



INTERIM REPORT 2010

百利保控股有限公司
Paliburg
Holdings Limited

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

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Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Donald Fan Tung

(Chief Operating Officer)

Jimmy Lo Chun To

Lo Po Man

Kenneth Ng Kwai Kai

Kenneth Wong Po Man

Independent Non-Executive Directors

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, SBS, JP

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, SBS, JP

REMUNERATION COMMITTEE

Lo Yuk Sui (Chairman)

Ng Siu Chan

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre, 11 Bermudiana Road,

Pembroke HM08, Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited

26th Floor, Tesbury Centre,

28 Queen's Road East, Wanchai,

Hong Kong

REGISTERED OFFICE

Rosebank Centre, 11 Bermudiana Road,

Pembroke, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,

Causeway Bay,

Hong Kong

Tel: 2894 7888

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Directors' Profile

Mr. Lo Yuk Sui, aged 66; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as Chief Executive Officer in 2007. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed companies of the Group since 1984 and 1986 respectively. He is also the chairman and chief executive officer of Century City International Holdings Limited (“CCIHL”), the ultimate listed holding company of the Company, Regal Hotels International Holdings Limited (“RHIHL”), the listed associate of the Company, and the non-executive chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed associate of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Donald Fan Tung, aged 53; *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 61; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing (“Beijing Office”) in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is also an independent non-executive director and a member of the Audit Committee of PYI Corporation Limited and North Asia Resources Holdings Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Mr. Jimmy Lo Chun To, aged 36; *Executive Director* — Appointed to the Board in 1999. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a degree in architecture. Apart from his involvement in the design of the Group's property projects and the hotel projects of the RHIHL Group, he undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, aged 31; *Executive Director* — Appointed to the Board in 2007. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a bachelor degree in psychology. She is also an executive director of CCIHL and RHIHL. Miss Lo joined the RHIHL Group in 2000 and has been involved in the marketing and sales functions of the RHIHL Group. Miss Lo is an executive director of the estate agency business of the RHIHL Group and has undertaken an active role in directing the marketing campaign of the Regalia Bay luxury residential development in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the RHIHL Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Ng Kwai Kai, aged 56; *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. He is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and a non-executive director of Cosmopolitan International Holdings Limited ("Cosmopolitan"), a company listed on the Stock Exchange.

Mr. Ng Siu Chan, aged 80; *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 65; *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 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, an independent non-executive director and a member of the audit committee of Chuang's Consortium International Limited, Country Garden Holdings Company Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited, SJM Holdings Limited and Titan Petrochemicals Group Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange), and RPML.

Directors' Profile (Cont'd)

Mr. Wong Chi Keung, aged 55; *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 Sinox Fund Management 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, First Natural Foods Holdings Limited (Provisional Liquidators Appointed), FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited and TPV Technology Limited, and an independent non-executive director of ENM Holdings Limited, all of which companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

Mr. Kenneth Wong Po Man, aged 44, *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 about 18 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and its associates and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance. Mr. Wong is also a non-executive director of Cosmopolitan.

Chairman's Statement

Dear shareholders,

I am pleased to present the Interim Report of the Company for the six months ended 30th June, 2010.

FINANCIAL RESULTS

For the six months ended 30th June, 2010, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$400.1 million, which represents an increase of about 146% over the HK\$162.3 million attained in the comparative period last year. The increase in the profit achieved was principally derived from the fair value gains on the financial assets held by the Group as well as the enhanced profit contribution from Regal Hotels International Holdings Limited.

As at the half year end date, the Group held approximately 49.0% in Regal. Regal, in turn, held approximately 74.3% of the issued units of Regal Real Estate Investment Trust, which is accounted for as an associate of Regal. Same as in prior years, supplementary information on the Group's net assets position, compiled on an adjusted basis to more fairly reflect the share of net assets attributable to the interests held by Regal in Regal REIT, is provided in the section headed "Management Discussion and Analysis" below.

DIVIDEND

The Directors have declared the payment of an interim dividend of HK1.5 cents (2009 – HK1.0 cent) per ordinary share for the financial year ending 31st December, 2010, absorbing an amount of approximately HK\$15.3 million (2009 – HK\$10.2 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 15th October, 2010.

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

BUSINESS OVERVIEW

PROPERTIES

The Group has a 30% joint venture interest in Larvotto, a luxury residential development project at Ap Lei Chau Inland Lot No.129, which has a very low carrying investment cost. The project has a total gross floor area of about 913,000 square feet, comprising 9 residential towers with 715 residential apartments and certain commercial areas on the ground floor, complemented with club house and car parking facilities. Presale of the apartments units commenced in July 2010 and has been very well received. So far, about 640 residential apartment units have been presold for an aggregate sale consideration exceeding HK\$14 billion. The construction works are well in progress and the development is expected to be completed within the first quarter of 2011. Very substantial cash flow and profits are expected to be derived from the Group's interest in Larvotto, which will be received and accounted for in 2011 when the agreements for the sale and purchase of the apartment units presold are completed.

Chairman's Statement (Cont'd)

The Group is retaining 25% equity interests in Regal iClub Building at No.211 Johnston Road in Wanchai, with the 75% interests having been sold to Regal REIT in October last year. Due to the encouraging performance of the Regal iClub Hotel since its opening in December 2009, the remaining ten office floors in the building are being converted into another 49 guestrooms and suites, anticipated to be completed later this year. The property is currently leased to the Group for property leasing and hotel operation business and the lease will expire at the end of this year. The Group has granted an option to Regal REIT to acquire the Group's remaining 25% equity interests on pre-agreed terms, which is exercisable by Regal REIT during the period from 1st November, 2010 to 28th February, 2011.

