

# 2012

## 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

Wong Chi Keung (Chairman)

Lo Yuk Sui

Ng Siu Chan

## NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, SBS, JP

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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Hong Kong

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# Directors' Profile

**Mr. Lo Yuk Sui**, aged 68; *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”), a listed subsidiary 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 55; *Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as Chief Operating Officer in 2007. Mr. Fan has been with the Group since 1987 and is principally involved in the Group’s property development, architectural design and project management functions as well as overseeing the building construction business of the Group. Mr. Fan is a qualified architect. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML.

**Mr. Bowen Joseph Leung Po Wing**, *GBS, JP*, aged 63; *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 of Hong Kong Limited (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 38; *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. He joined the Century City Group in 1998. Apart from his involvement in the design of the Group’s property projects and the hotel projects of the RHIHL group, Mr. Jimmy Lo 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 33; *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 is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing functions of the RHIHL group and directed the marketing campaign of the RHIHL group's luxury residential development, Regalia Bay 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 58; *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.

**Mr. Ng Siu Chan**, aged 82; *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 67; *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 both of the Court and the Council 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 57; *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, Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, TPV Technology Limited and Zhuguang Holdings Group Company 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 46; *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 19 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 2012 Interim Report of the Company.

## FINANCIAL RESULTS

For the six months ended 30th June, 2012, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$2,220.3 million, an increase of 21.2% as compared to HK\$1,831.3 million recorded in the comparative period in 2011.

The profit achieved for the period under review was principally attributable to the one-off net accounting gain of HK\$2,118.4 million recognised by the Group on consolidating Regal Hotels International Holdings Limited, previously a listed associate of the Group, based on the fair values of the assets and liabilities of Regal as at 7th May, 2012, the date when Regal became a subsidiary of the Company.

## DIVIDENDS

The Directors have declared the payment of an interim dividend of HK2.0 cents for the financial year ending 31st December, 2012, absorbing a total amount of approximately HK\$22.4 million (2011 – ordinary interim dividend of HK1.8 cents and special interim dividend of HK10 cents, aggregating to HK11.8 cents, and absorbing total amount of HK\$136.3 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 12th October, 2012.

## BUSINESS OVERVIEW

### PROPERTIES

The 30%-owned luxury residential development at Larvotto in Ap Lei Chau was completed in 2011. Most of the residential apartment units in Larvotto have been sold in 2011 and the profit realised was already accounted for in the last financial year. There are still 8 special featured apartment units and some 80 car parks remaining unsold. It is expected that further profit contribution will be derived when these unsold units are eventually disposed of.

The Group established in 2011 with Regal a 50:50 owned joint venture entity to undertake development of real estate projects, which is now named as P&R Holdings Limited. As Regal became a subsidiary of the Group on 7th May, 2012, P&R Holdings has since also been treated as a subsidiary.

P&R Holdings is undertaking four wholly owned property projects in Hong Kong and a majority-owned composite development project in Chengdu, Sichuan, China. Information regarding the updated progress of these development projects is contained in the section headed "Management Discussion and Analysis" in this Interim Report.

The Group has during the past months participated on a number of occasions in the tendering for the acquisitions of development sites offered by the Hong Kong Government and other governmental bodies, albeit not having been successful so far. The Group will continue to seek prudently new acquisition opportunities with a view to further expanding its properties portfolio in Hong Kong.

In the meantime, the Group is also actively reviewing and negotiating some proposed development projects in certain prime cities in China, which are considered to have good profit potentials.

### CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group operates a comprehensive range of construction and other building businesses. The development consultancy arm is now primarily providing support on architectural, engineering and interior design services to Group companies, due to the many development and renovation projects currently in progress. Chatwin Engineering Limited, the Group's construction arm, is undertaking the main contract for the hotel construction works at Nos.132-140 Bonham Street, Sheung Wan being developed by P&R Holdings.

### OTHER INVESTMENTS

In addition to those held by Regal, the Group itself directly holds 17.1% of the issued shares and certain convertible bonds and optional convertible bonds of Cosmopolitan International Holdings Limited. The optional bonds of Cosmopolitan will be due for subscription in November 2012 and the convertible bonds for conversion in January 2013. The Group will in time determine the appropriate course for the Group's strategic holdings in Cosmopolitan, which will take into consideration the financial position and business prospects of Cosmopolitan as well as the then prevailing market environment.

### REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2012, Regal achieved an unaudited consolidated profit attributable to shareholders of HK\$380.6 million, as compared to HK\$420.9 million attained in the same period last year.

During the period under review, the core hotel business of the Regal group continued to enjoy healthy growth and generated increased profits. Together with the profit derived from the sale of houses in Regalia Bay, Stanley and other income recognised during the period, the Regal group's operating profit before depreciation and finance costs for the six months ended 30th June, 2012 amounted to HK\$674.5 million, which was substantially above the corresponding amount of HK\$66.2 million attained for the same period in 2011, particularly as its profit last year has been adversely impacted by the losses arising from the changes in the fair values of the financial assets.

As the Regal group recorded in the six months ended 30th June, 2011 gains of over HK\$600 million from share of profits of jointly controlled entities, the overall attributable profit attained in the interim period last year was comparatively higher than that for the period under review, though it should be noted that the improved results achieved by the core businesses of the Regal group during this current period have indeed been encouraging.

As explained previously, the five initial Regal Hotels in Hong Kong, which are leased to the Regal group for hotel operations and owned directly by Regal Real Estate Investment Trust, are treated by Regal in its consolidated financial statements as fixed assets and subject to depreciation charges. Accordingly, unlike Regal REIT, any appreciation in the fair values of these hotel properties would not be reflected in its consolidated financial statements. Moreover, there were total depreciation charges of approximately HK\$182.5 million provided on these hotel properties during this interim period which, though not having any impact on cash flow, have nevertheless affected the Regal group's overall recorded profit for the period.

### BUSINESS OVERVIEW

On 20th April, 2012, Regal announced a share repurchase programme for the repurchase of up to 38,886,400 Regal shares at a maximum price of HK\$3.80 per share, which was to be operative until 21st July, 2012. The share repurchase programme was initiated by Regal with the objective of enhancing the net asset value as well as the earnings per Regal share, and thereby achieving for its shareholders higher returns in the long run, particularly as the shares of Regal have been trading at a deep discount to their underlying net asset value which, even based on the book values in Regal's consolidated statement of financial position as at 31st December, 2011, amounted to HK\$11.53 per share. On the basis that the Regal group's hotel properties are to be restated in its consolidated financial statements at their market values on 30th June, 2012, the unaudited adjusted net asset value of the shares of Regal as at 30th June, 2012 would be HK\$15.93 per share.

Up to 7th May, 2012, an aggregate of 12,600,000 Regal shares have been repurchased under the programme and, as a result, the aggregate proportionate shareholdings held by the Group in Regal crossed over the 50% shareholding threshold. Consequently, both Regal and Regal REIT became subsidiaries of the Company and, in turn, Century City International Holdings Limited, the controlling shareholder of the Company.

