



# 2011 INTERIM REPORT



百利保控股有限公司  
**Paliburg**  
Holdings Limited

(Incorporated in Bermuda with limited liability)  
(Stock Code: 617)

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# Corporate Information

## DIRECTORS

### *Executive Directors*

Lo Yuk Sui  
(Chairman and Chief Executive Officer)  
Donald Fan Tung  
(Chief Operating Officer)  
Jimmy Lo Chun To  
Lo Po Man  
Kenneth Ng Kwai Kai  
Kenneth Wong Po Man

### *Independent Non-Executive Directors*

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

## 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 BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited  
The Bank of East Asia, Limited  
Standard Chartered Bank (Hong Kong) Limited

## 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

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## Directors' Profile

**Mr. Lo Yuk Sui**, aged 67; *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, 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 subsidiary 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 54; *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. Fan was recently appointed as a non-executive director of KH Investment Holdings Limited (“KH Investment”), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), in September 2011 following the mandatory conditional cash offers for the securities of KH Investment made by the CCIHL group becoming unconditional.

**Mr. Bowen Joseph Leung Po Wing**, *GBS, JP*, aged 62; *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 an independent non-executive director and a member of the Audit Committee of PYI Corporation Limited and North Asia Resources Holdings Limited, both of which are companies listed on the Stock Exchange. He also acts as special consultant to the board of directors of Sands China Limited, which is a company listed on the Stock Exchange.

**Mr. Jimmy Lo Chun To**, aged 37; *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.

## Directors' Profile (Cont'd)

**Miss Lo Po Man**, aged 32; *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. Miss Lo 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 57; *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 Century City Group. Mr. Ng is a Chartered Secretary. Mr. Ng 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 (“Cosmopolitan”), a company listed on the Stock Exchange. He was also recently appointed as an executive director of KH Investment in September 2011.

**Mr. Ng Siu Chan**, aged 81; *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 66; *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 Court of The Hong Kong University of Science and 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 the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, ITC Corporation Limited, Kosmopolito Hotels International 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 56; *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 advising on corporate finance for Greater China Capital Limited 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 (now known as "Yuexiu Property 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, ENM Holdings Limited, First Natural Foods Holdings Limited (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited and TPV Technology Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

**Mr. Kenneth Wong Po Man**, aged 45, *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 18 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. Mr. Wong is also a non-executive director of Cosmopolitan.

# Chairman's Statement

Dear shareholders,

I am pleased to present herewith the Interim Report of the Company for 2011.

## FINANCIAL RESULTS

For the six months ended 30th June, 2011, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$1,831.3 million, which was an increase of more than 3.5 times over the HK\$403.9 million (as restated) recorded in the comparative period in 2010. The achievement of such outstanding results was largely attributable to the profit contributed by the joint development project at Larvotto in Ap Lei Chau, Hong Kong.

## DIVIDENDS

In view of the satisfactory results achieved, the Directors have declared the payment of an interim dividend of HK1.8 cents (2010 – HK1.5 cents) and a special interim cash dividend of HK10.0 cents (2010 – Nil), aggregating to HK11.8 cents (2010 – HK1.5 cents) per ordinary share for the financial year ending 31st December, 2011, absorbing a total amount of approximately HK\$136.3 million (2010 – HK\$15.5 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th October, 2011.

## BUSINESS OVERVIEW

### PROPERTIES

The Group has a 30% interest in Larvotto, the luxury residential development project at Ap Lei Chau Inland Lot No.129, Hong Kong. Up to 30th June, 2011, most of the residential units, apart from a small number of special featured apartment units, and a majority of the carparks have been sold for aggregate sale consideration exceeding HK\$16 billion. The profit attributable to the Group from this development with respect to units sold up to 30th June, 2011 has been fully reflected in the interim results under review.

In April 2011, the Group formally established with Regal Hotels International Holdings Limited the 50:50 owned joint venture company, Flourish Lead Investments Limited, for the development of real estate projects for sale and/or leasing.

In furtherance of the business objective of Flourish Lead and so as to benefit from the professional expertise of Regal in the development and operation of hotels, the Group sold to Flourish Lead in May 2011 the two development sites located in Sheung Wan district in Hong Kong, which are both planned to be developed as hotels. Later in June 2011, Flourish Lead entered into a sale and purchase agreement for the acquisition of 70% effective interests in the composite development project then undertaken by the jointly controlled entity that is 50:50 owned by each of Regal and Cosmopolitan International Holdings Limited in Xindu District, Chengdu City, Sichuan Province, the People's Republic of China. More recently, a wholly owned subsidiary of Flourish Lead entered into an agreement earlier this month with an independent third party vendor for the purchase of the development properties located in Merlin Street, North Point, Hong Kong, which are also planned to be developed into a hotel.

Shareholders could refer to the section headed "Management Discussion and Analysis" in this Interim Report for details of these development properties acquired by Flourish Lead.

### CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group operates a comprehensive range of construction and other building related businesses. The construction industry in Hong Kong overall remained very competitive and operators were also faced with challenges from rising labour and other costs. Although business volume has relatively contracted, these business units have managed to operate steadily and profitably during the period.

### OTHER INVESTMENTS

As at 30th June, 2011, the Group held, as long term strategic investments, 17.1% of the issued shares of Cosmopolitan and certain convertible bonds issued by the Cosmopolitan group.

With the substantial cash reserves on hand and the low interest environment that is expected to persist in the near term, the Group will take prudent steps to expand its investments in listed securities and other strategic opportunities, with a view to enhancing the yield on the cash surplus.

### REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

Regal is a listed associate that is 49.4% held by the Group. For the six months ended 30th June, 2011, Regal achieved an unaudited consolidated profit attributable to shareholders of HK\$420.9 million, representing an increase of approximately 7.2% over the profit of HK\$392.7 million (as restated) recorded for the comparative period in 2010.

During the period under review, there were very positive improvements in the results of the Regal group's hotel operations in Hong Kong. In addition, there were gains from share of profits of jointly controlled entities of over HK\$600 million, primarily derived from the transaction relating to the sale to Flourish Lead of 70% effective interest in the composite development project in Chengdu, Sichuan by a jointly controlled entity that is 50%-owned by the Regal group. These have more than offset the accounting losses which arose from the change in the fair values of Regal group's long term holding in the convertible bonds and shares of Cosmopolitan and the depreciation amount now required to be provided on its hotel properties in Hong Kong, both of which however have no cash flow impact on the Regal group.

### HOTELS

#### HOTEL MARKET OVERVIEW

During the period, the global economy has generally rebounded. However, the pace of recovery remains unbalanced, with the economies of emerging markets growing much faster than the developed countries. Towards the end of the second quarter, concerns over the sovereign debt ceiling and credit rating of the United States of America intensified and the European sovereign debt crises deepened. The second round of the quantitative easing in the United States phased out in June but its effects are still yet to be seen. In China, the government has continued to carry out prudent monetary policies with improved macro control to combat rising asset prices and mounting inflationary pressures. With the beginning of China's Twelfth Five-Year Plan, the growth in its Gross Domestic Product was maintained at a high level of approximately 9.6% in the first six months of 2011.

