products. Benefitting from the sharp rebound in the securities market during the first half year, these investment businesses have contributed to the Regal group significant profits, including the fair value gains on the convertible bonds held in Cosmopolitan group, during the period under review.

The Regal group may further expand from time to time its portfolio of other investments as and when the market circumstances are considered to be favourable and appropriate.

## **OUTLOOK**

Due to the uncertainty over the timing of a general economic revival and the continuing concern over the impact of the H1N1 pandemic, business conditions for the travel industry in Hong Kong in the remaining part of 2009 will continue to be challenging. However, recently there are some signs of a stabilising U.S. economy and when the measures to fight the spread of the H1N1 pandemic in Mainland China are easing gradually, there could be pent-up demand from both business and leisure travellers to Hong Kong and the hotel market in Hong Kong should be able to recover steadily in pace with the overall revival in the global economies.

As regards the Regal group's property business, it is expected that the luxury residential properties in Hong Kong will remain in strong demand, as the supply will be relatively limited. The Regal group may further dispose of some of the remaining house units in Regalia Bay if the offered prices are considered satisfactory, which could generate significant profits as well as cash resources to fund future business development.



The Regal group as a whole is devoted to expand its hotel network in China and is planning to increase its hotel portfolio to more than 20 owned and/or managed hotels in the first and second tier cities of China within the next few years.

While the global economic environment may still be volatile, the Regal group is nonetheless maintaining a sound financial position and is well-prepared for market changes. Overall, the directors of Regal are optimistic that the Regal group will be able to sustain further continuing growth.

The presale program for the joint venture development project in Ap Lei Chau is expected to be launched early next year. Having regard to the favourable sentiment towards the property sector and the limited supply of luxury apartments in the southern part of the Hong Kong Island, it is anticipated that the units in this residential development will be very well received and should generate to the Group substantial future profits and cash flow.

In the meanwhile, the Group is actively working on the plans to expand its business portfolio, with a view to broadening its income source.

By Order of the Board

**LO YUK SUI**

Chairman

Hong Kong, 8th September, 2009

## INTERIM DIVIDEND

The Directors have declared the payment of an interim dividend of HK1.0 cent (2008 – HK1.8 cents, as adjusted for the 10-into-1 share consolidation implemented in October 2008 (the “Share Consolidation”)) per ordinary share for the financial year ending 31st December, 2009, absorbing an amount of approximately HK\$10.2 million (2008 – HK\$18.3 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 15th October, 2009.

The Register of Ordinary Shareholders will be closed from Tuesday, 13th October, 2009 to Thursday, 15th October, 2009, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the interim dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2010 Warrants of the Company (“2010 Warrants”), duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company’s branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:00 p.m. on Monday, 12th October, 2009. The relevant dividend warrants are expected to be despatched on or about 28th October, 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Highlights

The Group’s significant investments and principal business activities mainly comprise property development and investment, construction related businesses and other investments including, in particular, its interests in Regal Hotels International Holdings Limited (“Regal”), the listed associate of the Company. The significant investments of Regal comprise its interests in the operation and management of the five Regal Hotels in Hong Kong, the investment in Regal Real Estate Investment Trust (“Regal REIT”) (which owns the five Regal Hotels in Hong Kong), the asset management of Regal REIT, the interest in the remaining houses in Regalia Bay in Stanley and other investment businesses. The performance of the Group’s property and construction related businesses, Regal’s hotel operations and its property and other investment businesses as well as that of Regal REIT during the period under review, the commentary on the local hotel industry and changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the sections headed “Review of Operations” and “Outlook” above.

### Cash Flow and Capital Structure

During the period under review, there was a net cash outflow on operating activities of HK\$8.8 million (2008 - HK\$48.3 million). Net interest receipt for the period amounted to HK\$0.2 million (2008 - HK\$1.5 million).

During the period under review, a total of 14,670 new ordinary shares of the Company were allotted and issued to the holders of the 2010 Warrants who exercised the subscription rights in an aggregate amount of HK\$30,807.00 attaching to the 2010 Warrants at the adjusted subscription price of HK\$2.10 per ordinary share.



Up to the date of this report, a total of 0.8 million new ordinary shares of the Company (as adjusted for the Share Consolidation) have been allotted and issued upon exercise of the 2010 Warrants. As of the date of this report, the aggregate amount of the 2010 Warrants remaining outstanding is HK\$236.0 million, and these outstanding 2010 Warrants are exercisable to subscribe for 112.4 million new ordinary shares of the Company at the prevailing adjusted subscription price of HK\$2.10 per ordinary share (subject to adjustment).