Pursuant to the chain principle under The Codes on Takeovers and Mergers in Hong Kong, the Group was thereby required to make an unconditional mandatory general cash offer for all the Regal REIT units, other than those already owned by the Company and parties acting in concert with it, at an offer price of HK\$1.00 per unit. Accordingly, a general offer was formally launched by a wholly owned subsidiary of the Group in a composite offer document dated 9th July, 2012 in technical compliance with the Takeovers Code. The offer has duly closed on 30th July, 2012 and the Group has acquired under the offer a total of 732,363 units of Regal REIT from the independent unitholders.

Up to the date when the share repurchase programme ended on 21st July, 2012, Regal has repurchased a total of 37,344,000 Regal shares. The highest price paid for the repurchased shares was HK\$3.33 per share and total funds of approximately HK\$115.3 million have been utilised under the programme.

### HOTELS

#### MARKET OVERVIEW

During the first half of 2012, the pace of recovery in the global economy remained weak. The sovereign debt crisis in the Euro zone is still unresolved and continues to cast uncertainty on the international financial market. The Asian developing countries were also affected by their global counterparts and a slowdown in their GDP growth is projected.

However, benefiting from a GDP growth of 7.8% in China in the first six months of 2012, which was relatively strong as compared to other major economies in the world, and China's continuing policy to liberalise overseas travel restrictions for Mainland residents, the total number of visitors to Hong Kong hit another historical record of 22.3 million, representing a year-on-year increase of 15.5%, with China's visitors accounting for about 69.8% of the total count.

Based on the Hotel Survey published by Hong Kong Tourism Board, the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for the period under review was 87%, as compared to 88% in the corresponding period in 2011, while the average achieved room rate attained a year-on-year increase of about 12%.

The level of room rates for the hotels in Hong Kong as a whole still lags behind those prevailing in many other major international cities in the world. As long as Hong Kong maintains its position as an international financial and tourist hub and the hotel industry in Hong Kong keeps up its quality and standards, it is expected that the level of hotel room rates can be further improved.

### HOTEL OWNERSHIP

#### REGAL REAL ESTATE INVESTMENT TRUST

The Regal group's hotel ownership business is undertaken through Regal REIT, which is 74.5% held by the Regal group and, as mentioned above, a very minor percentage is directly held by the Group through acceptances under the general offer launched in July 2012. Regal REIT is managed by Regal Portfolio Management Limited as the REIT Manager, which is a wholly owned subsidiary of the Regal group.

For the six months ended 30th June, 2012, Regal REIT attained an unaudited consolidated profit before distribution to Unitholders of HK\$675.2 million, as compared to HK\$1,957.6 million recorded in the corresponding period last year. Based on the market valuation conducted as at 30th June, 2012, a profit of HK\$446.6 million was included in Regal REIT's results under review from the increase in the fair values of its portfolio of investment properties, whereas for the last comparative period, a gain of HK\$1,782.6 million was recorded in respect of such fair value changes. Total distributable income for the period under review amounted to approximately HK\$221.8 million, which was an increase of 18.9% over the HK\$186.5 million attained for the same period last year.

The five initial Regal Hotels owned by Regal REIT, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Riverside Hotel and Regal Oriental Hotel, are under lease to a wholly owned subsidiary of the Regal group at a base rent of HK\$645 million for year 2012, with equal sharing on the excess of their aggregate net property income over the annual base rent. The aggregate net property income for these five hotels for the first six months of this year amounted to HK\$406.1 million, which represented a year-on-year increase of about 13.4% and exceeded the prorated base rent by approximately HK\$83.6 million. As the latter part of the year is traditionally the higher season, the net property income excess for the second half of 2012 is anticipated to surpass that attained in the first half.

For the years 2011 to 2015, the rental packages for the five initial Regal Hotels are subject to annual rent reviews to be determined by an independent professional property valuer to be jointly appointed by the Lessors and the Lessee. The same independent professional property valuer, who determined the Market Rental Review for 2011 and 2012, was jointly appointed in June 2012 to carry out the rental review process for 2013. This rental review exercise has recently been concluded and the annual base rent for 2013 has been determined to be HK\$734 million, representing an increase of 13.8% over the annual base rent of HK\$645 million for 2012, with the variable rent similarly determined at 50% of the aggregate net property income excess.

The Regal iClub Hotel in Wanchai, the sixth Regal Hotel in Hong Kong that is owned and operated by Regal REIT under a management contract with the Regal group's wholly owned management subsidiary, continued to perform very satisfactorily. For the first half of 2012, the hotel recorded a high average occupancy of about 96.7%, as compared to about 93.3% for the same period last year. The average achieved room rate has also improved by about 11.2% over the same period, resulting in a year-on-year increase of about 15.2% in the Revenue per Available Room.

With the objective to maintaining the high quality and standards of the properties, the guestrooms, banqueting and other facilities in the five initial Regal Hotels are renovated and upgraded from time to time as an ongoing process. During the period under review, a total of around 300 guestrooms and suites within the portfolio are being upgraded under ongoing asset enhancement programmes.

The works for the conversion of the food and beverage areas on the 14th Floor of Regal Oriental Hotel into 27 guestrooms are underway and scheduled to be completed before the end of this year, while the conversion works on the 2nd Floor of this hotel to provide 28 additional guestrooms are planned to be commenced in the fourth quarter of this year and to be completed in the first half of 2013.

In the meantime, Regal REIT is working closely with the hotel manager in a programme to replace and upgrade a centralised property management system for all the six Regal Hotels in Hong Kong, with a view to enhancing internet connectivity and operational efficiency.

### HOTEL OPERATIONS

The results of the five Regal Hotels in Hong Kong operated by the Regal group under lease from Regal REIT continued to enjoy steady progress, achieving gross operating profits of approximately HK\$422.4 million for the period under review. The combined average occupancy rate for the five hotels was about 87.5%, which was in line with the industry average, with achieved average room rate improving by about 15.5% over the same comparative period. As the five hotels are well positioned to cater to different market segments, it is expected that these five hotels will continue to maintain satisfactory performance.

### HOTEL MANAGEMENT

The Regal group's hotel management subsidiary in China has expanded its hotel network to Shaanxi Province with the signing in May 2012 of the management agreement for a 5-star airport hotel project in Xi'an. The hotel will be adjacent to Terminal 3A in Xi'an Xianyang International Airport, the biggest transportation hub and the bridgehead in Northwest China, which will have 300 well-equipped guestrooms and ample restaurant, meeting and recreational facilities. The hotel is scheduled to open in the second quarter of 2014.

More recently in August 2012, the Regal group signed up another management agreement to provide hotel management services to a new 5-star hotel within a multi-complex project located at the heart of the Yantai Economic and Technological Development Area in Yantai, Shandong Province. The hotel will be named as the Regal Furao Hotel, featuring 300 well-appointed guestrooms, and is scheduled to open in the third quarter of 2015.