The total number of visitor arrivals to Hong Kong during the first half of 2011 climbed to 19.3 million or a year-on-year increase of 14.7%. Visitor arrivals from major long-haul and short-haul markets continued on an upward trend, with those from the Mainland registering the strongest growth at 21.1% to reach 12.7 million, which accounted for 65.7% of the total visitor arrivals to Hong Kong. The growing volume and the increasing affluence of the visitors from China have provided strong support to the hotel industry in Hong Kong, both in terms of occupancy level as well as achieved average rates.

Based on the Hotel Survey published by Hong Kong Tourism Board, the average hotel room occupancy for all surveyed hotels in different categories in Hong Kong for the first six months of 2011 was 88%, a year-on-year increase of about 4.8%, while average achieved room rate improved by about 16.8%.

### **HOTEL OWNERSHIP**

The Regal group's hotel ownership business is undertaken through Regal REIT, which is 74.5% held by the Regal group.

For the six months ended 30th June, 2011, Regal REIT attained an unaudited consolidated net profit before distribution to its unitholders of approximately HK\$1,957.6 million, as compared to the profit of HK\$325.2 million (as restated) recorded for the corresponding period in 2010. The surge in its reported profit was principally attributable to the increase in the fair values of the hotels which are leased to a wholly owned subsidiary of the Regal group and classified in the financial statements of Regal REIT as investment properties.

The rental package payable by the Regal group to Regal REIT for the five Regal Hotels in Hong Kong, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel, for 2011 was determined by the independent professional valuer jointly appointed by the Regal group and Regal REIT at an aggregate base rent of HK\$560 million, with equal sharing on the excess net property income. The aggregate net property income of these five hotels for the six months has exceeded the prorated base rent by approximately HK\$78.2 million and based on their operating results achieved so far, additional sharing of excess net property income for the second half of the year is anticipated. The market rental package for 2012 is being determined and based on present market trends and business projections, it is expected that the market rental package to be determined for these five Regal Hotels for 2012 could be notably higher than the rental level determined for 2011.

The sixth and the latest Regal Hotel in Hong Kong, the Regal iClub Hotel in Wanchai, is owned and itself operated by Regal REIT, and managed by the Regal group's wholly owned management subsidiary. This hotel began full operation in December 2010 and has since been very well received by business travellers. During the period, its average room occupancy was maintained at a high level of about 93.3%, with average achieved room rate and Revenue per Available Room (RevPAR) having grown by 38.8% and 44.7%, respectively, as compared with the same period last year.

Regal Portfolio Management Limited, a wholly owned subsidiary of the Regal group, acts as the REIT Manager of Regal REIT.

### **HOTEL OPERATIONS**

The five Regal Hotels in Hong Kong operated by the Regal group as lessee have all produced satisfactory results. For the period under review, the combined average occupancy rate of these five hotels has increased by about 8.1% to 89.1%, while combined average room rate has increased by about 18.8% to HK\$866.6 per day, which overall enhanced the combined RevPAR by about 28.4%, as compared with the corresponding half year period in 2010.

The Regal group will continue to invest in the renovation and upgrading of the hotel properties as well as in the strengthening and upgrading of the hotels' marketing and reservation platforms, with a view to achieving further yield enhancement.

### HOTEL MANAGEMENT

All the six Regal Hotels in Hong Kong are managed by Regal Hotels International Limited, a wholly owned subsidiary of the Regal group.

In China, the Regal group has continued to invest substantial efforts to extend its hotel network through the securing of new management contracts and, in this regard, has been successful in progressively enlarging the geographical coverage as well as the overall size of the Regal Hotels portfolio.

The Regal Plaza Hotel & Residence in Waigaoqiao Free Trade Zone in Pudong, Shanghai, a hotel with service apartments offering a total of 282 units, was soft opened in April 2011. Also in April this year, the Regal group entered into an agreement for the management of the Regal Royale Hotel in Kunshan, Jiangsu. This hotel will be the first Regal Royale branded property and will feature as the 5-star premium and luxury brand of the Regal Hotels group. The Regal Royale Hotel, Kunshan, with around 300 guestrooms and suites, will be contemporary in design and is scheduled to be opened in 2013. Recently, the Regal group has entered into another agreement to provide full-range pre-opening consultancy and hotel management services to a hotel property being developed at Dongxi Lake District, in close proximity to the new central business district in Wuhan, Hubei. The hotel will be a 5-star hotel with about 330 guestrooms and planned to be opened in the second half of 2014.

Overall, the Regal group presently manages six hotels under operation in China, four of which are in Shanghai. The other hotel properties for which management services contracts have been signed, which are now at different stages of development, include one in Zhengzhou, one in Suzhou, one in Foshan, one other in Chengdu and, more recently, the two in Kunshan and Wuhan, respectively. These hotels have been scheduled to come on stream progressively during the course of the next few years. Certain other hotel management contracts are in the pipeline and could be expected to be secured from time to time.

### PROPERTIES

The property market in Hong Kong remained relatively buoyant in the early part of the year. Due to the continuing tightening of market liquidity and credit terms and, more lately, the increased volatility and uncertainty in the financial and capital markets worldwide, the local property market is beginning to consolidate after a long rally. However, the economy of Hong Kong is diverse and resilient and is well supported by its close link with Mainland China. The Regal group believes that, despite there will be uncertainties in the short term, the longer term prospects of the property market in Hong Kong are still optimistic.

Due to the scarcity of supply in luxury residential properties in Hong Kong Island South, the Regal group has elected to hold on to most of the remaining houses in Regalia Bay, Stanley, unless satisfactory prices are offered. During the period this year to date, the Regal group has bought back 3 houses and sold a total of 4 houses in Regalia Bay. The Regal group still presently owns 19 houses in Regalia Bay, in addition to those houses contracted to be sold and pending completion.

### OTHER INVESTMENTS

As part of its core businesses, the Regal group maintains a substantial investment portfolio consisting primarily of listed investments, including certain strategic holdings in a number of listed entities. The Regal group holds within this portfolio as long term strategic investments, significant amount of convertible bonds issued by the Cosmopolitan group, apart from a minor holding in the shares of Cosmopolitan.

### OUTLOOK

#### REGAL GROUP

Despite the recent volatilities and uncertainties overshadowing the international financial and capital markets, the hotel market in Hong Kong will continue to benefit from the improved tourism infrastructure of Hong Kong, the gradual recovery of the long-haul markets, the positioning of Hong Kong as an Offshore Renminbi Centre, the closer link with the Mainland, the rolling out of the Twelfth Five-Year Plan of China and, particularly, the growing number of visitors from Mainland China. Outlook of the hotel market in the second half of this year, and indeed in the years beyond, remains very positive.

