

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiary companies are property development and investment, construction and building related businesses and other investments. Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company, and its subsidiary companies (together, the "RHIHL Group") are engaged in the business activities of hotel ownership and management, property investment and other investments.

There have been no significant changes in these activities during the year.

The turnover and contribution to trading results by each principal activity and by geographical location are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 96 to 193.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

The Group's significant investments constitute principally its shareholding interest in RHIHL. The significant investments of RHIHL comprise primarily its ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of RHIHL and its operations during the year under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance of RHIHL as well as the progress and prospects on the Regalia Bay development are contained in the Chairman's Report which precedes this report.

Prior to 31st July, 2004, RHIHL was accounted for as a subsidiary of the Company as the Group then held over 50% of the voting interests in the ordinary shares of RHIHL. Since then, RHIHL ceased to be a subsidiary of the Company and is being equity accounted for as an associate of the Group.

A detailed review of the other business operations and outlook of the Group is also contained in the Chairman's Report.

Cash Flow and Capital Structure

Net cash outflow from operating activities during the year under review amounted to HK\$11.6 million (2004 - net cash inflow of HK\$163.2 million). Net interest payment for the year amounted to HK\$30.8 million (2004 - HK\$59.7 million).

During the year under review, there was no change in the capital structure of the Company.

Assets Value

As previously reported in the interim report of the Company for the six months ended 30th June, 2005 (the "2005 Interim Report"), prior to 1st January, 2005, it was the policy of RHIHL to state the value of its owned and operated hotel properties at their open market valuations for existing use appraised annually and not depreciated. Upon the adoption by RHIHL of the new and revised Hong Kong Financial Reporting Standards, RHIHL's five hotel properties in Hong Kong are now stated at cost less accumulated depreciation and amortisation on the hotel land and buildings. Consequently, adjustments have been made retrospectively to the interests of the Group held in RHIHL to reflect the fair value of RHIHL's hotel properties in 1993 when the Group initially acquired RHIHL as a subsidiary.



In order to more fairly reflect the underlying economic values of RHIHL's hotel properties in Hong Kong, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on a proforma basis that RHIHL were to continue to state its five hotel properties in Hong Kong at their open market valuations as at 31st December, 2005.

Statement of Proforma Net Assets

	31st December, 2005 (Unaudited)	31st December, 2004 (Unaudited)
	HK\$'million	HK\$'million
NON-CURRENT ASSETS		
Interests in associates	2,697.4	2,136.5
Add: Attributable revaluation surplus relating to hotel properties of RHIHL*	3,469.4	1,221.2
	6,166.8	3,357.7
Other non-current assets	184.2	329.4
	6,351.0	3,687.1
CURRENT ASSETS		
CURRENT LIABILITIES	(304.2)	(281.0)
NET CURRENT ASSETS	337.6	101.6
TOTAL ASSETS LESS CURRENT LIABILITIES	6,688.6	3,788.7
NON-CURRENT LIABILITIES	(148.2)	(34.4)
PROFORMA NET ASSETS	6,540.4	3,754.3
MINORITY INTERESTS	(0.2)	(0.2)
PROFORMA NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	6,540.2	3,754.1
Proforma net asset value per ordinary share	HK\$0.91	HK\$0.52

* Based on open market valuations as at 31st December, 2005 less fair value adjustment already taken into account by the Group in its interests in associates



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Borrowings

As at 31st December, 2005, the Group's gross borrowings net of cash and bank balances amounted to HK\$66.7 million (2004 - HK\$10.3 million). Gearing ratio based on total assets of HK\$3,523.4 million (2004 - HK\$2,848.5 million, as restated) was 1.9% (2004 - 0.4%, as restated). However, based on the proforma total assets of HK\$6,992.8 million as at 31st December, 2005 (2004 - HK\$4,069.7 million), as adjusted for the revaluation surplus relating to the hotel properties as aforesaid, the gearing ratio would be 1.0% (2004 - 0.3%).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 40 and 41, respectively, to the financial statements.

During the year under review, the Group refinanced one of its outstanding bank borrowings with a long term bank loan. Details of the maturity profile of the Group's borrowings are set out in note 33 to the financial statements.



Material Acquisitions or Disposals of Subsidiary Companies or Associates

As previously disclosed in the Company's 2005 Interim Report, on 8th July, 2005, the Group completed the disposal of a 50% equity interest in Hang Fok Properties Limited, a then wholly owned subsidiary of the Company. Details of such transaction are disclosed in the Chairman's Report and notes 22 and 39(b) to the financial statements.