Apart from the six Regal Hotels in Hong Kong owned by Regal REIT, the Regal group is providing management services to a total of 7 operating hotel properties and 8 hotel projects under development in China, spanning across 11 cities in 8 provinces and 1 municipality. Various new management contracts are under negotiations which, when concluded, will further add to the Regal group's hotel network.

### PROPERTIES

Despite a relatively stagnant economy, property prices in Hong Kong have generally held firm during the period under review, due largely to the persistence of a low interest environment. The contract for the sale of the two front-row houses in Regalia Bay, Stanley was completed during the period and the profit realised has been reflected in the interim results under review. The Regal group still retains a total of 19 houses in Regalia Bay, three of which are presently under leases to third parties.

As mentioned above, the Regal group is the 50% joint venture partner of the Group in P&R Holdings.

### OTHER INVESTMENTS

The Regal group maintains a substantial investment portfolio consisting primarily of listed investments, including positions in listed shares held for strategic purposes. The Regal group owns within the portfolio significant investments in the shares, convertible bonds and optional convertible bonds of Cosmopolitan.

### OUTLOOK

#### REGAL GROUP

With the various stimulus plans initiated by the monetary authorities in Europe and the United States, the global economy is anticipated to stabilise in the latter part of 2012 and in 2013. The Government of Hong Kong has committed to a number of major infrastructural development projects, including the expansion of the Hong Kong International Airport, the Hongkong-Zhuhai-Macao Bridge and the Kai Tak International Cruise Terminal, which will strengthen Hong Kong's position as an international gateway city and enhance its connectivity with the cities in the fast growing Pearl River Delta. These will undoubtedly continue to boost increasing traffic of business and leisure travelers to Hong Kong in the future years.

The directors of Regal are confident of the future prospects of the hotel business in Hong Kong and, with its solid financial strength and extensive experience, the Regal group will continue to seek appropriate opportunities to further expand its core business portfolio.

#### PALIBURG GROUP

With its substantial cash resources, the Paliburg Group is well-poised financially to implement its business development plans. The Group remains optimistic of the real estate markets in Hong Kong and in China and intends to take steps to expand prudently its property portfolio in Hong Kong and in selected prime cities in the Mainland.

The Directors are confident that when the various development projects currently undertaken are completed as scheduled in the course of the next few years, the Group's underlying capital values and growth potentials will be gradually realised.

### LO YUK SUI

Chairman

Hong Kong  
28th August, 2012

# 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, hotel ownership, hotel operation and management, asset management and other investments.

The significant investments and business interests of Regal Hotels International Holdings Limited ("RHIHL"), the Group's principal listed subsidiary, comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT") (a listed subsidiary of the Company held through RHIHL), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R Holdings") and 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 Management Discussion and Analysis.

### Joint Venture – P&R Holdings Limited

P&R Holdings 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 on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. P&R Holdings and its subsidiaries are principally engaged in property development business. Further information relating to the property development projects being carried out by P&R Holdings group is set out below:

#### Hong Kong

##### *Nos.132-140 Bonham Strand, Sheung Wan*

This development site has a site area of approximately 5,430 square feet. It is planned for the development of a hotel with 248 guestrooms and suites with gross floor area of approximately 83,700 square feet. The foundation works have been completed. The superstructure works for this hotel development have also commenced and are expected to be completed in the fourth quarter of 2013.

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

This development site is constituted by two adjoining properties 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 59,090 square feet, have been approved. Due to some delay encountered in the foundation works for this site, the completion schedule of the hotel development originally targeted for the fourth quarter of 2014 might be deferred.

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

The properties have an aggregate site area of approximately 5,300 square feet and the plans for their development into a hotel with about 338 guestrooms and suites, with total gross floor area of approximately 79,390 square feet, have been approved. Foundation works will be completed shortly and the superstructure works will commence later this year. This development project is scheduled for completion in the third quarter of 2014.

### *Lot No.4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories*

This development site, acquired through a government public auction, has an area of approximately 120,470 square feet and is planned for a residential development with a total of 170 units, comprising 36 houses and 134 apartments, having an aggregate gross floor area of approximately 120,470 square feet. The building plans have been approved. Site formation and foundation works will commence in the fourth quarter of 2012.

## **Mainland China**

### *Composite development project in Xindu District, Chengdu, Sichuan*

P&R Holdings group holds 70% interest in this property project and the remaining 30% interest is held by a jointly controlled entity owned as to 50% each by RHIHL group and Cosmopolitan International Holdings Limited group.

This project in Chengdu is a mixed use development planned to consist of hotel, commercial, office and residential components. The project 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. The structural frame for the hotel development has been completed and the first phase of hotel is presently scheduled to be soft opened in the fourth quarter of 2013. 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. The structural frames for this part of the development have also been completed, with overall construction works scheduled to be completed in the second quarter of 2013. Presale of the residential units is anticipated to be launched in the first quarter of 2013. Development works for the other stages are planned to be carried out progressively.

### *Regal (Chongqing) Equity Investment Fund*

P&R Holdings group also holds limited partnership interest of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, the investment objective of which is principally to support the businesses undertaken by P&R Holdings group in China. A wholly owned subsidiary of Century City International Holdings Limited, the ultimate listed holding company of the Company, acts as the general partner of the fund and holds a very minor interest in the partnership.

### FINANCIAL REVIEW

#### CAPITAL RESOURCES AND FUNDING

##### Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits and yield enhancement products are deployed when circumstances are considered to be appropriate.

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.

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. The Group had no or insignificant exchange risk and no currency hedging was considered necessary.

##### Cash Flow

Net cash flows generated from operating activities during the period under review amounted to HK\$135.6 million (2011 – HK\$160.8 million). Net interest payment for the period amounted to HK\$22.8 million (2011 – net interest receipt of HK\$3.8 million).

##### Borrowings and Gearing

As at 30th June, 2012, the Group had borrowings net of cash and bank balances and deposits of HK\$3,150.4 million (31st December, 2011 – cash and bank balances and deposits net of borrowings of HK\$1,395.2 million). The increase in the level of borrowings was mainly due to the consolidation of RHHL and P&R Holdings during the period.

As at 30th June, 2012, the gearing ratio of the Group is 10.6%, representing the Group's borrowings net of cash and bank balances and deposits of HK\$3,150.4 million, as compared to the total assets of the Group of HK\$29,745.0 million. The Group had no gearing as at 31st December, 2011.

Details of the maturity profile of the borrowings of the Group are shown in note 13 to the condensed consolidated financial statements.