As regards the joint development project in the Central Business District in Beijing, which is owned through an associate 50%-owned by each of the Group and the Regal group, the overall situation remains very complicated and difficult. The Group and the Regal group have endeavoured to take all necessary steps to safeguard the interests held in the project, but the outcome of the different circumstances relating to outstanding litigations, ownership disputes and land development rights affecting the project is still uncertain. Further information on this project is contained in the section headed "Management Discussion and Analysis" below.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group operates a comprehensive range of construction and other building related businesses which, apart from offering services to third party clients, are providing key support to the needs of the Group as a whole. While the construction industry in Hong Kong continues to be very competitive, the Group has recently diversified into the business of providing LED lighting works for buildings, which has high growth potential.

OTHER INVESTMENTS

The Group holds a substantial portfolio of investments in financial assets, including the shares in China Pacific Insurance (Group) Co., Ltd. previously acquired as one of the cornerstone investors in its IPO last year. Apart from the 16.8% shareholding interest held in Cosmopolitan International Holdings Limited, the Group also owns a significant amount of the convertible bonds issued by the Cosmopolitan group. As the market price of the shares of Cosmopolitan as at 30th June, 2010 was much higher than that prevailing at the last year end date, the Group has derived substantial fair value gains from the investments in Cosmopolitan, which have been reflected in the results for the period under review.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2010, Regal achieved an unaudited consolidated profit attributable to shareholders of HK\$385.3 million, an increase of about 162% as compared to the profit of HK\$147.2 million recorded in the corresponding period in 2009. The increase in the profit achieved was largely attributable to the fair value gains on the financial assets and investment properties held by the Regal group.

HOTELS

During the period under review, total number of visitors to Hong Kong reached approximately 16.9 million, which represents an increase of 23% year-on-year and is a new record for visitor arrivals in the first half of a year. Though visitors from all major markets recorded growth, the increase in the number of travellers from China and the Asian region was most noticeable. Visitors from the Mainland alone during this period surpassed 10 million and accounted for over 62% of the total count.

Benefited by the surge in visitor arrivals, the hotel industry in Hong Kong performed rather satisfactorily in the period under review, particularly as compared with the relatively weak performance in the corresponding period last year. Due to the lack luster economic condition prevailing in the United States and Europe, businesses from the long haul markets are still being affected. This has negatively impacted on the performance of Regal Airport Hotel, as its clientele has been principally targeted towards the individual travellers and long haul markets. The Regal Airport Hotel has adjusted its business strategy to adapt to the changing demand profile, aiming to enhance its occupancy level and gross hotel revenue. Meanwhile, due to the temporary closure of some hotel rooms to accommodate the undertaking of upgrading works, the businesses at Regal Hongkong Hotel, Regal Kowloon Hotel and Regal Riverside Hotel have also been affected during the period under review. Nevertheless, the five Regal Hotels in Hong Kong have on the whole managed to achieve satisfactory performance in the first half of 2010, with aggregate net property income having increased by 17% as compared with that attained in the corresponding period last year.

However, as the present rental package for the leasing of the five Regal Hotels in Hong Kong was fixed at the time of the separate listing of Regal REIT when the hotel market in Hong Kong was relatively buoyant, the income derived from the operation of the five hotels was still below the level of rental payable, which has affected the profit performance of the Regal group.

The current leases of the five hotels will last until 31st December, 2015 but the yearly rental packages are fixed only up to the end of this year. For the year 2011 and onwards, the rental package will be determined on a yearly basis by an independent property valuer to be jointly appointed by Regal REIT and the Regal group. In this regard, an independent property valuer has been appointed to conduct the market rental review for the year 2011 and the rental review process will be completed before 30th September, 2010.

As the lessee operator and hotel manager, the Regal group has procured continual upgrading of the five Regal Hotels in Hong Kong, ranging from hotel guestrooms and suites, executive floors, dining venues, ancillary facilities, to IT enabled operating systems. To supplement this product revamp programme, the Regal group has itself committed substantial capital and human resources to enhance its marketing platform and reservation network.

On the hotel management front, the next Regal managed hotel to come on stream will be the Regal Kangbo Hotel in Dezhou, Shandong. This 215-room five-star hotel is expected to be soft opened next month and will be the fifth hotel managed by the Regal group in China. The contract for the Regal group to provide management services to a hotel with service apartments offering a total of 282 units in Waigaoqiao Free Trade Zone in Pudong, Shanghai will soon be concluded and the property is scheduled to be soft opened within the next quarter under the name of Regal Plaza Hotel & Residence. Meanwhile, the Regal group is also conducting negotiations on a number of new hotel management contracts and it is anticipated that certain of these potential contracts would be finalised shortly.

The Regal iClub Hotel in Wanchai, which is 75% owned by Regal REIT and 25% owned by the Group, is also managed by the Regal group. The hotel was opened in December 2009 and has been very well received. This chic and trendy business model has proven to be popular with business travellers and could well be the prototype for further expansion in other suitable locations.

Chairman's Statement (Cont'd)

REGAL REAL ESTATE INVESTMENT TRUST

Regal REIT presently owns the five Regal Hotels in Hong Kong as well as the 75% interest in the Regal iClub Building in Wanchai.

For the six months ended 30th June, 2010, Regal REIT attained an unaudited consolidated net profit before distribution to its unitholders of approximately HK\$308.2 million, as compared to the profit of HK\$187.5 million recorded in the corresponding period in 2009. Based on the market valuations conducted as at the half year end date, there was an increase of approximately HK\$104.5 million in the fair values of Regal REIT's investment properties portfolio. This valuation increase has contributed positively to the comparatively higher profit achieved by Regal REIT for the period under review. Distributable income available for distribution to unitholders of Regal REIT for the period amounted to approximately HK\$299.6 million, as compared with HK\$280.5 million for the comparative period last year, equivalent to approximately HK\$0.093 per unit (six months ended 30th June, 2009 – HK\$0.092 per unit).

Regal Portfolio Management Limited, a wholly-owned subsidiary of Regal, acts as the REIT Manager of Regal REIT and received fees for the period in an aggregate amount of HK\$34.3 million, a majority part of which was settled through the issue of new units by Regal REIT.