Through the joint venture with the Group, the Regal group is in the course of developing three new hotels in Hong Kong to capture the growing demand for hotel accommodations in Hong Kong. In the meantime, the Regal group is expanding its hotel network in Mainland China principally through new hotel management contracts. The Regal group will continue to build up its strategic hotel portfolio, focusing primarily in Hong Kong and PRC, with a view to increasing its overall market prominence.

With the solid backing of its strong cash resources, the Regal group will actively review new investment and acquisition opportunities, but will remain prudent in the process in view of the recent volatility in the international financial market.

#### PALIBURG GROUP

The investment in the Larvotto development project has contributed very sizable profits and cash proceeds to the Group. The Group is debt free and commanding substantial cash reserves. Through the joint venture with Regal, the Group has taken active steps to replenish its development land bank. Under the present market circumstances and the generally tightened market liquidity, the Group expects that more lucrative opportunities will become available, whether in the property or in other investment sectors. With its very strong financial position, the Group is well-poised to capitalise on these new investment opportunities, with a view to generating for shareholders satisfactory equity returns in the coming years.

#### LO YUK SUI

Chairman

Hong Kong  
25th August, 2011

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses and other investments including, in particular, its interests in Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company. The significant investments and business interests of RHIHL comprise hotel ownership through Regal Real Estate Investment Trust ("Regal REIT") (the listed subsidiary of RHIHL), hotel operation and management businesses, the asset management of Regal REIT, property development and investment, including the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses. The performance of the Group's property, construction and building related and other investment businesses, RHIHL's hotel, 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 preceding Chairman's Statement.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement and in this sub-section.

### Other Investments

The Group holds, as long term strategic investments, 17.1% of the issued shares of Cosmopolitan International Holdings Limited ("Cosmopolitan") and certain convertible bonds issued by the Cosmopolitan group. Due to the decreased market price of the Cosmopolitan shares as compared with that prevailing as at 31st December, 2010, the fair value losses on financial assets recorded in the interim results under review were mostly attributable to the Group's investments in Cosmopolitan. Nevertheless, based on the market price of the Cosmopolitan shares as at 30th June, 2011, the aggregate fair values of the shares and convertible bonds held in Cosmopolitan are still substantially higher than their original acquisition costs.

### New Joint Venture – Flourish Lead Investments Limited

Flourish Lead Investments Limited ("Flourish Lead") is a 50:50 owned joint venture established with RHIHL, with maximum total capital commitment presently capped at HK\$3,800 million. The maximum capital commitment for each of the Company and RHIHL is HK\$1,900 million, which is to be contributed by a pro-rata basis in accordance with their respective shareholdings in Flourish Lead. Since its establishment in April 2011, Flourish Lead has acquired a number of property development projects. Further information relating to such property development projects is set out below:

*Nos.132-140 Bonham Strand and*

*Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong*

First, in May 2011, Flourish Lead acquired two development sites from the Group for an aggregate transaction consideration of HK\$752 million, which was equivalent to the then market valuations of the properties as appraised by an independent professional valuer appointed by Flourish Lead.

The development site at Nos.132-140 Bonham Strand has a site area of approximately 5,430 square feet and the plans for the development of a hotel with 240 guestrooms and suites with gross floor area of approximately 77,450 square feet have been approved.

The other development site is constituted by two adjoining properties at Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street having an aggregate site area of approximately 3,710 square feet. The general building plans for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 56,350 square feet, have also been recently approved.

## Management Discussion and Analysis (Cont'd)

### *Composite development project at Xindu District, Chengdu, Sichuan, the People's Republic of China*

The 70% interest in this property project was acquired in June 2011 from the jointly controlled entity that is 50:50 owned by the RHIHL group and Cosmopolitan. The consideration payable by Flourish Lead for the 70% interest in the property project was based on an agreed value of HK\$1,000 million, representing a discount of 12% to the appraised value as at 29th June, 2011 of RMB1,350 million for the whole property project, carried out by an independent professional valuer jointly engaged by the jointly controlled entity and Flourish Lead. Details of this transaction were contained in the joint announcement of the Company dated 30th June, 2011.

This composite development project in Chengdu has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 438,000 square feet. Superstructural works for the hotel development have progressed steadily and the first phase of hotel is presently scheduled to be soft opened in the fourth quarter of 2012. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total gross floor area of approximately 489,000 square feet. Basement works for this part of the development have commenced, with overall construction works scheduled to be completed also in the fourth quarter of 2012. Presale of the residential units is anticipated to be launched in the first quarter of 2012. Development works for the other stages are planned to be carried out progressively.

### *Nos.14-20 Merlin Street, North Point, Hong Kong*

The sale and purchase agreement for the purchase of the subject properties was entered into with an independent third party vendor in August 2011. The sale and purchase is expected to be completed in September 2011 when vacant possession of the properties is delivered by the vendor. The properties have an aggregate site area of approximately 5,300 square feet and are planned to be developed into a hotel with about 350 guestrooms and suites, with total gross floor area of approximately 73,730 square feet.

### **Other Joint Venture – Hang Fok Properties Limited**

The joint development project in the Central Business District in Beijing, the People's Republic of China ("PRC") is held through Hang Fok Properties Limited, an associate that is 50% owned by each of the Group and RHIHL. As previously reported, a further provision has been made at the associate's level in the financial year ended 31st December, 2010 due to the adverse circumstances encountered. The interest effectively held by the Group in this development project is now being carried in the consolidated financial statements of the Group at an insignificant amount. Nevertheless, the Group's management will persist in striving to protect the Group's interest in the project and to salvage potential value. Shareholders will be kept informed if any substantive progress in this respect can be achieved.

### FINANCIAL REVIEW

#### CAPITAL AND FUNDING

##### 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 banking facilities were 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.

##### Cash Flow

Net cash flows from operating activities during the period under review amounted to HK\$160.8 million (2010 – net cash flows used in operating activities of HK\$185.2 million). Net cash flows from investing activities amounted to HK\$1,460.0 million (2010 – HK\$71.9 million) during the period, which were principally attributable to the distribution from the joint development project at Larvotto in Ap Lei Chau, Hong Kong. Net interest receipt for the period amounted to HK\$3.8 million (2010 – HK\$0.8 million).

##### Borrowings

As at 30th June, 2011, the Group had cash and bank balances and deposits of HK\$2,000.9 million and no borrowings (31st December, 2010 – HK\$417.1 million and no borrowings).

The Group had no contingent liability as at 30th June, 2011. Details of the Group's pledge of assets, which have not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2010, are shown in note 14 to the condensed consolidated financial statements.

##### Share Capital

During the period under review, a total of 26,686,800 new ordinary shares of the Company were allotted and issued to the holders of 26,686,800 outstanding share options granted under the share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (the "Share Option Scheme") who exercised such share options to subscribe for new ordinary shares at the adjusted exercise price of HK\$1.97 per ordinary share.