### Asset Value

Based on the condensed consolidated statement of financial position as at 30th June, 2009, the unaudited book net asset value of the ordinary shares of the Company was HK\$4.87 per share. Such book net asset value has been significantly affected by the elimination in the books of Regal of its unrealised gain on the disposal of the subsidiaries owning the hotel properties to Regal REIT in 2007 against the interest held by Regal in Regal REIT as well as the sharing by Regal of the fair value loss on the hotel properties held by Regal REIT for the year ended 31st December, 2008. The interest held by Regal in Regal REIT represented one of Regal's most significant investments but, as at 30th June, 2009, such interest was only stated at a value of HK\$118.6 million.

In order to more fairly reflect the underlying net asset value of the Group, management of the Group considers it appropriate to also present, for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on an adjusted basis to restate the Group's interest in Regal based on its adjusted net assets to reflect the share of the underlying adjusted net assets of Regal REIT attributable to Regal. Accordingly, on the basis that Regal's interest in Regal REIT were to be stated based on the published unaudited adjusted net asset value per unit of Regal REIT of HK\$2.849 as at 30th June, 2009, calculated on the basis that the deferred tax liabilities provided by Regal REIT with regard to the revaluation surplus of its hotel properties are added back, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$6.41 per share.

	<b>As at 30th June, 2009</b>	
	<b>HK\$'million</b>	<b>HK\$ per ordinary share</b>
<b>Unaudited book net assets after minority interests</b>	<b>4,960.4</b>	<b>4.87</b>
<b>Adjustment to restate the Group's interest in Regal on the basis noted above</b>	<b>1,569.0</b>	
	<hr/>	
<b>Unaudited adjusted net assets after minority interests</b>	<b>6,529.4</b>	<b>6.41</b>
	<hr/> <hr/>	

### Borrowings

As at 30th June, 2009, the Group had cash and bank balances and deposits, net of borrowings of HK\$61.4 million (31st December, 2008 - HK\$63.4 million).

Information in relation to the maturity profile of the borrowings and the contingent liabilities of the Group as of 30th June, 2009 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2008 (the "2008 Annual Report"). Details of the Group's pledge of assets are shown in note 13 to the condensed consolidated financial statements which have not changed materially from that disclosed in the 2008 Annual Report.



## **Material Acquisitions or Disposals of Subsidiaries or Associates**

During the period under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

Save as otherwise disclosed in the sections above headed “Review of Operations” and “Outlook”, the Group has no immediate plan for material investments or capital assets.

## **Funding and Treasury Policy**

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date.

As the Group’s borrowings are all denominated in Hong Kong dollar currency, being the same currency in which the Group’s major revenues are derived, and with interest primarily determined with reference to interbank offered rates, no hedging instruments for currency or interest rates purposes have been deployed during the period under review.

## **Remuneration Policy**

The Group, together with the Regal group, employ approximately 1,990 staff in Hong Kong. The Group’s management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group’s operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, the Company maintains a share option scheme named as “The Paliburg Holdings Limited Share Option Scheme”, under which share options have been granted to selected eligible persons.

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Condensed Consolidated Income Statement

		Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2	106.7	133.1
Cost of sales		(85.9)	(116.9)
Gross profit		20.8	16.2
Other income and gains	3	0.8	4.0
Fair value gain on an investment property		46.0	–
Fair value gains on financial assets at fair value through profit or loss, net		97.2	29.6
Administrative expenses		(14.1)	(15.1)
Other operating expenses, net	4	(49.5)	(0.5)
OPERATING PROFIT	2	101.2	34.2
Finance costs	6	(0.9)	(2.8)
Share of profits and losses of associates		71.2	274.2
PROFIT BEFORE TAX		171.5	305.6
Tax	7	(9.2)	(0.5)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS		162.3	305.1
Attributable to:			
Equity holders of the parent		162.3	305.1
Minority interests		–	–
		162.3	305.1
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		(Restated)
Basic		HK15.9 cents	HK29.9 cents
Diluted		N/A	HK29.7 cents
DIVIDEND PER ORDINARY SHARE	9	HK1.0 cent	(Restated) HK1.8 cents

### Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June 2009 (Unaudited)	Six months ended 30th June 2008 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS	162.3	305.1
OTHER COMPREHENSIVE INCOME/(LOSS):		
Available-for-sale investments:		
Changes in fair value for the period	–	(4.1)
Reclassification adjustment for fair value losses included in the income statement	0.7	–
	0.7	(4.1)
Exchange differences on translating foreign operations	–	3.7
Share of other comprehensive income of the associates	0.5	44.1
Other comprehensive income for the period	1.2	43.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	163.5	348.8
Attributable to:		
Equity holders of the parent	163.5	348.8
Minority interests	–	–
	163.5	348.8