PROPERTIES

The property market in Hong Kong during the period under review has been very active and buoyant, particularly in the residential sector. While the HKSAR Government has recently introduced measures to curb short term speculations in the presale of residential units, this should on the whole be beneficial to the development of a healthy and stable property market in the long run.

Apart from the 2 connected houses which have been contracted to be sold, the Regal group retains a total of 21 houses in the luxury residential development in Regalia Bay, Stanley, some of which are being held as investment properties. Based on the market valuations conducted as at the half year end date, the fair value gains attributable to those houses held as investment properties have been reflected in the interim results under review. Given the very limited supply, luxury properties in traditional high end residential areas will remain in great demand. The Regal group will continue to lease out some of the retained houses in Regalia Bay for rental income and will consider releasing certain houses for sale from time to time when the price offered is satisfactory.

In China, the development works at the composite development project in Chengdu, which is 50% owned by each of the Regal group and Cosmopolitan group, are progressing. The marketing programme is still under review and the launching of the units presale for the first stage of the development project has been rescheduled to the first half of 2011.

As referred to above, Regal group is the joint venture partner of the Group with respect to the investment in the development project in the Central Business District of Beijing held through the 50%-owned associate.

OTHER INVESTMENTS

Apart from the portfolio of listed securities, including the shares in China Pacific Insurance (Group) Co., Ltd. previously acquired as one of the cornerstone investors, the Regal group holds for strategic purpose significant investments in Cosmopolitan, comprising principally convertible bonds issued by the Cosmopolitan group. As the market price of the Cosmopolitan shares has increased since the last year end date and, as at 30th June, 2010, was much higher than the prevailing conversion price under the convertible bonds issued by the Cosmopolitan group, the increase in the fair values of such convertible bonds held by the Regal group has also contributed substantially to the results of the Regal group for the period under review.

OUTLOOK

REGAL GROUP

Based on present forecasts, the performance of the Regal Hotels in Hong Kong in the second half of this year, which includes the traditional high season for the hotel industry, is expected to surpass that achieved in the first half. Looking further ahead on a broader scale, the further relaxation of travel restrictions on individual visitors from the Mainland, the development of Hong Kong as the Offshore Renminbi Centre and the continual integration of Hong Kong with the Pearl River Delta regions should help bring the tourist industry in Hong Kong to new heights. Although global economies could still be volatile, the Regal group as a whole remains confident of the prospects of the hotel industry in Hong Kong.

The retained houses at Regalia Bay represent valuable investments with strong potential for capital appreciation in the long term. Moreover, the Regal group's overall financial position is very strong with substantial cash resources and the Regal group is well-poised to capture any appropriate investment opportunities that may arise.

PALIBURG GROUP

The Group is presently debt free and with the very substantial cash inflow expected to be generated from the Larvotto joint development project in 2011, the financial position of the Group will be greatly enhanced. The Group is actively planning to replenish its property development and investment portfolio, both in Hong Kong as well as in China.

LO YUK SUI

Chairman

Hong Kong
24th August, 2010

Management Discussion and Analysis

BUSINESS REVIEW

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

The performance of the Group's property, construction and building related and other investment businesses, RHIHL's hotel, property and other investment businesses as well as that of Regal REIT during the period under review, the commentary on the local hotel industry and changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the preceding Chairman's Statement.

With respect to the joint development project in the Central Business District in Beijing, PRC and as previously reported in the annual report of the Company for the year ended 31st December, 2009, an associate that is 50% owned by each of the Group and the RHIHL group, which presently holds 59% shareholding interest in the Sino-foreign joint venture entities (that, in turn, own the development project), was engaged in arbitration proceedings conducted in Beijing, involving claims against the associate by the vendor for the rescission of the contracts entered into between the parties in 2005 for the purchase by the associate of 36% shareholding interest in the joint venture entities. Although the relevant court rejected the petitions made by the associate for setting aside the unfavourable arbitral awards, the associate is still resorting to other available legal means to safeguard the aforesaid 36% shareholding interest and to pursue its legal rights against the vendor. On the other hand, the joint venture entities are encountering various difficult issues including shareholders' disputes, lawsuits raised by the Chinese joint venture partner and a third party, and outstanding issues relating to the land development rights of the project. The associate and the joint venture entities are in discussions with the Chinese joint venture partner and the relevant government authorities in an attempt to resolve the abovementioned issues. The final outcome of these different situations is uncertain, but the Group will together with the RHIHL group closely monitor any new developments for any responding actions required.

FINANCIAL REVIEW

CAPITAL AND FUNDING

Funding and Treasury Policy

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

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

Cash Flow

Net cash flows used in operating activities during the period under review amounted to HK\$185.2 million (2009 – HK\$8.8 million). Net interest receipt for the period amounted to HK\$0.8 million (2009 – HK\$0.2 million).

Borrowings

As at 30th June, 2010, the Group had cash and bank balances and deposits of HK\$159.4 million and no borrowings (31st December, 2009 – HK\$305.1 million and no borrowings).

Information in relation to the contingent liabilities of the Group as of 30th June, 2010 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2009 (the "2009 Annual Report"). Details of the Group's pledge of assets, which have not changed materially from that disclosed in the 2009 Annual Report, are shown in note 13 to the condensed consolidated financial statements.

Share Capital

During the period under review, a total of 369,341 new ordinary shares of the Company were allotted and issued to the holders of the 2010 Warrants of the Company ("2010 Warrants") who exercised the subscription rights in an aggregate amount of HK\$775,645.29 attaching to the 2010 Warrants at the adjusted subscription price of HK\$2.10 per ordinary share.