### Pledge of Assets

As at 30th June, 2012, certain of the Group's property, plant and equipment, investment properties, properties held for sale and held-to-maturity investments in the total amount of HK\$20,386.7 million and certain ordinary shares in a listed subsidiary with a market value of HK\$271.0 million were pledged to secure general banking facilities granted to the Group and, in addition, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$330.5 million were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

As at 31st December, 2011, the held-to-maturity investments of HK\$36.7 million and certain ordinary shares in the former listed associate with a market value of HK\$224.3 million were pledged to secure general banking facilities granted to the Group.

The above details of the pledge of assets of the Group are also shown in note 15 to the condensed consolidated financial statements.

### Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2012 are shown in note 17 to the condensed consolidated financial statements.

### Contingent Liabilities

The Group had no contingent liability as at 30th June, 2012.

### Share Capital

During the period under review, the Company repurchased a total of 26,436,000 ordinary shares of the Company at aggregate purchase prices of HK\$60,386,800 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Out of the 26,436,000 repurchased ordinary shares, 26,080,000 repurchased ordinary shares, together with 304,000 ordinary shares repurchased in 2011 but not cancelled during that year, in aggregate 26,384,000 repurchased ordinary shares, were cancelled during the period. The remaining 356,000 repurchased ordinary shares were cancelled subsequent to the period end date.

Subsequent to the end of the reporting period, the Company repurchased a total of 704,000 ordinary shares of the Company at an aggregate purchase price of HK\$1,641,840 on the Stock Exchange. All these repurchased ordinary shares were cancelled before the date of this report.

Further details of the repurchase by the Company of its ordinary shares during the period are disclosed under the sub-section headed "Purchase, Sale or Redemption of the Company's Listed Securities" under the section headed "Other Information" below.

### CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Wednesday, 10th October, 2012 to Friday, 12th October, 2012, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the interim dividend 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 Tuesday, 9th October, 2012. The relevant dividend warrants are expected to be despatched on or about 25th October, 2012.

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

Nevertheless, as mentioned in the preceding Chairman's Statement, both RHIHL and Regal REIT became subsidiaries of the Company with effect from 7th May, 2012 following the aggregate proportionate shareholdings held by the Group in RHIHL crossed over the 50% shareholding threshold on that date as a result of the share repurchases made by RHIHL under the share repurchase programme announced by RHIHL in April 2012. Following RHIHL becoming a subsidiary of the Company, P&R Holdings has also been treated as a subsidiary of the Company since 7th May, 2012. Details of the deemed acquisitions of RHIHL, Regal REIT and P&R Holdings and their respective subsidiaries all as subsidiaries of the Company are disclosed in note 19 to the condensed consolidated financial statements.

### 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 and RHIHL maintain the share option schemes named as "The Paliburg Holdings Limited Share Option Scheme" and "The Regal Hotels International Holdings Limited Share Option Scheme", respectively, under which share options had been granted to selected eligible persons.

# Condensed Consolidated Income Statement

		Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2	597.5	409.3
Cost of sales		(463.0)	(328.3)
Gross profit		134.5	81.0
Other income and gain	3	10.2	4.8
Fair value gains on investment properties, net		4.8	–
Fair value losses on financial assets at fair value through profit or loss, net		(55.4)	(376.1)
Fair value loss on remeasurement of investments in a listed associate and an unlisted jointly controlled entity, net	19	(4,355.0)	–
Gain on bargain purchase of a listed subsidiary	19	6,473.4	–
Administrative expenses		(57.6)	(15.5)
Other operating income/(expenses), net	4	0.6	(12.2)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION		2,155.5	(318.0)
Depreciation		(78.0)	(0.3)
OPERATING PROFIT/(LOSS)	2, 5	2,077.5	(318.3)
Finance costs	6	(26.8)	(0.8)
Share of profits and losses of:			
Jointly controlled entities		(0.2)	68.7
Associates		131.9	2,081.8
PROFIT BEFORE TAX		2,182.4	1,831.4
Income tax	7	27.3	(0.1)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		2,209.7	1,831.3
Attributable to:			
Equity holders of the parent		2,220.3	1,831.3
Non-controlling interests		(10.6)	–
		2,209.7	1,831.3
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	9		
Basic		HK\$1.94	HK\$1.62
Diluted		HK\$1.94	HK\$1.60

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	2,209.7	1,831.3
OTHER COMPREHENSIVE INCOME/(LOSS):		
Changes in fair value of available-for-sale investments	1.4	–
Exchange differences on translating foreign operations	(7.0)	1.2
Reclassification adjustments on deemed disposals of a listed associate and an unlisted jointly controlled entity	(32.6)	–
Share of other comprehensive income/(loss) of:		
A jointly controlled entity	(1.1)	–
Associates	(56.2)	11.7
Other comprehensive income/(loss) for the period	(95.5)	12.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,114.2	1,844.2
Attributable to:		
Equity holders of the parent	2,126.4	1,844.2
Non-controlling interests	(12.2)	–
	2,114.2	1,844.2

# Condensed Consolidated Statement of Financial Position

		30th June, 2012 (Unaudited)	31st December, 2011 (Audited)
	Notes	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		20,239.2	1.7
Investment properties		892.2	0.2
Properties under development		368.1	–
Investment in a jointly controlled entity	10	357.5	940.9
Investments in associates		349.7	6,043.3
Available-for-sale investments		25.4	3.6
Financial assets at fair value through profit or loss		173.9	348.3
Loans receivable		21.2	3.0
Trademark		610.2	–
Total non-current assets		<u>23,037.4</u>	<u>7,341.0</u>
<b>CURRENT ASSETS</b>			
Properties under development		779.4	–
Properties held for sale		1,514.6	6.0
Inventories		33.5	9.4
Debtors, deposits and prepayments	11	490.0	88.3
Loans receivable		15.3	–
Held-to-maturity investments		184.1	36.7
Available-for-sale investment		7.8	–
Financial assets at fair value through profit or loss		1,037.4	112.2
Restricted cash		17.7	–
Pledged time deposits and bank balances		238.8	–
Time deposits		1,535.0	1,317.6
Cash and bank balances		854.0	160.6
Total current assets		<u>6,707.6</u>	<u>1,730.8</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	12	(505.1)	(38.1)
Deposits received		(17.8)	(0.2)
Interest bearing bank borrowings	13	(255.8)	(83.0)
Tax payable		(28.9)	(3.7)
Total current liabilities		<u>(807.6)</u>	<u>(125.0)</u>
<b>NET CURRENT ASSETS</b>		<u>5,900.0</u>	<u>1,605.8</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>28,937.4</u>	<u>8,946.8</u>

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

		30th June, 2012 (Unaudited)	31st December, 2011 (Audited)
	Notes	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		28,937.4	8,946.8
NON-CURRENT LIABILITIES			
Creditor	12	(648.1)	–
Interest bearing bank borrowings	13	(5,540.1)	–
Deferred tax liabilities		(2,303.0)	–
Total non-current liabilities		(8,491.2)	–
Net assets		20,446.2	8,946.8
EQUITY			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		112.3	114.9
Reserves		10,954.2	8,739.1
Dividends		22.4	91.9
		11,088.9	8,945.9
<b>Non-controlling interests</b>		9,357.3	0.9
Total equity		20,446.2	8,946.8