Subsequent to the period end date, a total of 4,170,600 new ordinary shares of the Company were allotted and issued to the holders of all of the remaining 4,170,600 outstanding share options granted under the Share Option Scheme who exercised such share options before the expiry of the exercise period on 24th July, 2011 to subscribe for new ordinary shares at the adjusted exercise price of HK\$1.97 per ordinary share.

## Management Discussion and Analysis (Cont'd)

### ASSET VALUE

On the basis that the Group's interest in RHIHL is adjusted, assuming the RHIHL group's hotel property portfolio, which is stated at its deemed cost less accumulated depreciation in its consolidated financial statements, is restated at its fair market value at 30th June, 2011 with the relevant deferred tax liabilities added back, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$9.07 per share.

	As at 30th June, 2011	
	HK\$'million	HK\$ per ordinary share
<b>Book net assets after non-controlling interests</b>	<b>9,495.7</b>	<b>8.25</b>
<b>Adjustment to restate the Group's interest in RHIHL based on its adjusted net assets</b>	<b>944.5</b>	<b>0.82</b>
<b>Unaudited adjusted net assets after non-controlling interests</b>	<b>10,440.2</b>	<b>9.07</b>

### CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Friday, 7th October, 2011 to Tuesday, 11th October, 2011, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the interim dividends declared, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:30 p.m. on Thursday, 6th October, 2011. The relevant dividend warrants are expected to be despatched on or about 21st October, 2011.

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

#### Establishment of Joint Venture – Flourish Lead

On 17th March, 2011, a conditional shareholders' agreement was entered into between Capital Merit Investments Limited ("Capital Merit"), a wholly owned subsidiary of the Company, and Regal Hotels Investments Limited ("Regal Investments"), a wholly owned subsidiary of RHIHL, in connection with the establishment of a joint venture company (the "JV Co.") (the "Shareholders' Agreement").

The JV Co. is to be owned by Capital Merit and Regal Investments on a 50:50 basis and treated as a jointly controlled entity of each of the Company and RHIHL. The scope of business of the JV Co. and its subsidiaries (together, the "JV Group") principally includes the development of real estate projects for sale and/or leasing and the doing of such acts, matters and things as may be necessary for or ancillary or incidental to the principal business of the JV Group as aforesaid, and the undertaking of related investment and financing activities.

The maximum total capital commitment to the JV Co. is HK\$3,800 million, which will be contributed by Regal Investments and Capital Merit in a maximum capital commitment of HK\$1,900 million each and on a pro-rata basis in accordance with their respective shareholdings in the JV Co.. The funding requirement by the JV Co. will be in stages and will be contributed in such amount and in such manner as determined by the board of directors of the JV Co.. The maximum capital commitment of the Group to JV Co. in the amount of HK\$1,900 million is expected to be sourced by the Group from its internal resources.

As the maximum capital commitment of each of the Group and the RHIHL group to the JV Co. is more than 25% but less than 100% of the applicable percentage ratios, the transaction contemplated under the Shareholders' Agreement (the "Transaction") constituted a major transaction for each of Century City International Holdings Limited ("CCIHL"), of which the Company is the listed subsidiary, the Company and RHIHL and was subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As no shareholder of either CCIHL or the Company is required to abstain from voting, each of CCIHL and the Company obtained a written approval from a closely allied group of shareholders who together hold a majority shareholding interests, in lieu of a general meeting, for the Transaction.

Further, as the Company and Capital Merit are connected persons of RHIHL, the Transaction also constituted a connected transaction for RHIHL under Chapter 14A of the Listing Rules and was subject to the approval of the independent shareholders by way of poll at a special general meeting of RHIHL (the "SGM"). At the SGM held on 28th April, 2011, the Transaction was approved by the independent shareholders of RHIHL. Flourish Lead was then established as the JV Co. following the Shareholders' Agreement became unconditional on 28th April, 2011.

Relevant details of the transactions under the Shareholders' Agreement were disclosed in the joint announcement dated 17th March, 2011 and the circular dated 8th April, 2011 (the "Circular") of the Company.

Subsequently, as was already indicated in the Circular, Flourish Lead acquired from the Group certain property development projects in Hong Kong as the JV Group's starting projects. According to the terms of the Shareholders' Agreement, the acquisitions of these property development projects by Flourish Lead from the Group were supported by independent market valuations and approved by the board of Flourish Lead with the directors nominated by Capital Merit abstaining from voting. These property development projects, which comprise the two development sites located at (i) Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong and (ii) Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong (collectively, the "Sheung Wan Properties"), were disposed to Flourish Lead by way of the transfer of 100% interests in two wholly owned subsidiaries of the Group to Flourish Lead at considerations based on the market valuations of the Sheung Wan Properties as stated in the relevant valuation report issued by an independent valuer appointed by Flourish Lead, being HK\$455 million and HK\$297 million, respectively, and subject to adjustments for other assets and liabilities, pursuant to two respective sale and purchase agreements both dated and completed on 6th May, 2011. Further information relating to these property development projects is mentioned in the preceding Chairman's Statement and the sub-section headed "Business Review" of this section. The above transactions relating to the Sheung Wan Properties do not constitute notifiable transactions nor connected transactions for each of CCIHL, the Company or RHIHL under the Listing Rules.

### **Transfer of Interests in a Jointly Controlled Entity of RHIHL and Cosmopolitan to Flourish Lead**

On 30th June, 2011, a sale and purchase agreement was entered into between Faith Crown Holdings Limited ("Faith Crown"), a jointly controlled entity owned as to 50% each by RHIHL and Cosmopolitan, as the vendor and Flourish Lead as the purchaser in relation to the transfer of 70% effective interests in the project for the development of a property complex at Xindu District, Chengdu, Sichuan Province, PRC (the "Chengdu Property"), held through certain wholly owned subsidiaries of Faith Crown, to Flourish Lead, by way of the transfer of 70% interests in each of two relevant wholly owned subsidiaries of Faith Crown (the "Relevant Subsidiaries", and together with their respective wholly owned subsidiaries, the "Subject Group") to Flourish Lead (the "Chengdu Transaction") (the "S&P Agreement").

## Management Discussion and Analysis (Cont'd)

The consideration (comprising the considerations for the shares of the Relevant Subsidiaries and the loans to the Subject Group (the "Shareholder's Loans")) for the Chengdu Transaction (the "Consideration") was approximately HK\$1,048 million, representing the aggregate amount of (i) HK\$1,000 million (being 70% of the agreed value of the Chengdu Property, which is determined based on the appraised value of the Chengdu Property of RMB1,350 million as stated in a valuation report from an independent professional valuer jointly appointed by Faith Crown and Flourish Lead (the "Appraised Value") and after applying a discount of approximately 12% on the Appraised Value) and (ii) 70% of the combined consolidated net asset value of the Subject Group (excluding the Chengdu Property and the Shareholder's Loans) as at 31st May, 2011, and subject to adjustments.