Up to the date of this report, a total of 2.1 million new ordinary shares of the Company have been allotted and issued upon exercise of the 2010 Warrants. As of the date of this report, the aggregate amount of the 2010 Warrants remaining outstanding is HK\$233.2 million, and these outstanding 2010 Warrants are exercisable to subscribe for 111.1 million new ordinary shares of the Company at the prevailing adjusted subscription price of HK\$2.10 per ordinary share (subject to adjustment).

ASSET VALUE

Based on the condensed consolidated statement of financial position as at 30th June, 2010, the unaudited book net asset value of the ordinary shares of the Company was HK\$5.49 per share. Such book net asset value has been significantly affected by the elimination in the books of RHIHL of its unrealised gain on the disposal of the subsidiaries owning the hotel properties to Regal REIT in 2007 against the interest held by RHIHL in Regal REIT as well as the sharing by RHIHL of the fair value loss on the hotel properties held by Regal REIT for the year ended 31st December, 2008. The interest held by RHIHL in Regal REIT represented one of RHIHL's most significant investments but, as at 30th June, 2010, such interest was only stated at a value of HK\$218.7 million.

In order to more fairly reflect the underlying net asset value of the Group, management of the Group considers it appropriate to also present, for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on an adjusted basis to restate the Group's interest in RHIHL based on its adjusted net assets to reflect the share of the underlying adjusted net assets of Regal REIT attributable to RHIHL. Accordingly, on the basis that RHIHL's interest in Regal REIT were to be stated based on the published unaudited adjusted net asset value per unit of Regal REIT of HK\$2.92 as at 30th June, 2010, calculated on the basis that the deferred tax liabilities provided by Regal REIT with regard to the revaluation surplus of its investment properties are added back, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$7.25 per share.

Management Discussion and Analysis (Cont'd)

	As at 30th June, 2010	
	HK\$'million	HK\$ per ordinary share
Unaudited book net assets after non-controlling interests	5,597.3	5.49
Adjustment to restate the Group's interest in RHIHL on the basis noted above	1,792.2	
Unaudited adjusted net assets after non-controlling interests	<u>7,389.5</u>	7.25

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

Save as otherwise disclosed in the Chairman's Statement, the Group has no immediate plans for material investments or capital assets.

STAFF AND REMUNERATION POLICY

The Group, together with the RHIHL group, employ approximately 2,060 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

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

Condensed Consolidated Income Statement

		Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2	50.2	106.7
Cost of sales		(47.2)	(85.9)
Gross profit		3.0	20.8
Other income	3	1.9	0.8
Fair value gain on an investment property		–	46.0
Fair value gains on financial assets at fair value through profit or loss, net		219.3	97.2
Administrative expenses		(15.8)	(14.1)
Other operating income/(expenses), net	4	0.7	(49.5)
OPERATING PROFIT	2	209.1	101.2
Finance costs	6	–	(0.9)
Share of profits and losses of associates		191.9	71.2
PROFIT BEFORE TAX		401.0	171.5
Income tax	7	(0.9)	(9.2)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		400.1	162.3
Attributable to:			
Equity holders of the parent		400.1	162.3
Non-controlling interests		–	–
		400.1	162.3
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	9		
Basic		HK39.2 cents	HK15.9 cents
Diluted		HK38.0 cents	HK15.9 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	400.1	162.3
OTHER COMPREHENSIVE INCOME:		
Available-for-sale investments:		
Reclassification adjustment for losses included in the condensed consolidated income statement	–	0.7
Exchange differences on translating foreign operations	0.5	–
Share of other comprehensive income of the associates	18.0	0.5
Other comprehensive income for the period	18.5	1.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>418.6</u>	<u>163.5</u>
Attributable to:		
Equity holders of the parent	418.6	163.5
Non-controlling interests	–	–
	<u>418.6</u>	<u>163.5</u>

Condensed Consolidated Statement of Financial Position

		30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		1.9	1.8
Investment properties		0.4	0.4
Interests in associates		4,517.0	4,376.2
Financial assets at fair value through profit or loss		733.9	583.9
Loans receivable		4.8	5.5
Total non-current assets		<u>5,258.0</u>	<u>4,967.8</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss		200.9	116.4
Properties held for sale		6.0	6.0
Inventories		10.3	7.2
Debtors, deposits and prepayments	10	85.9	52.4
Time deposits		67.3	184.0
Cash and bank balances		92.1	121.1
		<u>462.5</u>	<u>487.1</u>
Asset of a disposal group classified as held for sale		249.4	249.4
Total current assets		<u>711.9</u>	<u>736.5</u>
CURRENT LIABILITIES			
Creditors and accruals	11	(52.1)	(174.0)
Tax payable		(4.5)	(3.6)
Deposits received		(216.9)	(216.9)
		<u>(273.5)</u>	<u>(394.5)</u>
Liability directly associated with the asset of a disposal group classified as held for sale		(98.9)	(98.9)
Total current liabilities		<u>(372.4)</u>	<u>(493.4)</u>
NET CURRENT ASSETS		<u>339.5</u>	<u>243.1</u>
Net assets		<u><u>5,597.5</u></u>	<u><u>5,210.9</u></u>

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	102.0	101.9
Reserves	5,480.0	5,075.2
Dividends	15.3	33.6
	<hr/>	<hr/>
	5,597.3	5,210.7
Non-controlling interests	0.2	0.2
	<hr/>	<hr/>
Total equity	5,597.5	5,210.9
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2010