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2012

	Attributable to equity holders of the parent													
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Assets revaluation reserve (Unaudited)	Available-for-sale investment revaluation reserve (Unaudited)	Hedge reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Dividends (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2012	114.9	1,434.2	0.8	8.5	689.6	663.6	(1.4)	55.9	92.0	5,795.9	91.9	8,945.9	0.9	8,946.8
Profit for the period	-	-	-	-	-	-	-	-	-	2,220.3	-	2,220.3	(10.6)	2,209.7
Other comprehensive income/(loss) for the period:														
Changes in fair value of available-for-sale investments	-	-	-	-	-	1.0	-	-	-	-	-	1.0	0.4	1.4
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	(5.0)	-	-	-	(5.0)	(2.0)	(7.0)
Reclassification adjustments on deemed disposals of a listed associate and an unlisted jointly controlled entity	-	-	-	-	-	-	0.4	-	(33.0)	-	-	(32.6)	-	(32.6)
Share of other comprehensive income/(loss) of:														
A jointly controlled entity	-	-	-	-	-	-	-	(1.1)	-	-	-	(1.1)	-	(1.1)
Associates	-	-	-	-	-	-	0.4	(55.9)	(0.7)	-	-	(56.2)	-	(56.2)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	1.8	(55.9)	(39.8)	2,220.3	-	2,126.4	(12.2)	2,114.2
Repurchase and cancellation of ordinary shares	(2.6)	(58.0)	2.6	-	-	-	-	-	-	(2.6)	-	(60.6)	-	(60.6)
Repurchase and cancellation of ordinary shares by a listed subsidiary	-	-	-	168.3	-	-	-	-	-	-	-	168.3	(242.5)	(74.2)
Deemed acquisitions of a listed subsidiary and an unlisted jointly controlled entity	-	-	-	(8.5)	-	(663.6)	-	-	-	672.1	-	-	9,707.3	9,707.3
Transfer of unclaimed dividends to retained profits	-	-	-	-	-	-	-	-	-	0.5	-	0.5	-	0.5
Final 2011 dividend declared	-	-	-	-	-	-	-	-	-	0.3	(91.9)	(91.6)	(96.2)	(187.8)
Interim 2012 dividend	-	-	-	-	-	-	-	-	-	(22.4)	22.4	-	-	-
At 30th June, 2012	112.3	1,376.2	3.4	168.3	689.6	-	0.4	-	52.2	8,664.1	22.4	11,088.9	9,357.3	20,446.2

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

For the six months ended 30th June, 2012

	Attributable to equity holders of the parent													
	Issued capital (Unaudited)	Share premium account (Unaudited)	Share option reserve (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Assets revaluation reserve (Unaudited)	Hedge reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Dividends (Unaudited)	Total equity (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	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/(loss) 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

# Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from operating activities	135.6	160.8
Net cash flows from investing activities	801.0	1,460.0
Net cash flows used in financing activities	(21.7)	(38.2)
Net increase in cash and cash equivalents	914.9	1,582.6
Cash and cash equivalents at beginning of period	1,478.2	417.1
Effect of foreign exchange rate changes, net	(4.1)	1.2
Cash and cash equivalents at end of period	<u>2,389.0</u>	<u>2,000.9</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	854.0	202.2
Non-pledged time deposits with original maturity of less than three months when acquired	<u>1,535.0</u>	<u>1,798.7</u>
	<u>2,389.0</u>	<u>2,000.9</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, 2011, 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, 2012.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>

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

## 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 properties 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 Real Estate Investment Trust (“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, provision of asset management services to Regal REIT, travel agency services and sale of food products.

Management monitors the results of the Group’s 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, 2012 (Unaudited)	2011 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)	2011 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)	2011 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)	2011 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)	2011 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)	2011 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)	2011 (Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue:														
Sales to external customers	288.5	376.9	34.5	30.3	259.6	-	2.2	2.1	12.7	-	-	-	597.5	409.3
Intersegment sales	0.8	-	6.2	-	-	-	-	-	12.6	-	(19.6)	-	-	-
<b>Total</b>	<b>289.3</b>	<b>376.9</b>	<b>40.7</b>	<b>30.3</b>	<b>259.6</b>	<b>-</b>	<b>2.2</b>	<b>2.1</b>	<b>25.3</b>	<b>-</b>	<b>(19.6)</b>	<b>-</b>	<b>597.5</b>	<b>409.3</b>
Segment results before depreciation	(2.5)	75.3	7.5	0.5	109.6	-	(52.4)	(386.5)	(1.3)	0.2	-	-	60.9	(310.5)
Depreciation	(0.1)	-	(0.3)	(0.2)	(71.4)	-	-	-	(0.1)	-	-	-	(77.9)	(0.2)
Segment results	(2.6)	75.3	7.2	0.3	32.2	-	(52.4)	(386.5)	(1.4)	0.2	-	-	(17.0)	(310.7)
Unallocated interest income and unallocated non-operating and corporate gains													6,481.7	5.7
Unallocated non-operating and corporate expenses													(4,387.2)	(13.3)
Operating profit/(loss)													2,077.5	(318.3)
Finance costs													(26.8)	(0.8)
Share of profits and losses of: Jointly controlled entities	(0.2)	68.7	-	-	-	-	-	-	-	-	-	-	(0.2)	68.7
Associates	(2.1)	1,866.7	-	-	134.3*	215.1*	-	-	(0.3)	-	-	-	131.9	2,081.8
Profit before tax													2,182.4	1,831.4
Income tax													27.3	(0.1)
Profit for the period before allocation between equity holders of the parent and non-controlling interests													2,209.7	1,831.3
Attributable to:													2,220.3	1,831.3
Equity holders of the parent													(10.6)	-
Non-controlling interests													2,209.7	1,831.3
Other segment information:														
Interest income	0.3	-	-	-	0.6	-	1.3	-	0.1	0.1	-	-		

\* The amount represents contribution from Regal Hotels International Holdings Limited ("RHIL") and its subsidiaries (the "RHIL Group"), which were accounted for as associates up to 7th May, 2012 and became subsidiaries of the Company thereafter (note 19).

## 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, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Interest income	9.9	4.6
Gain on disposal of investment property	–	0.2
Others	0.3	–
	<u>10.2</u>	<u>4.8</u>

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

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

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Loss on disposal of financial assets at fair value through profit or loss	–	(12.3)
Reversal of impairment of loans receivable	0.6	0.1
	<u>0.6</u>	<u>(12.2)</u>

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

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Profit/(loss) on disposal of listed investments	<u>0.6</u>	<u>(10.9)</u>

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

### 6. Finance Costs

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Interest in respect of bank loans wholly repayable within five years	19.1	0.6
Amortisation of debt establishment costs	4.3	–
Other loan costs	3.4	0.2
	<u>26.8</u>	<u>0.8</u>

### 7. Income Tax

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Group:		
Current - Hong Kong		
Charge for the period	4.6	0.1
Current - Overseas		
Overprovision in prior years	(0.9)	–
Deferred	(31.0)	–
Total tax charge/(credit) for the period	<u>(27.3)</u>	<u>0.1</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2011 - 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\$7.7 million (2011 - HK\$376.1 million) 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 entities as no assessable profits were earned by the jointly controlled entities during the period (2011 - Nil).