The Consideration was adjusted on a dollar-for-dollar basis based on the combined consolidated net asset value of the Subject Group (excluding the Chengdu Property and the Shareholder's Loans) as at 30th June, 2011. The Consideration are payable in cash and by instalments pursuant to the terms of the S&P Agreement. The last instalment will be paid within three years from the date of completion of the Chengdu Transaction, and the payment of the last instalment may be extended to four years if the period to exercise the Put Option (as referred to below) is extended by the Grantee (as also referred to below).

The S&P Agreement was unconditional and the completion of the S&P Agreement took place on 14th July, 2011.

On completion of the S&P Agreement, a put option deed was executed by Faith Crown as the Grantor and one of the Relevant Subsidiaries as the Grantee in relation to the grant of an option (the "Put Option"), exercisable during the period of three years from the date of completion of the S&P Agreement (extendable to four years by the Grantee under certain circumstances), to sell (or procure the sale of) the hotel and commercial podium being constructed on the Chengdu Property to Faith Crown (or the purchaser to be procured by Faith Crown).

The Chengdu Transaction and the grant and possible exercise of the Put Option do not constitute notifiable transactions nor connected transactions for each of CCIHL, the Company or RHIHL under the Listing Rules. Relevant details of the transactions under the S&P Agreement were disclosed in the voluntary joint announcement of the Company dated 30th June, 2011. Further information relating to the Chengdu Property is mentioned in the preceding Chairman's Statement and the sub-section headed "Business Review" of this section.

Save as disclosed herein, during the period under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

### STAFF AND REMUNERATION POLICY

The Group, together with the RHIHL group, employ approximately 2,060 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 the Share Option Scheme, under which share options had been granted to selected eligible persons.

# Condensed Consolidated Income Statement

		Six months ended 30th June, 2011 (Unaudited)	Six months ended 30th June, 2010 (Unaudited and restated)
	Notes	HK\$'million	HK\$'million
REVENUE	2	409.3	50.2
Cost of sales		<u>(328.3)</u>	<u>(47.2)</u>
Gross profit		81.0	3.0
Other income and gain	3	4.8	1.9
Fair value gains/(losses), net, on financial assets at fair value through profit or loss		<u>(376.1)</u>	219.3
Administrative expenses		(15.5)	(15.8)
Other operating income/(expenses), net	4	<u>(12.5)</u>	<u>0.7</u>
OPERATING PROFIT/(LOSS)	2	<u>(318.3)</u>	209.1
Finance costs	6	(0.8)	–
Share of profits and losses of:			
A jointly controlled entity		68.7	–
Associates		<u>2,081.8</u>	<u>195.7</u>
PROFIT BEFORE TAX		1,831.4	404.8
Income tax	7	<u>(0.1)</u>	<u>(0.9)</u>
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		<u>1,831.3</u>	<u>403.9</u>
Attributable to:			
Equity holders of the parent		1,831.3	403.9
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>1,831.3</u>	<u>403.9</u>
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	9		
Basic		<u>HK\$1.62</u>	<u>HK\$0.40</u>
Diluted		<u>HK\$1.60</u>	<u>HK\$0.38</u>

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2011 (Unaudited)	Six months ended 30th June, 2010 (Unaudited and restated)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	1,831.3	403.9
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translating foreign operations	1.2	0.5
Share of other comprehensive income of associates	11.7	18.0
Other comprehensive income for the period	12.9	18.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,844.2	422.4
Attributable to:		
Equity holders of the parent	1,844.2	422.4
Non-controlling interests	–	–
	1,844.2	422.4

# Condensed Consolidated Statement of Financial Position

		30th June, 2011 (Unaudited)	31st December, 2010 (Audited)
	Notes	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2.1	1.6
Investment properties		0.2	0.5
Investment in a jointly controlled entity	10	385.3	–
Investments in associates		6,383.9	6,075.0
Available-for-sale investments		2.3	–
Financial assets at fair value through profit or loss		603.6	957.1
Loans receivable		3.1	3.2
Deposits for purchase of properties		–	42.6
Total non-current assets		<b>7,380.5</b>	7,080.0
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss		70.9	213.9
Properties held for sale		6.0	6.0
Inventories		6.5	4.1
Debtors, deposits and prepayments	11	132.1	82.9
Time deposits		1,798.7	219.9
Cash and bank balances		202.2	197.2
		<b>2,216.4</b>	724.0
Asset of a disposal group classified as held for sale		249.4	249.4
Total current assets		<b>2,465.8</b>	973.4
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	12	(30.9)	(49.9)
Tax payable		(3.7)	(3.6)
Deposits received		(216.9)	(217.0)
		<b>(251.5)</b>	(270.5)
Liability directly associated with the asset of a disposal group classified as held for sale		(98.9)	(98.9)
Total current liabilities		<b>(350.4)</b>	(369.4)
NET CURRENT ASSETS		<b>2,115.4</b>	604.0
Net assets		<b>9,495.9</b>	7,684.0

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

	30th June, 2011 (Unaudited)	31st December, 2010 (Audited)
	HK\$'million	HK\$'million
EQUITY		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	115.1	112.4
Reserves	9,244.3	7,487.1
Dividends	136.3	84.3
	<hr/>	<hr/>
	9,495.7	7,683.8
<b>Non-controlling interests</b>	0.2	0.2
	<hr/>	<hr/>
Total equity	<b>9,495.9</b>	<b>7,684.0</b>
	<hr/> <hr/>	<hr/> <hr/>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2011

	Attributable to equity holders of the parent													
	Issued capital	Share premium account	Share option reserve	Capital redemption reserve	Capital reserve	Special reserve	Assets revaluation reserve	Hedge equalisation reserve	Exchange reserve	Retained profits	Dividends	Total equity (Unaudited and restated)	Non-controlling interests	Total equity (Unaudited and restated)
	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
At 1st January, 2011	112.4	1,379.8	30.0	0.2	7.1	689.6	663.6	16.6	178.3	4,521.9	84.3	7,683.8	0.2	7,684.0
Profit for the period	-	-	-	-	-	-	-	-	-	1,831.3	-	1,831.3	-	1,831.3
Other comprehensive income for the period:														
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	1.2	-	-	1.2	-	1.2
Share of other comprehensive income of associates	-	-	-	-	-	-	-	16.5	(4.8)	-	-	11.7	-	11.7
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	16.5	(3.6)	1,831.3	-	1,844.2	-	1,844.2
Issue of new shares upon exercise of share options	2.7	49.9	-	-	-	-	-	-	-	-	-	52.6	-	52.6
Final 2010 dividend declared	-	-	-	-	-	-	-	-	-	(1.9)	(84.3)	(86.2)	-	(86.2)
Equity-settled share option arrangements	-	7.9	(7.9)	-	-	-	-	-	-	-	-	-	-	-
Share of the listed associate	-	-	(11.1)	-	1.3	-	-	-	-	11.1	-	1.3	-	1.3
Interim 2011 dividend	-	-	-	-	-	-	-	-	-	(136.3)	136.3	-	-	-
At 30th June, 2011	115.1	1,437.6	11.0	0.2	8.4	689.6	663.6	33.1	174.7	6,226.1	136.3	9,495.7	0.2	9,495.9
At 1st January, 2010	101.9	1,173.7	29.1	-	-	689.6	663.6	(68.7)	130.5	2,471.4	33.6	5,224.7	0.2	5,224.9
Profit for the period	-	-	-	-	-	-	-	-	-	403.9	-	403.9	-	403.9
Other comprehensive income for the period:														
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	0.5	-	-	0.5	-	0.5
Share of other comprehensive income of associates	-	-	-	-	-	-	-	5.0	13.0	-	-	18.0	-	18.0
Total comprehensive income for the period	-	-	-	-	-	-	-	5.0	13.5	403.9	-	422.4	-	422.4
Issue of new shares upon exercise of warrants	0.1	0.7	-	-	-	-	-	-	-	-	-	0.8	-	0.8
Final 2009 dividend declared	-	-	-	-	-	-	-	-	-	(33.6)	(33.6)	(33.6)	-	(33.6)
Equity-settled share option arrangements	-	-	0.3	-	-	-	-	-	-	-	-	0.3	-	0.3
Share of the listed associate	-	-	0.5	-	-	-	-	-	-	-	-	0.5	-	0.5
Interim 2010 dividend	-	-	-	-	-	-	-	-	-	(15.3)	15.3	-	-	-
At 30th June, 2010	102.0	1,174.4	29.9	-	-	689.6	663.6	(63.7)	144.0	2,860.0	15.3	5,615.1	0.2	5,615.3

# Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2011 (Unaudited)	Six months ended 30th June, 2010 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from/(used in) operating activities	160.8	(185.2)
Net cash flows from investing activities	1,460.0	71.9
Net cash flows used in financing activities	(38.2)	(32.9)
Net increase/(decrease) in cash and cash equivalents	1,582.6	(146.2)
Cash and cash equivalents at beginning of period	417.1	305.1
Effect of foreign exchange rate changes, net	1.2	0.5
Cash and cash equivalents at end of period	<u>2,000.9</u>	<u>159.4</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	202.2	92.1
Non-pledged time deposits with original maturity of less than three months when acquired	<u>1,798.7</u>	<u>67.3</u>
	<u>2,000.9</u>	<u>159.4</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 Standard (“HKAS”) 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, 2010, 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, 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to HKFRSs (2010)	Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no material impact on the Group’s results of operation and financial position.

The Group had early adopted the Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* in the annual financial statements for the year ended 31st December, 2010 and the effects of this early adoption are explained below.

### Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Amendments to HKAS 12 were issued in December 2010 which introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 *Investment Property* should be determined on the basis that its carrying amount will be recovered through sale. The amendments also require that deferred tax on non-depreciable assets measured using the revaluation model in HKAS 16 *Property, Plant and Equipment* should always be measured on a sale basis. As a result of the amendments, Hong Kong (SIC)-21 *Income Taxes – Recovery of Revalued Non-depreciable Assets*, will be superseded once the amendments become effective. Although the amendments are effective for annual periods beginning on or after 1st January, 2012, the Group had early adopted the amendments in the Group’s annual financial statements for the year ended 31st December, 2010.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

Prior to 31st December, 2010, a former subsidiary of the Group, which had become an associate following the disposal by the Group of its 75% interest in the company in 2009, and Regal REIT, a former associate of Regal Hotels International Holdings Limited ("RHIHL") (the listed associate of the Company), which had become a subsidiary of RHIHL since 23rd July, 2010 had previously provided deferred tax on the fair value gains on their investment properties assuming that the carrying amounts of these properties will be recovered through use. Upon the adoption of the Amendments to HKAS 12, they now measure deferred tax on investment properties assuming that their carrying amounts will be recovered through sale. The effects of the above changes on the condensed consolidated interim financial statements are summarised below:

	<b>2010 (Unaudited) HK\$'million</b>
<i>Condensed consolidated income statement for the six months period ended 30th June</i>	
Increase in share of profits and losses of associates	3.8
Increase in profit for the period	3.8
Increase in basic earnings per share	HK0.37 cent
Increase in diluted earnings per share	HK0.36 cent

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments 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 and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal REIT;
- (d) the securities investment segment engages in securities trading and investment businesses; and
- (e) the others segment mainly comprises the provision of financing services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

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.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

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 and hotel ownership		Securities investment		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2011	2010	Six months ended 30th June, 2011	2010	Six months ended 30th June, 2011	2010	Six months ended 30th June, 2011	2010	Six months ended 30th June, 2011	2010	Six months ended 30th June, 2011	2010	Six months ended 30th June, 2011	2010
	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m	(Unaudited) and restated HK\$m
Segment revenue:														
Sales to external customers	376.9	3.3	30.3	38.3	-	8.0	2.1	0.6	-	-	-	-	409.3	50.2
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>376.9</b>	<b>3.3</b>	<b>30.3</b>	<b>38.3</b>	<b>-</b>	<b>8.0</b>	<b>2.1</b>	<b>0.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>409.3</b>	<b>50.2</b>
Segment results	75.3	(5.2)	0.3	6.4	-	(2.1)	(386.5)	219.5	0.2	1.6	-	-	(310.7)	220.2
Interest income and unallocated non-operating and corporate gains													5.7	1.3
Unallocated non-operating and corporate expenses													(13.3)	(12.4)
Operating profit/(loss)													(318.3)	209.1
Finance costs													(0.8)	-
Share of profits and losses of:														
A jointly controlled entity	68.7	-	-	-	-	-	-	-	-	-	-	-	68.7	-
Associates	1,866.7	(2.6)	-	-	-	215.1*	-	-	-	-	-	-	2,081.8	195.7
Profit before tax													1,831.4	404.8
Income tax													(0.1)	(0.9)
Profit for the period before allocation between equity holders of the parent and non-controlling interests													1,831.3	403.9
Attributable to:														
Equity holders of the parent													1,831.3	403.9
Non-controlling interests													-	-
													1,831.3	403.9

\* The amount represents contribution from RHHL and its subsidiaries (the "RHHL Group").

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 3. Other Income and Gain

Other income and gain represent the following items:

	Six months ended 30th June, 2011 (Unaudited)	Six months ended 30th June, 2010 (Unaudited)
	HK\$'million	HK\$'million
Interest income	4.6	1.9
Gain on disposal of investment property	0.2	–
	<u>4.8</u>	<u>1.9</u>

### 4. Other Operating Income/(Expenses), net

Other operating income/(expenses), net, represent the following items:

	Six months ended 30th June, 2011 (Unaudited)	Six months ended 30th June, 2010 (Unaudited)
	HK\$'million	HK\$'million
Depreciation	(0.3)	(0.3)
Loss on disposal of financial assets at fair value through profit or loss	(12.3)	–
Reversal of impairment of loans receivable and debtors	0.1	1.0
	<u>(12.5)</u>	<u>0.7</u>

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

	Six months ended 30th June, 2011 (Unaudited)	Six months ended 30th June, 2010 (Unaudited)
	HK\$'million	HK\$'million
Profit/(Loss) on disposal of listed investments	<u>(10.9)</u>	<u>0.6</u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 6. Finance Costs

	Six months ended 30th June, 2011 (Unaudited)	Six months ended 30th June, 2010 (Unaudited)
	HK\$'million	HK\$'million
Interest in respect of bank loans wholly repayable within five years	0.6	–
Other loan costs	0.2	–
Total finance costs	<u>0.8</u>	<u>–</u>

### 7. Income Tax

	Six months ended 30th June, 2011 (Unaudited)	Six months ended 30th June, 2010 (Unaudited)
	HK\$'million	HK\$'million
Current - Hong Kong Charge for the period	<u>0.1</u>	<u>0.9</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2010 - 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.