	Attributable to equity holders of the parent												
	Issued capital (Unaudited) HK\$m	Share premium account (Unaudited) HK\$m	Share option reserve (Unaudited) HK\$m	Special reserve (Unaudited) HK\$m	Assets revaluation reserve (Unaudited) HK\$m	Available-for-sale investments revaluation reserve (Unaudited) HK\$m	Hedge reserve (Unaudited) HK\$m	Exchange equalisation reserve (Unaudited) HK\$m	Retained profits (Unaudited) HK\$m	Dividends (Unaudited) HK\$m	Total (Unaudited) HK\$m	Non-controlling interests (Unaudited) HK\$m	Total equity (Unaudited) HK\$m
At 1st January, 2010	101.9	1,173.7	29.1	689.6	663.6	-	(68.7)	130.5	2,457.4	33.6	5,210.7	0.2	5,210.9
Issue of new shares upon exercise of warrants	0.1	0.7	-	-	-	-	-	-	-	-	0.8	-	0.8
Final 2009 dividend declared	-	-	-	-	-	-	-	-	-	(33.6)	(33.6)	-	(33.6)
Equity-settled share option arrangements	-	-	0.3	-	-	-	-	-	-	-	0.3	-	0.3
Share of the listed associate	-	-	0.5	-	-	-	-	-	-	-	0.5	-	0.5
Interim 2010 dividend	-	-	-	-	-	-	-	-	(15.3)	15.3	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	5.0	13.5	400.1	-	418.6	-	418.6
At 30th June, 2010	102.0	1,174.4	29.9	689.6	663.6	-	(63.7)	144.0	2,842.2	15.3	5,597.3	0.2	5,597.5
At 1st January, 2009	101.9	1,173.6	26.5	689.6	663.6	(1.1)	(59.1)	128.5	2,071.7	20.4	4,815.6	0.2	4,815.8
Final 2008 dividend declared	-	-	-	-	-	-	-	-	-	(20.4)	(20.4)	-	(20.4)
Equity-settled share option arrangements	-	-	0.5	-	-	-	-	-	-	-	0.5	-	0.5
Share of the listed associate	-	-	1.2	-	-	-	-	-	-	-	1.2	-	1.2
Interim 2009 dividend	-	-	-	-	-	-	-	-	(10.2)	10.2	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	-	1.1	(0.2)	0.3	162.3	-	163.5	-	163.5
At 30th June, 2009	101.9	1,173.6	28.2	689.6	663.6	-	(59.3)	128.8	2,223.8	10.2	4,960.4	0.2	4,960.6

Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows used in operating activities	(185.2)	(8.8)
Net cash flows from investing activities	71.9	28.0
Net cash flows used in financing activities	(32.9)	(24.6)
Net decrease in cash and cash equivalents	(146.2)	(5.4)
Cash and cash equivalents at beginning of period	305.1	278.0
Effect of foreign exchange rate changes, net	0.5	–
Cash and cash equivalents at end of period	<u>159.4</u>	<u>272.6</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	92.1	107.6
Non-pledged time deposits with original maturity of less than three months when acquired	<u>67.3</u>	<u>165.0</u>
	<u>159.4</u>	<u>272.6</u>

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2009, 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, 2010.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs (2009)	Amendments to a number of HKFRSs

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

Notes to Condensed Consolidated Financial Statements (Cont'd)

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

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

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

Group

	Property development and investment		Construction and building related businesses		Hotel operation and management		Securities investment		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009
	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m
Segment revenue:														
Sales to external customers	3.3	7.8	38.3	98.2	8.0	-	0.6	0.7	-	-	-	-	50.2	106.7
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	3.3	7.8	38.3	98.2	8.0	-	0.6	0.7	-	-	-	-	50.2	106.7
Segment results	(5.2)	51.7	6.4	12.9	(2.1)	-	219.5	47.9	1.6	1.1	-	-	220.2	113.6
Interest income and unallocated non-operating and corporate gains													1.3	0.3
Unallocated non-operating and corporate expenses													(12.4)	(12.7)
Operating profit													209.1	101.2
Finance costs													-	(0.9)
Share of profits and losses of associates	(2.7)	(1.5)	-	-	194.6*	72.7*	-	-	-	-	-	-	191.9	71.2
Profit before tax													401.0	171.5
Income tax													(0.9)	(9.2)
Profit for the period before allocation between equity holders of the parent and non-controlling interests													400.1	162.3
Attributable to:													400.1	162.3
Equity holders of the parent													-	-
Non-controlling interests													400.1	162.3

* The amount represents contribution from Regal Hotels International Holdings Limited.

Notes to Condensed Consolidated Financial Statements (Cont'd)

3. Other Income

Other income represents the following item:

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Interest income	<u>1.9</u>	<u>0.8</u>

4. Other Operating Income/(Expenses), net

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

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Depreciation	(0.3)	(0.2)
Loss on redemption of financial assets at fair value through profit or loss	-	(49.1)
Reversal of impairment of loans receivable and debtors	<u>1.0</u>	<u>0.6</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Profit/(Loss) on disposal of listed investments	0.6	(0.3)
Loss on disposal of available-for-sale investments	—	(0.8)
	—	(0.8)

6. Finance Costs

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Interest in respect of bank loans wholly repayable within five years	—	0.7
Other loan costs	—	0.2
	—	0.9
Total finance costs	—	0.9

Notes to Condensed Consolidated Financial Statements (Cont'd)

7. Income Tax

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Current - Hong Kong		
Charge for the period	0.9	1.4
Deferred tax expense	—	7.8
Total tax charge for the period	<u>0.9</u>	<u>9.2</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2009 - 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\$3.0 million (2009 - HK\$1.7 million) is included in "Share of profits and losses of associates" in the condensed consolidated income statement.

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

8. Dividend

The Directors have declared the payment of an interim dividend of HK1.5 cents (2009 - HK1.0 cent) per ordinary share for the financial year ending 31st December, 2010, absorbing an amount of approximately HK\$15.3 million (2009 - HK\$10.2 million).