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

Funding and Treasury Policy

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

As the Group's borrowings are all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, the use of hedging instruments for currency or interest rates purposes is not considered to be necessary.

Remuneration Policy

The Group, together with the RHIHL group, employ approximately 1,750 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 adopted in June 2005 a new share option scheme named as "The Paliburg Holdings Limited Share Option Scheme" (the "New Paliburg Scheme"), under which share options have been granted to selected eligible persons. During the year under review, all of the outstanding share options granted under the Executive Share Option Scheme of the Company adopted in 1993 and terminated in 2003 were surrendered and cancelled.

DIVIDENDS

No interim dividend was paid to the ordinary shareholders during the year.

The Directors have resolved to recommend the payment of a final dividend of HK0.2 cent per ordinary share for the year ended 31st December, 2005 (2004 - Nil), absorbing a total amount of approximately HK\$14.4 million, payable to holders of ordinary shares on the Register of Ordinary Shareholders on 16th June, 2006. This recommendation has been incorporated in the financial statements.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Tuesday, 13th June, 2006 to Friday, 16th June, 2006, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed ordinary dividend, all transfers accompanied by the relevant certificates must be lodged with the Company's branch registrar in Hong Kong, Tengis Limited, not later than 4:00 p.m. on Monday, 12th June, 2006. The relevant dividend warrants are expected to be despatched on or about 30th June, 2006.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Donald Fan Tung
Mrs. Kitty Lo Lee Kit Tai
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan
Hon Abraham Shek Lai Him, JP
Mr. Wong Chi Keung

During the year, there have been no changes in the Directors of the Company.

In accordance with Bye-law 99 of the Company's Bye-laws and for compliance with the Code on Corporate Governance Practices under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Mr. Donald Fan Tung (an Executive Director), Mr. Jimmy Lo Chun To (an Executive Director) and Hon Abraham Shek Lai Him, JP (an Independent Non-Executive Director) will retire from office by rotation at the forthcoming Annual General Meeting (the "AGM").

All of the above retiring Directors, being eligible, have offered themselves for re-election at the AGM. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Listing Rules, are set out in the circular of the Company, sent to shareholders together with the 2005 Annual Report, relating to, inter alia, the re-election of Directors.

The Company has received from each of the three incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its holding companies, subsidiary companies or fellow subsidiary companies was a party at the balance sheet date or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiary companies during the year.

At no time during the year was the Company or any of its holding companies, subsidiary companies or fellow subsidiary companies a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the New Paliburg Scheme and the new share option scheme of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, named as "The Century City International Holdings Limited Share Option Scheme" and adopted in June 2005 (the "New Century Scheme") (together, the "New Schemes").

During the year, options have been granted to certain Directors under the New Schemes, and none of such Directors exercised options to subscribe for shares under the New Schemes.



DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2005, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:



	Name of Director	Class of Shares held	Personal Interests	Family Interests	Corporate Interests	Number of Shares Held 31st December, 2005)	Total (Approximate percentage of the Issued Shares as at 31st December, 2005)
1.	The Company	Mr. Lo Yuk Sui	Ordinary (i) issued (ii) unissued	442,765 180,000,000 (Note b(iii))	- -	4,250,774,001 (Note b) -	4,251,216,766 180,000,000 Total (i) & (ii): 4,431,216,766 (61.47%)
	Mr. Donald Fan Tung	Ordinary (i) issued (ii) unissued	2,718 20,000,000 (Note c)	- -	- -	- 2,718 20,000,000 Total (i) & (ii): 20,002,718 (0.28%)	
	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	100,000	-	-	- 100,000 (0.0014%)	
	Mr. Jimmy Lo Chun To	Ordinary (i) issued (ii) unissued	284,000 20,000,000 (Note c)	- -	- -	- 284,000 20,000,000 Total (i) & (ii): 20,284,000 (0.28%)	
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	20,000,000 (Note c)	-	-	- 20,000,000 (0.28%)	
	Mr. Ng Siu Chan	Ordinary (issued)	-	536,500	-	- 536,500 (0.0074%)	