The share of tax charge attributable to associates amounting to HK\$376.1 million (2010 - HK\$2.9 million, as restated) is included in "Share of profits and losses of associates" in the condensed consolidated income statement.

No provision for tax is required for the jointly controlled entity as no assessable profits were earned by the jointly controlled entity during the period (2010 - Nil).

There was no material unprovided deferred tax in respect of the period and as at 30th June, 2011.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 8. Dividend

The Directors have declared the payment of an interim dividend of HK1.8 cents (2010 - HK1.5 cents) and a special interim cash dividend of HK10.0 cents (2010 - Nil), aggregating to HK11.8 cents (2010 - HK1.5 cents) per ordinary share for the financial year ending 31st December, 2011, absorbing a total amount of approximately HK\$136.3 million (2010 - HK\$15.5 million).

### 9. 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\$1,831.3 million (2010 - HK\$403.9 million, as restated) and on the weighted average of 1,131.6 million (2010 - 1,019.5 million) ordinary shares of the Company in issue during the period.

#### (b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2011 is based on the profit for the period attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the aggregate of the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 9.8 million that would be issued at no consideration assuming all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the period. The exercise price of the share options of RHIHL outstanding during the period is higher than the average market price of the ordinary shares of 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, 2010 was based on the profit for that period attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue during that period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 34.5 million 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.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 10. Investment in a Jointly Controlled Entity

The balance represents the Group's interest in a joint venture company established during the period with the RHIHL Group on a 50:50 basis for the development of real estate projects for sale and/or leasing. During the period, the joint venture company acquired certain property development projects in Hong Kong from the Group as detailed in note 13(b) and 70% interest in a property development project at Xindu District, Chengdu, Sichuan Province, PRC from another jointly controlled entity of the RHIHL Group.

### 11. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$12.3 million (31st December, 2010 - HK\$18.2 million) representing the trade debtors of the Group. The aged analysis of such debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2011 (Unaudited)	31st December, 2010 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	4.3	18.0
Between 4 to 6 months	7.9	0.1
Between 7 to 12 months	0.1	–
Over 1 year	–	0.1
	<u>12.3</u>	<u>18.2</u>

#### 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 associates, a jointly controlled entity, a jointly controlled entity of the listed associate and related companies of HK\$1.8 million (31st December, 2010 - HK\$1.6 million), HK\$7.9 million (31st December, 2010 - Nil), HK\$0.2 million (31st December, 2010 - HK\$0.1 million) and HK\$1.3 million (31st December, 2010 - HK\$1.3 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.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 12. Creditors and Accruals

Included in the balance is an amount of HK\$0.7 million (31st December, 2010 - HK\$4.2 million) representing the trade creditors of the Group. The aged analysis of such creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2011 (Unaudited)	31st December, 2010 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	0.6	4.2
Between 4 to 6 months	0.1	–
	<u>0.7</u>	<u>4.2</u>

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

Included in the balance are amounts due to the Group's listed associate and a fellow subsidiary of HK\$2.8 million (31st December, 2010 - HK\$2.9 million) and HK\$0.7 million (31st December, 2010 - HK\$0.9 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

### 13. 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, 2011 (Unaudited)	Six months ended 30th June, 2010 (Unaudited)
	HK\$'million	HK\$'million
The listed ultimate holding company:		
Management fee	4.1	4.0
Associates:		
Gross construction fee income	1.5	0.6
Gross development consultancy fee income	–	0.1
Gross income in respect of security systems and products and other software	1.5	0.9
Lease rental	–	12.0
	<u>–</u>	<u>12.0</u>

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, 2010.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

(b) Other transaction with related party:

During the period, the Group entered into a shareholders' agreement with the RHIHL Group for the establishment of a joint venture company (the "JV") for the development of real estate projects for sale and/or leasing. The JV is owned by the Group and the RHIHL Group on a 50:50 basis and the maximum total capital commitment to the JV is HK\$3,800.0 million, which will be contributed by each of the Group and the RHIHL Group in a maximum capital commitment of HK\$1,900.0 million and on a pro-rata basis in accordance with their respective shareholdings in the JV.

After the JV was established in April 2011, the Group entered into a sale and purchase agreement on 6th May, 2011 for the sale to the JV of the entire equity interests in two then wholly owned subsidiaries which own two development sites through their respective sole wholly owned subsidiaries at an aggregate sale consideration of HK\$752.0 million which was equivalent to the then market valuations of the properties as appraised by an independent professional valuer. The transaction has been duly completed on the same day resulting in a profit on disposal of HK\$75.7 million.

(c) Outstanding balances with related parties:

	30th June, 2011 (Unaudited)	31st December, 2010 (Audited)
	HK\$'million	HK\$'million
Due from associates	278.6	260.0
Due from a jointly controlled entity	7.9	–
Due from a jointly controlled entity of the listed associate	0.2	0.1
Due from related companies	1.3	1.3
Due to a fellow subsidiary	(0.7)	(0.9)
Due to the listed associate	(2.9)	(3.0)
Loans to associates	–	156.0
Loan to a jointly controlled entity	392.3	–
	<u>          </u>	<u>          </u>

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

	Six months ended 30th June, 2011 (Unaudited)	Six months ended 30th June, 2010 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	4.1	3.9
Equity-settled share option expense	–	0.2
	<u>          </u>	<u>          </u>
Total compensation paid to key management personnel	4.1	4.1
	<u>          </u>	<u>          </u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 14. Pledge of Assets

At the end of the reporting period, certain ordinary shares in the listed associate with a market value of HK\$311.1 million (31st December, 2010 - HK\$293.9 million) were pledged to secure general banking facilities granted to the Group.