### 8. Dividend

The Directors have declared the payment of an interim dividend of HK2.0 cents (2011 - HK11.8 cents in aggregate, which included an ordinary interim dividend of HK1.8 cents and a special interim dividend of HK10.0 cents) per ordinary share for the financial year ending 31st December, 2012, absorbing a total amount of approximately HK\$22.4 million (2011 - HK\$136.3 million in aggregate).

### 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\$2,220.3 million (2011 - HK\$1,831.3 million) and on the weighted average of 1,144.5 million (2011 - 1,131.6 million) ordinary shares of the Company in issue during the period.

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

No adjustment has been made to the basic earnings per ordinary share amount presented for the period ended 30th June, 2012 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the period.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2011 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 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 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.

### 10. Investment in a Jointly Controlled Entity

The balance at 31st December, 2011 represented the Group's interest in P&R Holdings Limited ("P&R Holdings") and its subsidiaries (the "P&R Holdings Group"), a then joint venture company established during the prior period with the RHIHL Group on a 50:50 basis for the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities. During the prior period, P&R Holdings acquired certain property development projects in Hong Kong from the Group as detailed in note 14(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.

As explained in note 19, upon RHIHL becoming a subsidiary of the Company on 7th May, 2012, P&R Holdings also became a subsidiary of the Company on the same day. The balance at 30th June, 2012 represents the Group's investment in a jointly controlled entity which is 50% owned by the RHIHL Group.

### 11. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$123.8 million (31st December, 2011 - HK\$11.0 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, 2012 (Unaudited)	31st December, 2011 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	103.8	2.7
Between 4 to 6 months	12.4	–
Between 7 to 12 months	3.2	0.4
Over 1 year	5.7	7.9
	<u>125.1</u>	<u>11.0</u>
Impairment	(1.3)	–
	<u>123.8</u>	<u>11.0</u>

#### Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the balance is an amount due from a related company of HK\$1.3 million (31st December, 2011 - HK\$1.3 million) which is unsecured, non-interest bearing and repayable on demand.

The balance at 31st December, 2011 also included amounts due from a former jointly controlled entity and the former listed associate of HK\$8.2 million and HK\$0.8 million, respectively, which were unsecured, non-interest bearing and repayable on similar credit terms to those offered to the major customers of the Group.

### 12. Creditors and Accruals

Included in the balance under current liabilities is an amount of HK\$52.1 million (31st December, 2011 - HK\$1.6 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, 2012 (Unaudited)	31st December, 2011 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	51.4	1.6
Between 4 to 6 months	–	–
Between 7 to 12 months	0.4	–
Over 1 year	0.3	–
	<u>52.1</u>	<u>1.6</u>

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

Included in the balance under current liabilities are amounts due to the Group's jointly controlled entity, an associate and fellow subsidiaries of HK\$200.0 million (31st December, 2011 - Nil), HK\$2.0 million (31st December, 2011 - Nil) and HK\$4.9 million (31st December, 2011 - HK\$1.8 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

The balance at 31st December, 2011 also included an amount due to the Group's former listed associate of HK\$1.6 million which was unsecured, non-interest bearing and had no fixed terms of repayment.

The balance included under non-current liabilities represents amount due to a jointly controlled entity which is unsecured, non-interest bearing and not repayable within one year.

## 13. Interest Bearing Bank Borrowings

	30th June, 2012 (Unaudited)		31st December, 2011 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
<b>Current</b>				
Bank loans - secured	2012-2013	255.8	2012	83.0
<b>Non-current</b>				
Bank loans - secured	2013-2015	5,540.1		–
		<u>5,795.9</u>		<u>83.0</u>

	30th June, 2012 (Unaudited)	31st December, 2011 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year or on demand	255.8	83.0
In the second year	423.2	–
In the third to fifth years, inclusive	<u>5,116.9</u>	–
	<u>5,795.9</u>	<u>83.0</u>

Included in the bank loans under non-current liabilities as at 30th June, 2012 is a facility aggregating HK\$4.5 billion granted to the Regal REIT group (the "Facility") for a term of three years. The Facility, which was fully utilised at the end of the reporting period, bears interest based on Hong Kong Interbank Offered Rate ("HIBOR").

Subsequent to the end of the reporting period, the Regal REIT group entered into a new hedging arrangement with a banking corporation for a notional principal amount of HK\$1.4 billion, effective from 30th July, 2012 to the expiry date of the Facility, pursuant to which the Regal REIT group receives floating rate interest of 1-month HIBOR and pays interest quarterly at a fixed rate of 0.483% per annum.

The Facility and a term loan facility of HK\$340.0 million, which also bears HIBOR-based interest, of the Regal REIT group are guaranteed by Regal REIT and secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, and relating to the relevant properties;
- (iii) charges over the relevant rental account, sale proceeds account and other control accounts, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant Regal REIT group companies; and
- (v) an equitable charge over the shares in the relevant Regal REIT group companies.

The Group's other bank borrowings are secured by a pledge of the Group's certain assets as further detailed in note 15 to the condensed consolidated financial statements.

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

### 14. 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, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	Notes	HK\$'million	HK\$'million
The listed ultimate holding company:			
Management fees		9.4	4.1
A former jointly controlled entity:			
Gross construction fee income	(i)	1.5	–
Gross development consultancy fee income	(ii)	10.4	–
The former listed associate:			
Gross construction fee income		4.4	1.5
Gross development consultancy fee income		1.8	–
Gross income in respect of security systems and products and other software		0.6	1.5
An associate:			
Advertising and promotion fees (including cost reimbursements)	(iii)	1.9	–

Notes:

- (i) The construction fee income was received from the P&R Holdings Group for providing construction works for the property development projects. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.
- (ii) The gross development consultancy fee income was received from the P&R Holdings Group for advisory, supervisory, architectural and design services provided in connection with the construction works for the property development projects. The fees were charged at agreed rates of the estimated cost of individual projects.
- (iii) The advertising and promotion fees paid to an associate comprised a retainer determined by reference to the estimated volume of advertising and promotional activities of the RHIHL Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.

The nature and terms of these related party transactions except for (i), (ii) and (iii) set out above were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2011.

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

As detailed in note 19, RHIHL and P&R Holdings were previously treated as an associate and a jointly controlled entity, respectively, and became subsidiaries of the Company with effect from 7th May, 2012, since which date all significant transactions between RHIHL, P&R Holdings and other subsidiaries of the Group have been eliminated upon consolidation. Accordingly, all the amounts with the former listed associate and a former jointly controlled entity as disclosed under note 14(a) represent those for the period prior to that date.