Report of the Directors (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 31st December, 2005)
			Personal Interests	Family Interests	Corporate Interests	
2. CCIHL	Mr. Lo Yuk Sui	Ordinary (i) issued	294,516,903	- 11,664,822,186 (Note a(i))	-	11,959,339,089
		(ii) unissued	350,000,000 (Note a(ii))	-	-	350,000,000
				Total (i) & (ii):		12,309,339,089 (74.98%)
	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	2,510,000	-	-	2,510,000 (0.015%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	1,659,800	-	-	1,659,800 (0.010%)
3. RHIHL	Mr. Ng Siu Chan	Ordinary (issued)	- 15,453,000	-	-	15,453,000 (0.094%)
	Mr. Lo Yuk Sui	Ordinary (i) issued	220,000	- 3,853,067,610 (Note d(i))	-	3,853,287,610
		(ii) unissued	200,022,000 (Notes d(iii) & (v))	- 369,805,453 (Notes d(ii) to (iv))	-	569,827,453
				Total (i) & (ii):		4,423,115,063 (52.84%)
		Preference (issued)	-	- 3,440 (Notes d(iv))	-	3,440 (20.54%)
	Mr. Donald Fan Tung	Ordinary (unissued)	20,000,000 (Note e)	-	-	20,000,000 (0.24%)
	Mrs. Kitty Lo Lee Kit Tai	Ordinary (i) issued	2,370,000	-	-	2,370,000
		(ii) unissued	237,000 (Note f)	-	-	237,000
				Total (i) & (ii):		2,607,000 (0.031%)
	Mr. Jimmy Lo Chun To	Ordinary (unissued)	15,000,000 (Note g)	-	-	15,000,000 (0.18%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	20,000,000 (Note e)	-	-	20,000,000 (0.24%)



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Name of Associated Corporation	Name of Director	Class of Shares held	Number of Shares Held			Total (Approximate percentage of the Issued Shares as at 31st December, 2005)
			Personal Interests	Family Interests	Corporate Interests	
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	1,000 (Note h)	1,000 (100%)
5. Network Sky Limited	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	-	-	50,000 (Note i)	50,000 (25%)

Notes:

(a) (i) The interests in 914,822,186 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.96% owned by Mr. Lo.

The interests in 10,750,000,000 issued ordinary shares of CCIHL were held through corporations controlled by Mr. Lo as detailed below:

(a)	Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	72.85	
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	



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- (ii) The interests in 350,000,000 unissued ordinary shares of CCIHL were held through the interests in the options conditionally granted to Mr. Lo, entitling Mr. Lo to subscribe for a total of 350,000,000 new ordinary shares of CCIHL at an exercise price of HK\$0.12 per ordinary share (subject to adjustments), under the New Century Scheme. The conditional grant of such options became unconditional on 21st July, 2005. The options will become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise period	Number of ordinary shares of CCIHL under vested options
12th May, 2007 to 11th May, 2011	140,000,000
12th May, 2008 to 11th May, 2011	70,000,000
12th May, 2009 to 11th May, 2011	70,000,000
12th May, 2010 to 11th May, 2011	70,000,000

- (b) (i) The interests in 3,944,018,001 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 72.85% shareholding interests.

The interests in 306,756,000 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

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

The interests in 200,000,000 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

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

- (ii) Under the debt restructuring in respect of CCIHL and its subsidiary companies (then excluding the Company and RHIHL and their respective subsidiary companies) (the "CCIHL Group") with the financial creditors of the CCIHL Group (the "Creditors"), which was completed on 15th December, 2004, (the "Restructuring"), part of the indebtedness had been refinanced into the secured bilateral loans with an aggregate principal amount of HK\$13.78 million (the "HK\$13.78 million Secured Bilateral Loans") granted by certain Creditors for a term of two years. The HK\$13.78 million Secured Bilateral Loans were secured by, among others, a total of 137,800,000 issued ordinary shares of the Company (the "137.8 million Charged PHL Shares") held by the CCIHL Group. Under the terms of the HK\$13.78 million Secured Bilateral Loans, the relevant Creditors granting such loans have the right to opt to receive the 137.8 million Charged PHL Shares at a price of HK\$0.10 each for the settlement of the relative amount of the HK\$13.78 million Secured Bilateral Loans proposed to be prepaid by the CCIHL Group in lieu of cash repayment. Such Creditors also have a similar right of electing to receive the 137.8 million Charged PHL Shares upon final repayment at maturity of the HK\$13.78 million Secured Bilateral Loans.