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

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$400.1 million (2009 - HK\$162.3 million) and on the weighted average of 1,019.5 million (2009 - 1,019.4 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2010 is based on the profit for the period attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the aggregate of the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 34.5 million that would be issued at no consideration assuming all outstanding share options and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the period. The exercise price of the share options of Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company, outstanding during the period is higher than the average market price of the ordinary shares of RHIHL and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

No adjustment had been made to the basic earnings per ordinary share amount presented for the period ended 30th June, 2009 in respect of a dilution as the exercise prices of the share options of the Company and RHIHL and the subscription price of the warrants of the Company outstanding during that period were higher than the average market prices of the respective ordinary shares of the Company and RHIHL and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

Notes to Condensed Consolidated Financial Statements (Cont'd)

10. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$13.3 million (31st December, 2009 - HK\$7.4 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, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
Within 3 months	13.1	7.0
Between 4 to 6 months	0.1	0.2
Between 7 to 12 months	0.1	0.2
	<u>13.3</u>	<u>7.4</u>

Credit terms

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

Included in the balance are amounts due from the Group's associates, a jointly controlled entity of the listed associate and related companies of HK\$3.2 million (31st December, 2009 - HK\$4.1 million), HK\$0.1 million (31st December, 2009 - HK\$0.3 million) and HK\$1.2 million (31st December, 2009 - HK\$2.6 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

Notes to Condensed Consolidated Financial Statements (Cont'd)

11. Creditors and Accruals

Included in the balance is an amount of HK\$1.1 million (31st December, 2009 - HK\$3.4 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, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
Within 3 months	<u>1.1</u>	<u>3.4</u>

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

Included in the balance are amounts due to the Group's listed associate and a fellow subsidiary of HK\$2.5 million (31st December, 2009 - HK\$3.1 million) and HK\$0.6 million (31st December, 2009 - HK\$1.7 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

Notes to Condensed Consolidated Financial Statements (Cont'd)

12. Related Party Transactions

(a) Transactions with related parties

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

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
The listed ultimate holding company:		
Management fee	4.0	3.2
Associates:		
Gross construction fee income	0.6	26.7
Gross development consultancy fee income	0.1	1.1
Gross income in respect of security systems and products and other software	0.9	1.3
Lease rental	12.0	–
	<u>12.0</u>	<u>–</u>

The nature and terms of these related party transactions set out above were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2009.

(b) Other transaction with related party:

Pursuant to the sale and purchase agreement (the "S&P Agreement") completed in October 2009 in connection with the disposal to Regal REIT of 75% equity interest in a then wholly owned subsidiary which owns an investment property through its sole wholly owned subsidiary, Sonnix Limited ("Sonnix"), the Group has, inter alia, granted to Regal REIT an option exercisable by Regal REIT during the period from 1st November, 2010 to 28th February, 2011 to acquire from the Group the remaining 25% equity interest in the subject group.

In addition, the Company has provided a several guarantee in respect of a bank loan of a principal amount of up to HK\$211.0 million made available to Sonnix in the amount proportional to the Group's equity interest in Sonnix. Pursuant to the shareholders' agreement in respect of the subject group, the Company may also provide a several guarantee proportionate to the Group's equity interest in Sonnix in respect of any refinancing of the bank loan with a maximum amount of HK\$250.0 million.

As contemplated under the S&P Agreement, the Group had undertaken to complete at its own costs an asset enhancement programme (the "Asset Enhancement Programme") for the conversion of part of the investment property owned by Sonnix to a 50-room hotel. The Asset Enhancement Programme was subsequently completed in December 2009 at a cost of approximately HK\$30.0 million.

Notes to Condensed Consolidated Financial Statements (Cont'd)

(c) Outstanding balances with related parties:

	30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
Due from associates	319.5	364.4
Due from a jointly controlled entity of the listed associate	0.1	0.3
Due from related companies	1.2	2.6
Due to a fellow subsidiary	(0.6)	(1.7)
Due to the listed associate	(2.6)	(3.2)
Loans to associates	156.0	156.0
	<u> </u>	<u> </u>

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

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	3.9	3.6
Equity-settled share option expense	0.2	0.5
	<u> </u>	<u> </u>
Total compensation paid to key management personnel	4.1	4.1
	<u> </u>	<u> </u>

13. Pledge of Assets

At the end of the reporting period, certain ordinary shares in the listed associate with a market value of HK\$293.0 million (31st December, 2009 - HK\$309.2 million) were pledged to secure general banking facilities granted to the Group.

Notes to Condensed Consolidated Financial Statements (Cont'd)

14. Operating Lease Arrangements

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

At 30th June, 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
Within one year	12.6	24.7
In the second to fifth years, inclusive	0.5	0.8
	<u>13.1</u>	<u>25.5</u>

15. Commitments

In addition to the operating lease commitments detailed in note 14 above, the Group had the following outstanding commitments at 30th June, 2010:

	30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
Capital commitments in respect of the renovation of and improvements to a property held by an associate:		
Authorised, but not contracted for	1.4	1.7
Contracted, but not provided for	1.5	2.4
	<u>2.9</u>	<u>4.1</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

16. Share Options

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

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

Offer date**	Name or category of participant	Number of ordinary shares under share options*			Vesting/Exercise periods of share options	Adjusted exercise price of share options* HK\$
		At 1st January, 2010	Vested during the period	At 30th June, 2010		
Directors						
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	16,070,400	4,017,600	20,088,000	Note	1.97
	Unvested:	4,017,600***	(4,017,600)	–		
25th July, 2005	Mr. Donald Fan Tung					
	Vested:	1,785,600	–	1,785,600	Note	1.97
	Unvested:	446,400	–	446,400		
25th July, 2005	Mr. Jimmy Lo Chun To					
	Vested:	1,785,600	–	1,785,600	Note	1.97
	Unvested:	446,400	–	446,400		
25th July, 2005	Miss Lo Po Man					
	Vested:	892,800	–	892,800	Note	1.97
	Unvested:	223,200	–	223,200		
25th July, 2005	Mr. Kenneth Ng Kwai Kai					
	Vested:	1,729,800	–	1,729,800	Note	1.97
	Unvested:	446,400	–	446,400		
25th July, 2005	Mr. Kenneth Wong Po Man					
	Vested:	892,800	–	892,800	Note	1.97
	Unvested:	223,200	–	223,200		
Other Employees						
25th July, 2005	Employees, in aggregate					
	Vested:	1,517,760	–	1,517,760	Note	1.97
	Unvested:	379,440	–	379,440		
	Total:					
	Vested:	24,674,760	4,017,600	28,692,360		
	Unvested:	6,182,640	(4,017,600)	2,165,040		