## Condensed Consolidated Statement of Financial Position

		30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	Notes	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6.7	1.9
Investment properties		404.3	358.3
Interests in associates		4,187.6	4,136.8
Available-for-sale investments		0.1	3.2
Financial assets at fair value through profit or loss		373.1	211.3
Loans receivable		6.0	6.5
Total non-current assets		<u>4,977.8</u>	<u>4,718.0</u>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss		5.0	121.0
Properties held for sale		6.0	6.0
Inventories		14.1	10.0
Debtors, deposits and prepayments	10	46.3	79.7
Time deposits		165.0	186.0
Cash and bank balances		107.6	92.0
		<u>344.0</u>	<u>494.7</u>
Asset of a disposal group classified as held for sale		249.4	249.4
Total current assets		<u>593.4</u>	<u>744.1</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	11	(60.6)	(100.9)
Tax payable		(5.1)	(3.7)
Deposits received		(220.1)	(221.3)
		<u>(285.8)</u>	<u>(325.9)</u>
Liability directly associated with the asset of a disposal group classified as held for sale		(98.9)	(98.9)
Total current liabilities		<u>(384.7)</u>	<u>(424.8)</u>
NET CURRENT ASSETS		<u>208.7</u>	<u>319.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,186.5</u>	<u>5,037.3</u>

### Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES	5,186.5	5,037.3
NON-CURRENT LIABILITIES		
Interest bearing bank borrowings	(211.2)	(214.6)
Deferred tax liabilities	(14.7)	(6.9)
Total non-current liabilities	<u>(225.9)</u>	<u>(221.5)</u>
Net assets	<u>4,960.6</u>	<u>4,815.8</u>
EQUITY		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	101.9	101.9
Reserves	4,848.3	4,693.3
Dividends	10.2	20.4
	<u>4,960.4</u>	<u>4,815.6</u>
<b>Minority interests</b>	<u>0.2</u>	<u>0.2</u>
Total equity	<u>4,960.6</u>	<u>4,815.8</u>



## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2009

	Attributable to equity holders of the parent												
	Issued capital (Unaudited)	Share premium account (Unaudited)	Share option reserve (Unaudited)	Special reserve (Unaudited)	Assets revaluation reserve (Unaudited)	Available-for-sale investments revaluation reserve (Unaudited)	Hedge reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Dividends (Unaudited)	Total (Unaudited)	Minority interests (Unaudited)	Total equity (Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2009	101.9	1,173.6	26.5	689.6	663.6	(1.1)	(59.1)	128.5	2,071.7	20.4	4,815.6	0.2	4,815.8
Final 2008 dividend declared	-	-	-	-	-	-	-	-	-	(20.4)	(20.4)	-	(20.4)
Equity-settled share option arrangements	-	-	0.5	-	-	-	-	-	-	-	0.5	-	0.5
Share of the listed associate	-	-	1.2	-	-	-	-	-	-	-	1.2	-	1.2
Interim 2009 dividend	-	-	-	-	-	-	-	-	(10.2)	10.2	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	-	1.1	(0.2)	0.3	162.3	-	163.5	-	163.5
At 30th June, 2009	101.9	1,173.6	28.2	689.6	663.6	-	(59.3)	128.8	2,223.8	10.2	4,960.4	0.2	4,960.6

## Condensed Consolidated Statement of Changes in Equity (Cont'd)

	Attributable to equity holders of the parent												
	Issued capital (Unaudited)	Share premium account (Unaudited)	Share option reserve (Unaudited)	Special reserve (Unaudited)	Assets revaluation reserve (Unaudited)	Available-for-sale investments revaluation reserve (Unaudited)	Hedge reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Dividends (Unaudited)	Total (Unaudited)	Minority interests (Unaudited)	Total equity (Unaudited)
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At 1st January, 2008	101.9	1,172.3	21.2	689.6	663.6	(7.9)	69.8	2,579.2	40.8	5,322.6	0.2	5,322.8	
Issue of new shares upon exercise of warrants	-	1.3	-	-	-	-	-	-	-	1.3	-	1.3	
Final 2007 dividend declared	-	-	-	-	-	-	-	-	(40.8)	(40.8)	-	(40.8)	
Equity-settled share option arrangements	-	-	0.9	-	-	-	-	-	-	0.9	-	0.9	
Share of the listed associate	-	-	1.8	-	-	-	-	-	-	1.8	-	1.8	
Interim 2008 dividend	-	-	-	-	-	-	-	(18.3)	18.3	-	-	-	
Total comprehensive income/(loss) for the period	-	-	-	-	-	(9.7)	57.5	305.1	-	348.8	-	348.8	
At 30th June, 2008	101.9	1,173.6	23.9	689.6	663.6	(17.6)	127.3	2,866.0	18.3	5,634.6	0.2	5,634.8	

### Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Net cash outflow from operating activities	(8.8)	(48.3)
Net cash inflow/(outflow) from investing activities	28.0	(56.7)
Net cash outflow from financing activities	(24.6)	(71.6)
Net decrease in cash and cash equivalents	(5.4)	(176.6)
Cash and cash equivalents at beginning of period	278.0	401.9
Effect of foreign exchange rate changes, net	–	3.7
Cash and cash equivalents at end of period	<u>272.6</u>	<u>229.0</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	107.6	72.9
Non-pledged time deposits with original maturity of less than three months when acquired	165.0	156.1
	<u>272.6</u>	<u>229.0</u>

## Notes to Condensed Consolidated Financial Statements

### 1. Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2009.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment - Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement - Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
Improvements to HKFRSs (2008)	

Except for HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no impact on the Group's results of operation and financial position. The principal effects of adopting HKFRS 8 and HKAS 1 (Revised) are as follows:

#### **HKFRS 8 Operating Segments**

This standard, which replaced HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 *Segment Reporting*.



## **HKAS 1 (Revised) Presentation of Financial Statements**

This revised standard introduces changes in the presentation and disclosures of financial statements, which require owner and non-owner changes in equity to be separately presented. The statement of changes in equity will only include details of transactions with owner and all non-owner changes in equity will be presented in a single line. In addition, this standard also introduces the statement of comprehensive income, with all items of income and expense recognised in income statement, together with all other items of income and expense recognised directly in equity, to be presented either in one single statement, or in two linked statements. The Group has elected to present in two statements.

### **2. Segment Information**

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 operating segments represents a strategic business unit, the operating results of which are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Summary details of the operating segments are as follows:

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel operation and management segment engages in hotel operations and the provision of hotel management services;
- (d) the securities investment segment engages in securities trading and investment businesses; and
- (e) the others segment mainly comprises the provision of financing services.

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.

## Operating segments

The following table presents revenue and profit/(loss) information for the Group's operating segments.

### Group

	Property development and investment		Construction and building related businesses		Hotel operation and management		Securities investment		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2009	2008	Six months ended 30th June, 2009	2008	Six months ended 30th June, 2009	2008	Six months ended 30th June, 2009	2008	Six months ended 30th June, 2009	2008	Six months ended 30th June, 2009	2008	Six months ended 30th June, 2009	2008
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Segment revenue:														
Sales to external customers	7.8	8.1	98.2	124.7	-	-	0.7	0.3*	-	-	-	-	106.7	133.1
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>7.8</b>	<b>8.1</b>	<b>98.2</b>	<b>124.7</b>	<b>-</b>	<b>-</b>	<b>0.7</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106.7</b>	<b>133.1</b>
Segment results	51.7	5.7	12.9	8.7	-	-	47.9	30.9	1.1	1.3	-	-	113.6	46.6
Interest income and unallocated non-operating and corporate gains													0.3	2.6
Unallocated non-operating and corporate expenses													(12.7)	(15.0)
Operating profit													101.2	34.2
Finance costs													(0.9)	(2.8)
Share of profits and losses of associates	(1.5)	(3.1)	-	-	72.7	277.3	-	-	-	-	-	-	71.2	274.2
Profit before tax													171.5	305.6
Tax													(9.2)	(0.5)
Profit for the period before allocation between equity holders of the parent and minority interests													162.3	305.1
Attributable to:													162.3	305.1
Equity holders of the parent													-	-
Minority interests													162.3	305.1

\* In prior years, the Group's proceeds from sale of listed investments at fair value through profit or loss was presented under "Revenue" with the corresponding cost of sales included under "Cost of sales". Subsequent to the publication of the 2008 interim results, the Group has changed the presentation, as in the opinion of the Directors, it is more appropriate to include the gain/loss from sale of listed investments at fair value through profit or loss in the "Revenue" only. Accordingly, the revenue and cost of sales in the prior period were decreased by the same amount of HK\$16.9 million with the gross profit remaining the same.



### 3. Other Income and Gains

Other income and gains represent the following items:

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Interest income	0.8	3.9
Others	–	0.1
	<u>0.8</u>	<u>4.0</u>

### 4. Other Operating Expenses, net

Other operating expenses, net, include the following major items:

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Depreciation	0.2	0.7
Loss on redemption of financial assets at fair value through profit or loss	49.1	–
	<u>49.1</u>	<u>–</u>

### 5. An analysis of profit/(loss) on sale of investments of the Group is as follows:

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Profit/(Loss) on disposal of listed investments	(0.3)	0.3
Loss on disposal of available-for-sale investments	(0.8)	–
	<u>(0.8)</u>	<u>–</u>

## 6. Finance Costs

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Interest in respect of bank loans wholly repayable within five years	0.7	2.8
Other loan costs	0.2	–
Total finance costs	<u>0.9</u>	<u>2.8</u>

## 7. Tax

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Current - Hong Kong Charge for the period	1.4	0.5
Deferred tax expense	7.8	–
Total tax charge for the period	<u>9.2</u>	<u>0.5</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2008 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

The share of tax charge attributable to associates amounting to HK\$1.7 million (2008 - HK\$0.3 million) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

Deferred tax expense has been calculated by applying the rate that is expected to apply in the period when the asset is realised or the liability is settled.