(b) Other transaction with related party:

During the prior period, the Group entered into a shareholders' agreement with the RHIHL Group for the establishment of a joint venture company, P&R Holdings, for the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities. P&R Holdings was owned by the Group and the RHIHL Group on a 50:50 basis and the maximum total capital commitment to P&R Holdings was 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 P&R Holdings.

After P&R Holdings was established in April 2011, the Group entered into a sale and purchase agreement on 6th May, 2011 for the sale to P&R Holdings of the entire equity interests in two then wholly owned subsidiaries which owned 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 had been duly completed on the same day resulting in a profit on disposal of HK\$75.7 million.

(c) Outstanding balances with related parties:

	<b>30th June, 2012 (Unaudited)</b>	<b>31st December, 2011 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Due from associates/former associates	<b>10.4</b>	276.9
Due from a former jointly controlled entity	–	8.2
Due from a related company	<b>1.3</b>	1.3
Due to fellow subsidiaries	<b>(4.9)</b>	(1.8)
Due to an associate/the former listed associate	<b>(2.0)</b>	(1.7)
Due to a jointly controlled entity	<b>(982.5)</b>	–
Loan to a jointly controlled entity/a former jointly controlled entity	<b>107.7</b>	970.0

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

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

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	7.0	3.8
Staff retirement scheme contributions	0.5	0.3
Total compensation paid to key management personnel	<u>7.5</u>	<u>4.1</u>

### 15. Pledge of Assets

As at 30th June, 2012, certain of the Group's property, plant and equipment, investment properties, properties held for sale and held-to-maturity investments in the total amount of HK\$20,386.7 million and certain ordinary shares in a listed subsidiary with a market value of HK\$271.0 million were pledged to secure general banking facilities granted to the Group and, in addition, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$330.5 million were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

As at 31st December, 2011, the held-to-maturity investments of HK\$36.7 million and certain ordinary shares in the former listed associate with a market value of HK\$224.3 million were pledged to secure general banking facilities granted to the Group.

### 16. Operating Lease Arrangements

(a) As lessor

The Group leases certain retail space and areas of its hotel properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of 2 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30th June, 2012 (Unaudited)</b>	<b>31st December, 2011 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Within one year	30.6	–
In the second to fifth years, inclusive	13.7	–
	44.3	–

(b) As lessee

The Group leases certain office and shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms from 1 to 12 years. Lease for office equipment in respect of the Group is negotiated for a term of 5 years.

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

At 30th June, 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30th June, 2012 (Unaudited)</b>	<b>31st December, 2011 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Land and buildings:		
Within one year	13.3	0.3
In the second to fifth years, inclusive	30.8	0.1
After five years	28.7	–
	<u>72.8</u>	<u>0.4</u>
Other equipment:		
Within one year	0.3	–
In the second to fifth years, inclusive	0.5	–
	<u>0.8</u>	<u>–</u>
	<u>73.6</u>	<u>0.4</u>

### 17. Commitments

In addition to the operating lease commitments detailed in note 16(b) above, the Group had the following outstanding commitments in respect of its property development projects and hotel buildings at 30th June, 2012:

	<b>30th June, 2012 (Unaudited)</b>	<b>31st December, 2011 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Authorised, but not contracted for	491.1	–
Contracted, but not provided for	683.3	–
	1,174.4	–
	1,174.4	–

At 31st December, 2011, the Group's share of the maximum capital commitment to P&R Holdings, a then jointly controlled entity, for the development of real estate projects amounted to HK\$1,900.0 million, of which HK\$970.0 million had been contributed as shareholder's loan and HK\$170.0 million had been provided as a guarantee, on a several basis, for banking facilities granted to a subsidiary of P&R Holdings during that year. As detailed in note 19, P&R Holdings became a subsidiary of the Company on 7th May, 2012.

At 31st December, 2011, the Group's share of the capital commitments of P&R Holdings in respect of property development projects, was as follows:

	<b>HK\$'million</b>
Authorised, but not contracted for	302.2
Contracted, but not provided for	307.1
	609.3
	609.3

### 18. Share Options

#### The Paliburg Holdings Limited Share Option Scheme

The Company operates a share option scheme named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"). The Paliburg 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 Paliburg Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

All the outstanding share options previously granted by the Company under the Paliburg Share Option Scheme had been exercised before their expiry in 2011. There were no share options granted or remained outstanding under the Paliburg Share Option Scheme during the reporting period.

#### The Regal Hotels International Holdings Limited Share Option Scheme

RHIHL operates a share option scheme named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme"). The Regal Share Option Scheme was adopted by RHIHL's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share Options granted under the Regal Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

All the outstanding share options previously granted by RHIHL under the Regal Share Option Scheme lapsed on their expiry in 2011. There were no share options granted or remained outstanding under the Regal Share Option Scheme during the reporting period.

### 19. Business Combinations

On 20th April, 2012, RHIHL, the then listed associate of the Group, announced a share repurchase programme for the repurchase of up to 38,886,400 ordinary shares of RHIHL at a maximum repurchase price of HK\$3.80 per share, which was to be operative until 21st July, 2012. Up to 7th May, 2012, an aggregate of 12,600,000 ordinary shares of RHIHL have been repurchased under the programme and, as a result, the aggregate proportionate shareholdings in RHIHL held by the Group increased from 49.3714% to 50.0005%. Accordingly, RHIHL and its subsidiaries became subsidiaries of the Company on that date. As P&R Holdings and Hang Fok Properties Limited ("Hang Fok") are 50:50 owned jointly controlled entity and associate, respectively, between the Company and RHIHL, the P&R Holdings Group and Hang Fok together with its subsidiary (the "Hang Fok Group") also became subsidiaries of the Company upon RHIHL becoming a subsidiary of the Company on 7th May, 2012. As a result of the business combinations, a net fair value loss on remeasurement of investments in a listed associate and an unlisted jointly controlled entity of HK\$4,355.0 million and a gain on bargain purchase of a listed subsidiary of HK\$6,473.4 million are recorded in the Group's condensed consolidated income statement. The gain on bargain purchase was resulted from the lower market value of the ordinary shares of RHIHL as compared to the fair values of the net identifiable assets of the RHIHL Group.

The Group has elected to measure the non-controlling interests in the RHIHL Group and the P&R Holdings Group at the non-controlling interests' proportionate share of the identifiable net assets of the RHIHL Group and the P&R Holdings Group, respectively.