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On completion of the Restructuring, a wholly owned subsidiary company of CCIHL issued exchangeable notes with an aggregate principal amount of approximately HK\$13.78 million (the "Exchangeable Notes") at their principal value to certain Creditors. The Exchangeable Notes, which are for a term of two years and non-interest bearing, are exchangeable into a total of 55,120,000 issued ordinary shares of the Company held by the CCIHL Group at a price of HK\$0.25 per ordinary share, subject to adjustment. The holders of the Exchangeable Notes do not have any right to demand for cash repayment of the Exchangeable Notes. Except in the occurrence of an event of default as defined in the terms of the Exchangeable Notes, the Exchangeable Notes are only exchangeable into ordinary shares of the Company upon maturity on a mandatory basis. However, prior to maturity, the CCIHL Group have the right to repay any of the Exchangeable Notes at their principal amount.

On completion of the Restructuring, Mr. Lo provided a personal guarantee in favour of one of the Creditors (the "Relevant Creditor") in respect of the secured bilateral loan of HK\$12.38 million (the "HK\$12.38 million Secured Bilateral Loan") granted by the Relevant Creditor to the CCIHL Group under the Restructuring and in return the Relevant Creditor granted to Mr. Lo the right to purchase or procure the purchase of the HK\$12.38 million Secured Bilateral Loan at any time within two years from completion of the Restructuring. Under the terms of the HK\$12.38 million Secured Bilateral Loan, the Relevant Creditor has the right to opt to receive the 123,800,000 issued ordinary shares of the Company (the "123.8 million Charged PHL Shares"), which form part of the security for the HK\$12.38 million Secured Bilateral Loan, at a price of HK\$0.10 each for the settlement of the relative amount of the HK\$12.38 million Secured Bilateral Loan proposed to be prepaid by the CCIHL Group in lieu of cash repayment. The Relevant Creditor also has a similar right of electing to receive the 123.8 million Charged PHL Shares upon final repayment at maturity of the HK\$12.38 million Secured Bilateral Loans. If Mr. Lo exercises his right to acquire the HK\$12.38 million Secured Bilateral Loan, he will be entitled to have the rights to acquire the 123.8 million Charged PHL Shares. If Mr. Lo exercises his right to acquire the HK\$12.38 million Secured Bilateral Loan or is required to perform under his guarantee, 50% of the Exchangeable Notes issued to the Relevant Creditor under the Restructuring, which amounted to HK\$6.19 million and carrying the right to exchange into 24,760,000 ordinary shares of the Company at a price of HK\$0.25 per ordinary share, subject to adjustment, will be transferred to Mr. Lo.

- (iii) The interests in 180,000,000 unissued ordinary shares of the Company were held through the interests in the options conditionally granted to Mr. Lo, entitling Mr. Lo to subscribe for a total of 180,000,000 new ordinary shares of the Company at an exercise price of HK\$0.22 per share (subject to adjustments), under the New Paliburg Scheme. The conditional grant of such options became unconditional on 21st July, 2005. The options will become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
12th May, 2007 to 11th May, 2011	72,000,000
12th May, 2008 to 11th May, 2011	36,000,000
12th May, 2009 to 11th May, 2011	36,000,000
12th May, 2010 to 11th May, 2011	36,000,000

- (c) The interests in 20,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the New Paliburg Scheme, entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of the Company at an exercise price of HK\$0.22 per ordinary share (subject to adjustments). The options became effective on 28th July, 2006 and will become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

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

- (d) (i) The issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 54.71% shareholding interests.
- (ii) The interests in 369,805,453 unissued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 54.71% shareholding interests.
- (iii) The interests in 22,000 and 354,197,026 unissued ordinary shares of RHIHL related to the interests in the warrants of RHIHL (the "2007 Warrants") carrying subscription rights in an aggregate amount of HK\$88,554,756.50, which are exercisable during the period from 2nd February, 2005 to 26th July, 2007 to subscribe for a total of 354,219,026 new ordinary shares of RHIHL at an initial subscription price of HK\$0.25 per ordinary share (subject to adjustment).
- (iv) The interests in 15,608,427 unissued ordinary shares of RHIHL related to the interests in 3,440 convertible cumulative preference shares of RHIHL carrying rights to convert into 15,608,427 new ordinary shares of RHIHL, based on the conversion price of HK\$1.7037 per ordinary share and on a reference amount of US\$1,000 per preference share at the fixed exchange rate of HK\$7.730255 to US\$1.00, during the period from 5th December, 1993 to 5th December, 2008.