## 8. Earnings Per Ordinary Share Attributable to Equity Holders of the Parent

### (a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$162.3 million (2008 - HK\$305.1 million) and on the weighted average of 1,019.4 million (2008 - 1,019.1 million, as adjusted for the effect of the consolidation of ordinary shares of the Company on the basis that every ten then existing issued and unissued ordinary shares of HK\$0.01 each were consolidated into one ordinary share of HK\$0.10 effective from 23rd October, 2008 (the "Share Consolidation")) ordinary shares of the Company in issue during the period.

### (b) Diluted earnings per ordinary share

No diluted earnings per ordinary share is presented for the period ended 30th June, 2009 as the exercise prices of the share options of the Company and Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company, and the subscription price of the warrants of the Company outstanding during the period are higher than the average market prices of the respective ordinary shares of the Company and RHIHL and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2008 was based on the profit for that period attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the earnings of RHIHL and its subsidiaries of HK\$1.3 million assuming all outstanding convertible preference shares of RHIHL were converted into ordinary shares of RHIHL at the beginning of that period. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue (as adjusted for the Share Consolidation) during that period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 5.1 million (as adjusted for the Share Consolidation) that would be issued at no consideration assuming all outstanding share options and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of that period. The exercise price of the share options of RHIHL outstanding during that period was higher than the average market price of the ordinary shares of RHIHL and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

## 9. Dividend

The Directors have declared the payment of an interim dividend of HK1.0 cent (2008 - HK1.8 cents, as adjusted for the Share Consolidation) per ordinary share for the financial year ending 31st December, 2009, absorbing an amount of approximately HK\$10.2 million (2008 - HK\$18.3 million).

## 10. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$11.2 million (31st December, 2008 - HK\$46.1 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	10.9	45.5
Between 4 to 6 months	0.3	0.6
	<hr/>	<hr/>
	11.2	46.1
	<hr/> <hr/>	<hr/> <hr/>

### Credit terms

Trade debtors generally have credit terms of 30 to 90 days. The Group seeks to maintain strict control over its outstanding debts and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's exposures spread over a number of counter-parties and customers, the Group has no significant concentration of credit risk.

Included in the balance are amounts due from the Group's listed associate, a jointly controlled entity of the listed associate and related companies of HK\$3.6 million (31st December, 2008 - HK\$9.8 million), HK\$0.8 million (31st December, 2008 - HK\$0.7 million) and HK\$2.6 million (31st December, 2008 - HK\$2.6 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

## 11. Creditors and Accruals

Included in the balance is an amount of HK\$3.5 million (31st December, 2008 - HK\$25.6 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	3.3	25.6
Between 4 to 6 months	0.2	–
	<u>3.5</u>	<u>25.6</u>

The trade creditors are non-interest bearing and are normally settled within 90 days.

Included in the balances are amounts due to the Group's listed associate and a fellow subsidiary of HK\$2.1 million (31st December, 2008 - HK\$2.3 million) and HK\$0.3 million (31st December, 2008 - HK\$1.3 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

## 12. Related Party Transactions

- (a) Transactions with related parties

The Group had the following material related party transactions during the period:

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
The listed ultimate holding company:		
Management fee expenses	3.2	3.4
The listed associate:		
Gross construction fee income	26.7	38.2
Gross development consultancy fee income	1.1	3.4
Gross income in respect of security systems and products and other software	1.3	3.8
A jointly controlled entity of the listed associate:		
Gross construction fee income	–	0.1

The nature and terms of these related party transactions set out above were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2008.

(b) Outstanding balances with related parties:

	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
Due from associates	245.1	249.3
Due from a jointly controlled entity of the listed associate	0.8	0.7
Due from related companies	2.6	2.6
Due to a fellow subsidiary	(0.3)	(1.3)
Due to the listed associate	(2.1)	(2.4)
Loans to associates	156.0	156.0

(c) Compensation of key management personnel of the Group:

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	3.6	3.6
Equity-settled share option expense	0.5	0.8
Total compensation paid to key management personnel	4.1	4.4

### 13. Pledge of Assets

At 30th June, 2009, certain of the Group's investment properties with a total carrying value of HK\$404.0 million (31st December, 2008 - HK\$358.0 million) and certain ordinary shares in the listed associate with a market value of HK\$194.7 million (31st December, 2008 - HK\$115.7 million) were pledged to secure general banking facilities granted to the Group.