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

The aggregate fair values of the identifiable assets and liabilities of the RHIHL Group, the P&R Holdings Group and the Hang Fok Group as at the date of the deemed acquisitions were as follows:

	<b>Fair value recognised on deemed acquisitions HK\$'million</b>
Property, plant and equipment	20,286.4
Investment properties	887.0
Investment in a jointly controlled entity	357.5
Investments in associates	318.3
Available-for-sale investments	26.6
Financial assets at fair value through profit or loss	784.6
Loans receivable	32.6
Trademark	610.2
Properties under development	1,129.9
Properties held for sale	1,791.5
Inventories	25.9
Debtors, deposits and prepayments	325.6
Held-to-maturity investments	94.9
Restricted cash	52.1
Pledged time deposits and bank balances	424.8
Time deposits	89.3
Cash and bank balances	552.5
Creditors and accruals	(1,266.4)
Deposits received	(37.8)
Interest bearing bank borrowings	(5,401.2)
Tax payable	(20.8)
Deferred tax liabilities	(2,334.0)
Non-controlling interests	(9,707.3)
	<hr/>
	9,022.2
Gain on bargain purchase	(6,473.4)
	<hr/>
	2,548.8
	<hr/> <hr/>
Satisfied by:	
Investment in a jointly controlled entity	934.0
Investments in associates	1,614.8
	<hr/>
	2,548.8
	<hr/> <hr/>

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

The fair values of the trade debtors, other debtors and loans receivable as at the date of deemed acquisitions amounted to HK\$130.3 million, HK\$83.5 million and HK\$32.6 million, respectively. The gross contractual amounts of the trade debtors, other debtors and loans receivable were HK\$131.6 million, HK\$83.5 million and HK\$32.6 million, respectively, of which trade debtors of HK\$1.3 million are expected to be uncollectible.

An analysis of the cash flows in respect of the deemed acquisitions is as follows:

	HK\$'million
Time deposits acquired	89.3
Cash and bank balances acquired	<u>552.5</u>
Inflow of cash and cash equivalents included in cash flows from investing activities	<u><u>641.8</u></u>

Since the deemed acquisitions, the RHIHL Group, the P&R Holdings Group and the Hang Fok Group contributed HK\$559.7 million to the Group's revenue and HK\$112.4 million to the consolidated profit before allocation between equity holders of the parent and non-controlling interests for the period ended 30th June, 2012.

Had the combinations taken place at the beginning of the period, the revenue of the Group and the consolidated profit before allocation between equity holders of the parent and non-controlling interests of the Group for the period would have been HK\$1,269.0 million and HK\$2,363.9 million, respectively.

### 20. 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 28th August, 2012.

# Other Information

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2012, 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	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2012)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	82,014,014	739,970,803 (Note b)	15,000	821,999,817 (73.18%)
	Mr. Donald Fan Tung	Ordinary (issued)	556	-	-	556 (0.000%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	-	-	2,274,600 (0.20%)
	Miss Lo Po Man	Ordinary (issued)	1,116,000	-	-	1,116,000 (0.10%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	-	-	176,200 (0.02%)
	Mr. Ng Siu Chan	Ordinary (issued)	-	-	80,474	80,474 (0.007%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	-	-	6,200 (0.001%)

## 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, 2012)
				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 (56.83%)
		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 (i) issued	24,200	494,835,261 (Note c)	260,700	495,120,161
			(ii) underlying	–	3,434,000 (Note d)	–	3,434,000
						Total (i) & (ii):	498,554,161 (51.71%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note e)	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)

	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, 2012)
				Personal interests	Corporate interests	Family/Other interests	
4.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note f)	–	1,000 (100%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,433,549,739 (Note g)	–	2,433,549,739 (74.71%)

**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 693,234,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 56.82% 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 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 56.82% 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 61.72% shareholding interests.
- (d) These derivative interests in underlying 3,434,000 ordinary shares of RHIHL were held by a wholly owned subsidiary of the Company through an equity derivative contract on ordinary shares of RHIHL, which will be settled in cash only. The effective date and valuation date of the equity derivative contract are 21st June, 2012 and 21st June, 2013, respectively.
- (e) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.
- (f) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 56.82% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (g) The interests in 2,428,262,739 units of Regal REIT were held through wholly owned subsidiaries of RHIHL, and the interests in the other 5,287,000 units of Regal REIT were held through wholly owned subsidiaries of CCIHL. The Company in which CCIHL held 61.72% shareholding interests, held 51.64% shareholding interests in RHIHL. Mr. Lo held 56.82% shareholding interests in CCIHL.

## Other Information (Cont'd)

Save as disclosed herein, as at 30th June, 2012, 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.

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 share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (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, 2012, 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 held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 30th June, 2012
CCIHL (Note i)	693,234,547	–	693,234,547	61.72%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	693,234,547	–	693,234,547	61.72%
Almighty International Limited ("Almighty") (Note ii)	346,104,526	–	346,104,526	30.81%
Cleerview Investments Limited ("Cleerview") (Note ii)	180,811,470	–	180,811,470	16.10%

#### Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 56.82% 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, 2012, 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) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

### CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the financial year ended 31st December, 2011 is set out below:

<b>Name of Director</b>	<b>Details of change</b>
-------------------------	--------------------------

*Independent Non-Executive Director:*

- |                    |   |
|--------------------|---|
| Mr. Wong Chi Keung | <ul style="list-style-type: none"><li>• Appointed as an independent non-executive director of Zhuguang Holdings Group Company Limited, a company listed on the Stock Exchange, with effect from 5th June, 2012.</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/Corporate Governance Code

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2012, 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.
- (3) One of the Independent Non-Executive Directors of the Company was unable to attend the Annual General Meeting of the Company held in May 2012 due to other engagement.

#### 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 Model Code and the Paliburg Code during the six months ended 30th June, 2012.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th June, 2012, the Company repurchased a total of 26,436,000 ordinary shares of the Company at aggregate purchase prices of HK\$60,386,800 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2012	586,000	2.250	2.160	1,296,740
May 2012	4,234,000	2.410	2.280	10,005,100
June 2012	21,616,000	2.380	2.190	49,084,960
Total	<u>26,436,000</u>			60,386,800
		Total expenses on shares repurchased		<u>205,840</u>
			Total	<u>60,592,640</u>

Out of the 26,436,000 repurchased ordinary shares, 26,080,000 repurchased ordinary shares, together with 304,000 ordinary shares repurchased in 2011 but not cancelled during that year, in aggregate 26,384,000 repurchased ordinary shares, were cancelled during the period. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The remaining 356,000 repurchased ordinary shares were cancelled subsequent to the period end date. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the period.

### 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, 2012, in conjunction with the external auditors. The review report of the external auditors is set out on page 48 of this report.

# Report on Review of Interim Financial Information



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

## Introduction

We have reviewed the interim financial information of Paliburg Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 17 to 40 which comprises the condensed consolidated statement of financial position as at 30th June, 2012 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*

22nd Floor  
CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong  
28th August, 2012

The background is a vibrant green with abstract, flowing lines that create a sense of movement and depth. A bright, glowing light source is visible in the lower-left quadrant, casting a soft, ethereal glow across the scene. The overall aesthetic is clean, modern, and natural.

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