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

Note:

Vesting/Exercise periods of share options:

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

Other Information

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2010)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	60,062,373	644,464,685 (Note c(i))	13,500	704,540,558
		(ii) unissued	21,951,641 (Notes c(ii) & (iii))	64,284,117 (Notes c(iv) & (v))	1,500 (Note c(vi))	86,237,258
					Total (i) & (ii):	790,777,816 (77.54%)
	Mr. Donald Fan Tung	Ordinary (i) issued	471	-	-	471
		(ii) unissued	2,232,085 (Note d)	-	-	2,232,085
					Total (i) & (ii):	2,232,556 (0.22%)

Other Information (Cont'd)

	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2010)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Jimmy Lo Chun To	Ordinary (i) issued	38,340	-	-	38,340
		(ii) unissued	2,236,260 (Note e)	-	-	2,236,260
						Total (i) & (ii):
						2,274,600 (0.22%)
	Miss Lo Po Man	Ordinary (unissued)	1,116,000 (Note f)	-	-	1,116,000 (0.11%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (i) issued	75,000	-	-	75,000
		(ii) unissued	2,176,200 (Note g)	-	-	2,176,200
						Total (i) & (ii):
						2,251,200 (0.22%)
	Mr. Ng Siu Chan	Ordinary (i) issued	-	-	72,427	72,427
(ii) unissued		-	-	8,047 (Note h)	8,047	
					Total (i) & (ii):	
					80,474 (0.008%)	
Mr. Kenneth Wong Po Man	Ordinary (i) issued	200	-	-	200	
	(ii) unissued	1,116,000 (Note f)	-	-	1,116,000	
					Total (i) & (ii):	
					1,116,200 (0.11%)	

Other Information (Cont'd)

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, 2010)
			Personal interests	Corporate interests	Family/Other interests	
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (i) issued	45,301,690	1,166,482,217 (Note a(i))	251,000	1,212,034,907
		(ii) unissued	40,890,338 (Notes a(ii) & (iii))	233,296,441 (Note a(iv))	50,200 (Note a(v))	274,236,979
					Total (i) & (ii):	1,486,271,886 (62.14%)
	Mr. Jimmy Lo Chun To	Ordinary (i) issued	165,980	-	-	165,980
		(ii) unissued	33,196 (Note b(i))	-	-	33,196
					Total (i) & (ii):	199,176 (0.008%)
	Miss Lo Po Man	Ordinary (i) issued	74,043	-	-	74,043
		(ii) unissued	14,808 (Note b(ii))	-	-	14,808
					Total (i) & (ii):	88,851 (0.004%)
	Mr. Ng Siu Chan	Ordinary (i) issued	-	-	2,322,180	2,322,180
(ii) unissued		-	-	464,436 (Note b(iii))	464,436	
				Total (i) & (ii):	2,786,616 (0.12%)	
Mr. Kenneth Wong Po Man	Ordinary (i) issued	200	-	-	200	
	(ii) unissued	40 (Note b(iv))	-	-	40	
				Total (i) & (ii):	240 (0.000%)	

Other Information (Cont'd)

	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, 2010)	
				Personal interests	Corporate interests	Family/Other interests		
3.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	494,835,261 (Note i(i))	260,700	495,120,161	
			(ii) unissued	20,000,000 (Note i(ii))	-	-	20,000,000	
							Total (i) & (ii):	515,120,161 (51.09%)
		Mr. Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note j)	-	-	2,000,000 (0.20%)	
		Mr. Jimmy Lo Chun To	Ordinary (unissued)	1,500,000 (Note k)	-	-	1,500,000 (0.15%)	
		Miss Lo Po Man	Ordinary (i) issued	300,000	-	269,169 (Note l(i))	569,169	
			(ii) unissued	3,000,000 (Note l(ii))	-	-	3,000,000	
							Total (i) & (ii):	3,569,169 (0.35%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note j)	-	-	2,000,000 (0.20%)	
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	-	-	200 (0.000%)	
4.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1,000 (Note m)	-	1,000 (100%)	

Notes:

- (a) (i) The interests in 91,482,217 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

The interests in 1,075,000 issued ordinary shares of CCIHL were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	50.66
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited ("Grand Modern")	Century Digital Holdings Limited	100.00

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

- (ii) The interests in 35,000,000 unissued ordinary shares of CCIHL were held through the interests in the options granted under the share option scheme of CCIHL named as "The Century City International Holdings Limited Share Option Scheme", entitling the holder thereof to subscribe for a total of 35,000,000 new ordinary shares of CCIHL at an adjusted exercise price of HK\$1.20 per ordinary share (subject to adjustments). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of CCIHL under vested options</u>
12th May, 2007 to 11th May, 2011	14,000,000
12th May, 2008 to 11th May, 2011	7,000,000
12th May, 2009 to 11th May, 2011	7,000,000
12th May, 2010 to 11th May, 2011	7,000,000

- (iii) The interests in 5,890,338 unissued ordinary shares of CCIHL related to the interests in the warrants of CCIHL (the "2011 Warrants") carrying subscription rights in an aggregate amount of HK\$5,890,338.00, which are exercisable during the period from 18th April, 2006 to 11th January, 2011 to subscribe for a total of 5,890,338 new ordinary shares of CCIHL at an adjusted subscription price of HK\$1.00 per ordinary share (subject to adjustment).