## 14. Operating Lease Arrangements

### (a) As lessor

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
Within one year	5.7	9.2
In the second to fifth years, inclusive	0.9	2.0
	<u>6.6</u>	<u>11.2</u>

### (b) As lessee

The Group leases certain office properties and area under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years.

At 30th June, 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
Within one year	0.8	0.2
In the second to fifth years, inclusive	1.1	–
	<u>1.9</u>	<u>0.2</u>

## 15. Commitments

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following outstanding commitments at 30th June, 2009:

	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
Capital commitments in respect of the renovation of and improvements to an investment property:		
Authorised, but not contracted for	11.0	–
Contracted, but not provided for	17.2	–
	<u>28.2</u>	<u>–</u>

## 16. Share Options

The Company operates a share option scheme named as “The Paliburg Holdings Limited Share Option Scheme” (the “Share Option Scheme”). The Share Option Scheme was adopted by the Company’s shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

During the period, movements in share options granted by the Company pursuant to the Share Option Scheme are as follows:

Offer date**	Name or category of participant	Number of ordinary shares under share options*			Vesting/Exercise periods of share options	Adjusted exercise price of share options* HK\$
		At 1st January, 2009	Vested during the period	At 30th June, 2009		
<b>Directors</b>						
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	12,052,800	4,017,600	16,070,400	Note	1.97
	Unvested:	8,035,200***	(4,017,600)	4,017,600		
25th July, 2005	Mr. Donald Fan Tung					
	Vested:	1,339,200	–	1,339,200	Note	1.97
	Unvested:	892,800	–	892,800		
25th July, 2005	Mr. Jimmy Lo Chun To					
	Vested:	1,339,200	–	1,339,200	Note	1.97
	Unvested:	892,800	–	892,800		
25th July, 2005	Miss Lo Po Man					
	Vested:	669,600	–	669,600	Note	1.97
	Unvested:	446,400	–	446,400		
25th July, 2005	Mr. Kenneth Ng Kwai Kai					
	Vested:	1,283,400	–	1,283,400	Note	1.97
	Unvested:	892,800	–	892,800		
25th July, 2005	Mr. Kenneth Wong Po Man					
	Vested:	669,600	–	669,600	Note	1.97
	Unvested:	446,400	–	446,400		
<b>Other Employees</b>						
25th July, 2005	Employees, in aggregate					
	Vested:	1,138,320	–	1,138,320	Note	1.97
	Unvested:	758,880	–	758,880		
	<b>Total:</b>					
	<b>Vested:</b>	<b>18,492,120</b>	<b>4,017,600</b>	<b>22,509,720</b>		
	<b>Unvested:</b>	<b>12,365,280</b>	<b>(4,017,600)</b>	<b>8,347,680</b>		



- \* Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.
- \*\* Offer date is the date on which the grant of share options is offered by the Company, and it is deemed the date of grant of the share options unless the grant of the share options is declined or lapsed.
- \*\*\* In excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date.

**Note:**

Vesting/Exercise periods of share options:

<b>On completion of continuous service of</b>	<b>Percentage vesting</b>	<b>Cumulative percentage exercisable</b>
2 years after offer date	40% of options granted	40% (exercisable until 6 years after offer date)
3 years after offer date	A further 20% of options granted	60% (exercisable until 6 years after offer date)
4 years after offer date	A further 20% of options granted	80% (exercisable until 6 years after offer date)
5 years after offer date	The final 20% of options granted	100% (exercisable until 6 years after offer date)

**17. Comparative Amounts**

As further explained in note 2 to the financial statements, certain comparative amounts have been revised to conform with the current period's presentation.

## OTHER INFORMATION

### Directors' Interests in Share Capital

As at 30th June, 2009, 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") as set out in Appendix 10 of 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, 2009)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	60,062,373	629,648,684 (Note c(ii))	13,500	689,724,557
		(ii) unissued	21,951,641 (Notes c(ii) & (iii))	64,284,117 (Notes c(iv) & (v))	1,500 (Note c(vi))	86,237,258
				Total (i) & (ii):	775,961,815 (76.12%)	
	Mr. Donald Fan Tung	Ordinary (i) issued	471	-	-	471
		(ii) unissued	2,232,085 (Note d)	-	-	2,232,085
				Total (i) & (ii):	2,232,556 (0.22%)	