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- (v) The interests in 200,000,000 unissued ordinary shares of RHIHL were held through the interests in the options conditionally granted to Mr. Lo, entitling Mr. Lo to subscribe for a total of 200,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 per ordinary share (subject to adjustments), under the new share option scheme of RHIHL named "The Regal Hotels International Holdings Limited" and adopted in June 2005 (the "New Regal Scheme"). The conditional grant of such options became unconditional on 21st July, 2005. The options will become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise period	Number of ordinary shares of RHIHL under vested options
12th May, 2007 to 11th May, 2011	80,000,000
12th May, 2008 to 11th May, 2011	40,000,000
12th May, 2009 to 11th May, 2011	40,000,000
12th May, 2010 to 11th May, 2011	40,000,000

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

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

- (f) The derivative interests in these unissued ordinary shares of RHIHL related to the interests in the 2007 Warrants carrying subscription rights in an aggregate amount of HK\$59,250.00, which are exercisable during the period from 2nd February, 2005 to 26th July, 2007 to subscribe for a total of 237,000 new ordinary shares of RHIHL at an initial subscription price of HK\$0.25 per ordinary share (subject to adjustment).

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

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

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

Save as disclosed herein, as at 31st December, 2005, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed in note 35 to the financial statements, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the share option schemes (as referred to in note 35 to the financial statements) and no option granted to such persons under the share option schemes has been cancelled and/or lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the share option schemes 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 share option schemes.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2005, the following substantial shareholders (as defined in the Listing Rules) (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Approximate percentage of the issued ordinary shares as at 31st December, 2005
CCIHL (Notes i and ii)	3,944,018,001	54.71%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	3,944,018,001	54.71%
Almighty International Limited ("Almighty") (Note ii)	1,909,853,045	26.49%
Cleerview Investments Limited ("Cleerview") (Note ii)	1,185,026,955	16.44%

Notes:

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

Save as disclosed herein, there is no person who being a substantial shareholder (as defined in the Listing Rules), as at 31st December, 2005, 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.

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, Mrs. Kitty Lo Lee Kit Tai, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai are directors of CCIHL.
- (2) Messrs. Lo Yuk Sui, Donald Fan Tung and Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleerview.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's 5 largest suppliers and the percentage of turnover or sales attributable to the Group's 5 largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.



PROPERTY, PLANT AND EQUIPMENT

The details of movements in property, plant and equipment during the year are set out in note 16 to the financial statements.

INVESTMENT PROPERTIES

The details of movements in investment properties during the year are set out in note 17 to the financial statements.

PROPERTY UNDER DEVELOPMENT

The details of movements in property under development during the year are set out in note 19 to the financial statements.

PROPERTY HELD FOR FUTURE DEVELOPMENT

The details of movements in property held for future development during the year are set out in note 20 to the financial statements.

BORROWINGS

The details of the Group's borrowings at the balance sheet date are set out in note 33 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company, together with reasons therefor, during the year are set out in note 35 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 36(b) to the financial statements.

CAPITAL RESERVE

The details of movements in the capital reserve account during the year are presented in the consolidated statement of changes in equity of the financial statements.

SPECIAL RESERVE

The details of movements in the special reserve account during the year are presented in the consolidated statement of changes in equity of the financial statements.

REVALUATION RESERVES

The details of movements in the revaluation reserves account during the year are presented in the consolidated statement of changes in equity of the financial statements.

EXCHANGE EQUALISATION RESERVE

The details of movements in the exchange equalisation reserve account during the year are presented in the consolidated statement of changes in equity of the financial statements.

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in note 37 to the financial statements.

ASSOCIATES

Particulars of the Group's interests in its associates are set out in note 21 to the financial statements.

CONTRIBUTED SURPLUS

The details of movements in the contributed surplus account during the year are set out in note 36(b) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2005, the Company's reserves available for distribution calculated in accordance with The Companies Act 1981 of Bermuda amounted to HK\$2,416.0 million, of which HK\$14.4 million has been proposed as final dividend for the year.

The Company's share premium may be distributed in the form of fully paid bonus shares.

INTEREST CAPITALISED

No interest expense was capitalised during the year in respect of the Group's property development projects.



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POST BALANCE SHEET EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 44 to the financial statements.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong

18th April, 2006



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