### 15. Operating Lease Arrangements

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, 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2011 (Unaudited)	31st December, 2010 (Audited)
	HK\$'million	HK\$'million
Within one year	0.6	0.7
In the second to fifth years, inclusive	0.2	0.4
	<u>0.8</u>	<u>1.1</u>

### 16. Commitments

In addition to the operating lease commitments detailed in note 15 above, the Group had the following outstanding commitments at 30th June, 2011:

	30th June, 2011 (Unaudited)	31st December, 2010 (Audited)
	HK\$'million	HK\$'million
Capital commitments in respect of purchase of properties:		
Contracted, but not provided for	-	451.3
	<u>-</u>	<u>451.3</u>

At 30th June, 2011, the Group's share of the maximum capital commitment to a jointly controlled entity established for the development of real estate projects as detailed in note 13(b) amounted to HK\$1,900.0 million (2010 - Nil), of which HK\$392.3 million (2010 - Nil) has been contributed during the period.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 17. 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, 2011	Exercised during the period	At 30th June, 2011		
<b>Directors</b>						
12th May, 2005	Mr. Lo Yuk Sui Vested:	20,088,000	(20,088,000)	–	Note	1.97
25th July, 2005	Mr. Donald Fan Tung Vested:	2,232,000	(2,232,000)	–	Note	1.97
25th July, 2005	Mr. Jimmy Lo Chun To Vested:	2,232,000	–	2,232,000	Note	1.97
25th July, 2005	Miss Lo Po Man Vested:	1,116,000	–	1,116,000	Note	1.97
25th July, 2005	Mr. Kenneth Ng Kwai Kai Vested:	2,176,200	(2,000,000)	176,200	Note	1.97
25th July, 2005	Mr. Kenneth Wong Po Man Vested:	1,116,000	(1,116,000)	–	Note	1.97
<b>Other Employees</b>						
25th July, 2005	Employees, in aggregate Vested:	1,897,200	(1,250,800)	646,400	Note	1.97
	<b>Total:</b>					
	<b>Vested:</b>	<b>30,857,400</b>	<b>(26,686,800)</b>	<b>4,170,600</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.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

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)

### 18. Approval of the Unaudited Condensed Consolidated Interim Financial Statements

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 25th August, 2011.

# Other Information

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2011, 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:

The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2011)
				Corporate interests	Family/Other interests		
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	82,014,014	721,426,803 (Note b)	15,000		803,455,817 (69.81%)
	Mr. Donald Fan Tung	Ordinary (issued)	2,232,556	-	-		2,232,556 (0.19%)
	Mr. Jimmy Lo Chun To	Ordinary (i) issued	42,600	-	-		42,600
		(ii) unissued	2,232,000 (Note c)	-	-		2,232,000
						Total (i) & (ii):	2,274,600 (0.20%)
	Miss Lo Po Man	Ordinary (unissued)	1,116,000 (Note d)	-	-		1,116,000 (0.10%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (i) issued	2,001,000	-	-		2,001,000
		(ii) unissued	176,200 (Note e)	-	-		176,200
						Total (i) & (ii):	2,177,200 (0.19%)
	Mr. Ng Siu Chan	Ordinary (issued)	-	-	80,474		80,474 (0.007%)
Mr. Kenneth Wong Po Man	Ordinary (issued)	1,116,200	-	-		1,116,200 (0.10%)	

## Other Information (Cont'd)

	The Company/ 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, 2011)
				Personal interests	Corporate interests	Family/Other interests	
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	63,603,396	1,769,164,691 (Note a)	380,683	1,833,148,770 (56.45%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.003%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
3.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	494,835,261 (Note f)	260,700	495,120,161 (49.44%)
		Mr. Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note g)	–	–	2,000,000 (0.20%)
		Mr. Jimmy Lo Chun To	Ordinary (unissued)	1,500,000 (Note h)	–	–	1,500,000 (0.15%)
		Miss Lo Po Man	Ordinary (i) issued	300,000	–	269,169 (Note i(ii))	569,169
			(ii) unissued	3,000,000 (Note i(ii))	–	–	3,000,000
						Total (i) & (ii):	3,569,169 (0.36%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note g)	–	–	2,000,000 (0.20%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)	

## Other Information (Cont'd)

The Company/ 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, 2011)
			Personal interests	Corporate interests	Family/Other interests	
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note j)	–	1,000 (100%)

### Notes:

- (a) The interests in 1,769,164,691 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.
- (b) The interests in 674,690,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 56.44% shareholding interests.

The interests in 16,271,685 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

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

The interests in 30,464,571 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

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

- (c) The interests in 2,232,000 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 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 had 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 were exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
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

- (d) 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 had 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 were 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

- (e) The interests in 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 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 had vested on 25th July, 2010, being five years after the offer date of 25th July, 2005, and were exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2010 to 24th July, 2011	176,200

- (f) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 56.44% shareholding interests, and the interests in the other 494,413,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 58.62% shareholding interests.

- (g) The interests in 2,000,000 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 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 had 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 were 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

- (h) 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 had 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 were 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

## Other Information (Cont'd)

- (i) (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 had 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 were 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

- (j) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 56.44% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2011, 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 to be notified to the Company and the Stock Exchange.

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

- (i) any 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, 2011, 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, 2011
CCIHL (Note i)	674,690,547	–	674,690,547	58.62%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	674,690,547	–	674,690,547	58.62%
Almighty International Limited ("Almighty") (Note ii)	327,560,526	–	327,560,526	28.46%
Cleerview Investments Limited ("Cleerview") (Note ii)	180,811,470	–	180,811,470	15.71%

**Notes:**

- (i) Mr. Lo Yuk Sui directly and indirectly held 56.44% 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, 2011, 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.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL.
- (2) Messrs. Lo Yuk Sui, Donald Fan Tung and Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleerview.

### CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the annual report of the Company for the financial year ended 31st December, 2010 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of change
<i>Executive Directors:</i>	
Mr. Donald Fan Tung	<ul style="list-style-type: none"><li>Appointed as a non-executive director of KH Investment Holdings Limited ("KH Investment"), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 14th September, 2011.</li></ul>
Mr. Kenneth Ng Kwai Kai	<ul style="list-style-type: none"><li>Appointed as an executive director of KH Investment with effect from 14th September, 2011.</li></ul>
<i>Independent Non-Executive Director:</i>	
Mr. Wong Chi Keung	<ul style="list-style-type: none"><li>Resigned as an independent non-executive director of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed), a company listed on the Stock Exchange, with effect from 24th June, 2011.</li></ul>

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 in the preceding section headed "Directors' Profile".

### 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, 2011, 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, in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

#### 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, 2011.

### **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, 2011.

### **REVIEW OF RESULTS**

The Audit Committee of the Company currently comprises the following members:

Mr. Wong Chi Keung (Chairman of the Committee) (*Independent Non-Executive Director*)

Mr. Bowen Joseph Leung Po Wing, GBS, JP (*Independent Non-Executive Director*)

Mr. Ng Siu Chan (*Independent Non-Executive Director*)

Hon Abraham Shek Lai Him, SBS, JP (*Independent Non-Executive Director*)

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, 2011, in conjunction with the external auditors. The review report of the external auditors is set out on page 44 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 of Paliburg Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 17 to 35 which comprises the condensed consolidated statement of financial position as at 30th June, 2011 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 of the Company 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 this report.

## 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  
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Hong Kong  
25th August, 2011

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