Number of shares held

	Name of Director	Class of shares held	Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 30th June, 2009)
1. The Company	Mr. Jimmy Lo Chun To	Ordinary				
		(i) issued	38,340	-	-	38,340
		(ii) unissued	2,236,260 (Note e)	-	-	2,236,260
					Total (i) & (ii):	2,274,600 (0.22%)
	Miss Lo Po Man	Ordinary (unissued)	1,116,000 (Note f)	-	-	1,116,000 (0.11%)
	Mr. Kenneth Ng Kwai Kai	Ordinary				
		(i) issued	67,500	-	-	67,500
		(ii) unissued	2,183,700 (Note g)	-	-	2,183,700
					Total (i) & (ii):	2,251,200 (0.22%)
	Mr. Ng Siu Chan	Ordinary				
(i) issued		-	-	72,427	72,427	
	(ii) unissued	-	-	8,047 (Note h)	8,047	
				Total (i) & (ii):	80,474 (0.008%)	
Mr. Kenneth Wong Po Man	Ordinary					
	(i) issued	200	-	-	200	
	(ii) unissued	1,116,000 (Note f)	-	-	1,116,000	
				Total (i) & (ii):	1,116,200 (0.11%)	

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, 2009)
			Personal interests	Corporate interests	Family/Other interests	
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (i) issued	31,801,690	1,166,482,217 (Note a(i))	251,000	1,198,534,907
		(ii) unissued	40,890,338 (Notes a(ii) & (iii))	233,296,441 (Note a(iv))	50,200 (Note a(v))	274,236,979
					Total (i) & (ii):	1,472,771,886 (63.74%)
	Mr. Jimmy Lo Chun To	Ordinary (i) issued	165,980	-	-	165,980
		(ii) unissued	33,196 (Note b(i))	-	-	33,196
					Total (i) & (ii):	199,176 (0.009%)
	Miss Lo Po Man	Ordinary (i) issued	74,043	-	-	74,043
		(ii) unissued	14,808 (Note b(ii))	-	-	14,808
					Total (i) & (ii):	88,851 (0.004%)
	Mr. Ng Siu Chan	Ordinary (i) issued	-	-	2,322,180	2,322,180
		(ii) unissued	-	-	464,436 (Note b(iii))	464,436
					Total (i) & (ii):	2,786,616 (0.12%)
	Mr. Kenneth Wong Po Man	Ordinary (i) issued	200	-	-	200
		(ii) unissued	40 (Note b(iv))	-	-	40
					Total (i) & (ii):	240 (0.000%)

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, 2009)
			Personal interests	Corporate interests	Family/Other interests	
3. Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	477,507,262 (Note i(i))	260,700	477,792,162
		(ii) unissued	20,000,000 (Note i(ii))	-	-	20,000,000
	Total (i) & (ii):					497,792,162 (49.25%)
	Mr. Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note j)	-	-	2,000,000 (0.20%)
	Mr. Jimmy Lo Chun To	Ordinary (unissued)	1,500,000 (Note k)	-	-	1,500,000 (0.15%)
	Miss Lo Po Man	Ordinary (i) issued	300,000	-	269,169 (Note l(i))	569,169
		(ii) unissued	3,000,000 (Note l(ii))	-	-	3,000,000
	Total (i) & (ii):					3,569,169 (0.35%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note j)	-	-	2,000,000 (0.20%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	-	-	200 (0.000%)
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1,000 (Note m)	-	1,000 (100%)

**Notes:**

- (a) (i) The interests in 91,482,217 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, 99.9% owned by Mr. Lo.

The interests in 1,075,000,000 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	51.86
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 35,000,000 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", entitling the holder thereof to subscribe for a total of 35,000,000 new ordinary shares of CCIHL at an adjusted exercise price of HK\$1.20 per ordinary share (subject to adjustments). The options have, 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 are, and will 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	14,000,000
12th May, 2008 to 11th May, 2011	7,000,000
12th May, 2009 to 11th May, 2011	7,000,000
12th May, 2010 to 11th May, 2011	7,000,000

- (iii) The interests in 5,890,338 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 a total of 5,890,338 new ordinary shares of CCIHL at an adjusted subscription price of HK\$1.00 per ordinary share (subject to adjustment).

- (iv) The interests in 233,296,441 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 a total of 233,296,441 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

The interests in 18,296,441 unissued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

The interests in 215,000,000 unissued 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	51.86
	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	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

- (v) The interests in 50,200 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 a total of 50,200 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (b) (i) The interests in 33,196 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 a total of 33,196 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (ii) The interests in 14,808 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$14,808.70, which are exercisable to subscribe for a total of 14,808 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (iii) The interests in 464,436 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$464,436.00, which are exercisable to subscribe for a total of 464,436 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (iv) The interests in 40 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$40.00, which are exercisable to subscribe for a total of 40 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

- (c) (i) The interests in 587,730,624 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 51.86% shareholding interests.