Other Information (Cont'd)

- (iv) The interests in 233,296,441 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$233,296,443.60, which are exercisable to subscribe for a total of 233,296,441 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

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

The interests in 215,000,000 unissued ordinary shares of CCIHL were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	50.66
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

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

- (v) The interests in 50,200 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$50,200.00, which are exercisable to subscribe for a total of 50,200 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (b) (i) The interests in 33,196 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$33,196.00, which are exercisable to subscribe for a total of 33,196 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (ii) The interests in 14,808 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$14,808.70, which are exercisable to subscribe for a total of 14,808 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (iii) The interests in 464,436 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$464,436.00, which are exercisable to subscribe for a total of 464,436 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (iv) The interests in 40 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$40.00, which are exercisable to subscribe for a total of 40 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

- (c) (i) The interests in 602,546,625 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 50.66% shareholding interests.

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

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

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

- (ii) The interests in 20,088,000 unissued ordinary shares of the Company were held through the interests in the options granted under the share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"), entitling the holder thereof to subscribe for a total of 20,088,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
12th May, 2007 to 11th May, 2011	8,035,200
12th May, 2008 to 11th May, 2011	4,017,600
12th May, 2009 to 11th May, 2011	4,017,600
12th May, 2010 to 11th May, 2011	4,017,600

- (iii) The interests in 1,863,641 unissued ordinary shares of the Company related to the interests in the warrants of the Company (the "2010 Warrants") carrying subscription rights in an aggregate amount of HK\$3,913,646.94, which are exercisable during the period from 20th November, 2007 to 8th November, 2010 to subscribe for a total of 1,863,641 new ordinary shares of the Company at an adjusted subscription price of HK\$2.10 per ordinary share (subject to adjustment).
- (iv) The interests in 59,465,921 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$124,878,444.39, which are exercisable to subscribe for a total of 59,465,921 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above and were held through companies wholly owned by CCIHL, in which Mr. Lo held 50.66% shareholding interests.

Other Information (Cont'd)

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

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

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 3,139,371 unissued 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

- (vi) The interests in 1,500 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$3,150.00, which are exercisable to subscribe for a total of 1,500 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

- (d) (i) The interests in 2,232,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,232,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	892,800
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

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

Other Information (Cont'd)

- (e) (i) The interests in 2,232,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,232,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	892,800
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

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

- (f) The interests in 1,116,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 1,116,000 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	446,400
25th July, 2008 to 24th July, 2011	223,200
25th July, 2009 to 24th July, 2011	223,200
25th July, 2010 to 24th July, 2011	223,200

- (g) The interests in 2,176,200 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,176,200 new ordinary shares of the Company at an adjusted exercise price of HK\$1.97 per ordinary share (subject to adjustment). The options remaining outstanding have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	837,000
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

Other Information (Cont'd)

- (h) The interests in 8,047 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$16,899.75, which are exercisable to subscribe for a total of 8,047 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.
- (i) (i) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 50.66% 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 59.09% shareholding interests.
- (ii) The interests in 20,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the share option scheme of RHIHL named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme"), entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
12th May, 2007 to 11th May, 2011	8,000,000
12th May, 2008 to 11th May, 2011	4,000,000
12th May, 2009 to 11th May, 2011	4,000,000
12th May, 2010 to 11th May, 2011	4,000,000

- (j) The interests in 2,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
25th July, 2007 to 24th July, 2011	800,000
25th July, 2008 to 24th July, 2011	400,000
25th July, 2009 to 24th July, 2011	400,000
25th July, 2010 to 24th July, 2011	400,000

- (k) The interests in 1,500,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 1,500,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
25th July, 2007 to 24th July, 2011	600,000
25th July, 2008 to 24th July, 2011	300,000
25th July, 2009 to 24th July, 2011	300,000
25th July, 2010 to 24th July, 2011	300,000

- (l) (i) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.
- (ii) The interests in 3,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 3,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of RHIHL under vested options
25th July, 2007 to 24th July, 2011	1,200,000
25th July, 2008 to 24th July, 2011	600,000
25th July, 2009 to 24th July, 2011	600,000
25th July, 2010 to 24th July, 2011	600,000

- (m) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 50.66% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2010, 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 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.

Other Information (Cont'd)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2010, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of issued ordinary shares as at 30th June, 2010
CCIHL (Note i)	602,546,625	59,465,921	662,012,546	64.92%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	602,546,625	59,465,921	662,012,546	64.92%
Almighty International Limited ("Almighty") (Note ii)	285,042,960	29,839,566	314,882,526	30.88%
Cleerview Investments Limited ("Cleerview") (Note ii)	162,118,838	18,692,632	180,811,470	17.73%

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 50.66% 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, 2010, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

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

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

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the annual report of the Company for the financial year ended 31st December, 2009 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of change
<i>Independent Non-Executive Director:</i>	
Hon Abraham Shek Lai Him, SBS, JP	<ul style="list-style-type: none"> • Service as a Member of the Council of The Hong Kong University of Science & Technology ended on 31st July, 2010.
Mr. Wong Chi Keung	<ul style="list-style-type: none"> • Elected as an independent non-executive director of ENM Holdings Limited, a company listed on the Stock Exchange, with effect from 17th June, 2010.

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

CORPORATE GOVERNANCE

Code of Corporate Governance Practices

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2010, 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, during the period under review, arrangements had been put in place such that the Independent Non-Executive Directors would retire, and were subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years. Further, following the relevant amendments to the Bye-laws on 9th June, 2010, all Directors (including the Independent Non-Executive Directors) of the Company would be subject to retirement by rotation, and eligible for re-election, at least once every three years.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Paliburg Code during the six months ended 30th June, 2010.

Other Information (Cont'd)

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2010.

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, 2010, in conjunction with the external auditors. The review report of the external auditors is set out on page 48 of this report.

Report on Review of Interim Financial Information



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

Introduction

We have reviewed the interim financial information set out on pages 14 to 33 which comprises the condensed consolidated statement of financial position of Paliburg Holdings Limited as at 30th June, 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
24th August, 2010

www.paliburg.com.hk