The interests in 14,592,860 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

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

The interests in 27,325,200 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

<b>Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
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) The interests in 20,088,000 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 20,088,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, 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 are, and will 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	8,035,200
12th May, 2008 to 11th May, 2011	4,017,600
12th May, 2009 to 11th May, 2011	4,017,600
12th May, 2010 to 11th May, 2011	4,017,600

- (iii) The interests in 1,863,641 unissued ordinary shares of the Company related to the interests in the warrants of the Company (the "2010 Warrants") carrying subscription rights in an aggregate amount of HK\$3,913,646.94, which are exercisable during the period from 20th November, 2007 to 8th November, 2010 to subscribe for a total of 1,863,641 new ordinary shares of the Company at an adjusted subscription price of HK\$2.10 per ordinary share (subject to adjustment).
- (iv) The interests in 59,465,921 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$124,878,444.39, which are exercisable to subscribe for a total of 59,465,921 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above and were held through companies wholly owned by CCIHL, in which Mr. Lo held 51.86% shareholding interests.



- (v) The interests in 4,818,196 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$10,118,213.28, which are exercisable to subscribe for a total of 4,818,196 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

The interests in 1,678,825 unissued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

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

The interests in 3,139,371 unissued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

<b>Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
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

- (vi) The interests in 1,500 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$3,150.00, which are exercisable to subscribe for a total of 1,500 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.
- (d) (i) The interests in 2,232,000 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 2,232,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, 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 are, and will 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	892,800
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

- (ii) The interests in 85 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$179.55, which are exercisable to subscribe for a total of 85 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

- (e) (i) The interests in 2,232,000 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 2,232,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, 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 are, and will 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	892,800
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

- (ii) The interests in 4,260 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$8,946.00, which are exercisable to subscribe for a total of 4,260 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

- (f) The interests in 1,116,000 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 1,116,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, 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 are, and will 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	446,400
25th July, 2008 to 24th July, 2011	223,200
25th July, 2009 to 24th July, 2011	223,200
25th July, 2010 to 24th July, 2011	223,200

- (g) (i) The interests in 2,176,200 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 2,176,200 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options remaining outstanding have, 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 are, and will 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	837,000
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

- (ii) The interests in 7,500 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$15,750.00, which are exercisable to subscribe for a total of 7,500 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

- (h) The interests in 8,047 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$16,899.75, which are exercisable to subscribe for a total of 8,047 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.
- (i) (i) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 51.86% shareholding interests, and the interests in the other 477,085,862 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 57.66% shareholding interests.
- (ii) The interests in 20,000,000 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 20,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, 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 are, and will 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	8,000,000
12th May, 2008 to 11th May, 2011	4,000,000
12th May, 2009 to 11th May, 2011	4,000,000
12th May, 2010 to 11th May, 2011	4,000,000

- (j) The interests in 2,000,000 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 2,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, 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 are, and will 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	800,000
25th July, 2008 to 24th July, 2011	400,000
25th July, 2009 to 24th July, 2011	400,000
25th July, 2010 to 24th July, 2011	400,000

- (k) The interests in 1,500,000 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 1,500,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, 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 are, and will 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	600,000
25th July, 2008 to 24th July, 2011	300,000
25th July, 2009 to 24th July, 2011	300,000
25th July, 2010 to 24th July, 2011	300,000

(l) (i) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.

(ii) The interests in 3,000,000 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 3,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, 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 are, and will 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	1,200,000
25th July, 2008 to 24th July, 2011	600,000
25th July, 2009 to 24th July, 2011	600,000
25th July, 2010 to 24th July, 2011	600,000

(m) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 51.86% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2009, 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.

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 Directors, 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, 2009, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (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 or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of issued ordinary shares as at 30th June, 2009
CCIHL (Note i)	587,730,624	59,465,921	647,196,545	63.49%
Century City BVI Holdings Limited (Note ii)	587,730,624	59,465,921	647,196,545	63.49%
Almighty International Limited (Note ii)	270,226,960	29,839,566	300,066,526	29.44%
Cleverview Investments Limited (Note ii)	162,118,837	18,692,632	180,811,469	17.74%

### Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 51.86% shareholding interests in CCIHL, and the interests in these ordinary shares of the Company held by CCIHL through its wholly owned subsidiaries 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 subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2009, 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 or notified to the Company pursuant to the SFO.

## **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, 2009, 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 to cater to the Group's corporate operating structure.
- (2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that 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, 2009.

## **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2009.

## **Review of Results**

The Audit Committee of the Company currently comprises Mr. Wong Chi Keung (Chairman of the Committee), Mr. Bowen Joseph Leung Po Wing, GBS, JP, Mr. Ng Siu Chan and Hon Abraham Shek Lai Him, SBS, 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, 2009, in conjunction with the external auditors. The review report of the external auditors is set out on page 48 of this report.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**To the Board of Directors of  
Paliburg Holdings Limited**  
(Incorporated in Bermuda with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 16 to 34 which comprises the condensed consolidated statement of financial position of Paliburg Holdings Limited as at 30th June, 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The Directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the interim financial information.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**  
*Certified Public Accountants*

18th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong  
8th September, 2009

