THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

If you have sold or transferred all your securities in Paliburg Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

百利保控股有限公司

Paliburg Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 617)

MAJOR AND CONNECTED TRANSACTIONS
DISPOSAL, OPTION DISPOSAL AND UNWINDING

CONNECTED TRANSACTION
BANK AND REFINANCING GUARANTEE

CONTINUING CONNECTED TRANSACTION
LEASE TRANSACTION

Financial adviser to the Company

OSK Capital Hong Kong Limited

Independent financial adviser to the
Independent Board Committee and the Independent Shareholders

CIMB

CIMB Securities (HK) Limited

A letter from the Board is set out on pages 7 to 21 of this circular and a letter from the Independent Board Committee is set out on pages 22 to 23 of this circular. A letter from CIMB, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 38 of this circular.

30 September 2009

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In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Adjusted Net Asset Value"	the net asset value of the Subject Group as adjusted by replacing the value of the Property and any construction in progress by the Appraised Value (with an agreed discount of HK$11 million, or approximately 2.3%, in the case of the Disposal and the Unwinding pursuant to the Put Right, and without discount in the case of the Option Disposal) and excluding deferred tax liabilities according to the terms of the S&P Agreement
"Appraised Value"	the value of the Property as of 30 June 2009, on the basis that the Asset Enhancement Programme has been completed, of HK$479 million, based on the valuation carried out by CBRE
"Asset Enhancement Programme"	the work being carried out by the Seller to convert part of the Property to the Hotel and obtaining necessary licences
"Assignee" or "Wise Tower"	Wise Tower Limited, a wholly-owned subsidiary of Regal REIT
"Assignment Deed"	the assignment deed (the agreed form of which has been attached to the S&P Agreement) to be entered into by the Assignor, the Company, the Property Company and the Assignee on the Completion Date pursuant to which the Assignor shall assign 75% of the Shareholder Loan to the Assignee
"Assignor"	Paliburg Development Finance Limited, a wholly-owned subsidiary of the Company
"associates"	has the meaning ascribed to it under the Listing Rules
"Bank and Refinancing Guarantee"	the Bank Guarantee and the Refinancing Guarantee
"Bank Guarantee"	the several guarantee to be provided by the Company in respect of the Bank Loan in the amount proportional to the Seller's equity interest in the Subject Company upon completion of the Disposal
"Bank Loan"	the bank loan in the amount of up to HK$211 million to be drawn down by the Subject Group to repay part of the Shareholder Loan upon completion of the Disposal
"Board"	board of Directors

"Building"	a 26-storey commercial building situated at No. 211 Johnston Road, Wanchai, Hong Kong, erected on the Remaining Portion of Section F of Inland Lot No. 2769, Sub-section 1 of Section F of Inland Lot No. 2769, The Remaining Portion of Section G of Inland Lot No. 2769 and Sub-section 1 of Section G of Inland Lot No. 2769
"Business Day(s)"	any day (other than Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Call Option"	an option granted by the Seller to the Purchaser exercisable at the discretion of the Purchaser to acquire the remaining 25% equity interest of the Seller in the Subject Company and the then outstanding Shareholder Loan pursuant to the S&P Agreement
"CBRE"	CB Richard Ellis Limited, the independent professional valuer engaged by the REIT Manager to carry out valuation of the Property
"Century City"	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares and warrants of which are listed on the Stock Exchange
"CIMB"	CIMB Securities (HK) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction (including the annual rental caps for the Lease Transaction)
"Company" or "Paliburg"	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares and warrants of which are listed on the Stock Exchange
"Completion Date"	completion date of the Disposal
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of 75% of the issued share capital of the Subject Company and 75% of the Shareholder Loan as at the Completion Date by the Seller to the Purchaser, pursuant to the S&P Agreement

"Gross Revenues"	all revenue derived from the Hotel, including all of the revenue and all subsidy payments, governmental allowances and awards, any other form of incentive payments or awards from any sources whatsoever and wheresoever which are attributable to the operation of the Hotel, but excluding certain items as specified in HMA
"Group" or "Paliburg Group"	the Company and its subsidiaries
"HMA"	the hotel management agreement to be entered into between the Lessee and RHI after completion of the Disposal, setting out the terms of engagement of RHI by the Lessee to manage the Hotel
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hotel"	the 50-room hotel which shall be converted from part of the Property by the Seller under the Asset Enhancement Programme
"Independent Board Committee"	the committee of the Board, comprising Mr Bowen Joseph Leung Po Wing, GBS, JP, Mr Ng Siu Chan and Mr Wong Chi Keung, all being Independent Non-Executive Directors, established to advise the Independent Shareholders in respect of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction
"Independent Non-Executive Director(s)"	independent non-executive Director(s) of the Company
"Independent Shareholders"	Shareholders, other than those who have a material interest in any of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction; as no Shareholder has a material interest in the above transactions, all Shareholders are considered Independent Shareholders
"Latest Accounts"	the latest available management accounts of the Subject Group from time to time
"Latest Practicable Date"	23 September 2009, being the latest practicable date for the purposes of ascertaining certain information in this circular

"Lease Agreement"	the lease agreement (the agreed form of which has been attached to the S&P Agreement) to be entered into between the Lessee and the Property Company concurrently with completion of the Disposal, pursuant to which the Lessee shall lease the Lease Property from the Property Company for a period commencing on the day following completion of the Disposal and ending on 31 December 2010
"Lease Guarantee"	the guarantee to be provided by the Company in favour of the Property Company (as lessor) and the Purchaser in respect of the obligations of the Lessee under the Lease Agreement, pursuant to a deed of guarantee (the agreed form of which has been attached to the S&P Agreement) to be entered into by the Company, the Purchaser and the Property Company on the Completion Date
"Lease Property"	those parts of the Property which will be leased to the Lessee under the Lease Agreement
"Lease Transaction"	the transactions contemplated under the Lease Agreement
"Lessee"	Real Charm Investment Limited, a wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr Lo"	Mr Lo Yuk Sui, the Chairman of the board of directors of each of Century City and the Company
"Option Disposal"	the sale of the remaining 25% equity interest of the Seller in the Subject Company and the Shareholder Loan as at the completion date of the Option Disposal to the Purchaser pursuant to the exercise of the Call Option
"Property"	the portion of the Building owned by the Property Company consisting of 22 entire floors, a portion of the ground floor, a flat roof on the 3rd floor and the upper roof, out of a total of 26 floors in the Building, together with the eastern and western elevations of the external walls of the Building and the architectural feature at the roof top of the Building, comprising approximately 84.2% of the undivided interests of the site on which the Building is situated and with a total gross floor area of 58,870 square feet
"Property Company"	Sonnix Limited, a wholly-owned subsidiary of the Subject Company

"Purchaser"	DB Trustees (Hong Kong) Limited, the trustee of the Regal REIT
"Purchaser's Loan"	any amount due from the Subject Group to the Purchaser or any companies controlled by the Purchaser in its capacity as the trustee of the Regal REIT from time to time
"Put Right"	a right granted by the Seller to the Purchaser under the S&P Agreement to effectively unwind the Disposal if the Asset Enhancement Programme is not completed or certain Seller's obligations under the S&P Agreement are not fulfilled by 31 December 2010
"Refinancing Guarantee"	the several guarantee that may be provided by the Group proportionate to the Seller's equity interest in the Subject Company after completion of the Disposal in respect of any refinancing of the Bank Loan with a maximum principal amount of HK$250 million, unless otherwise agreed by the shareholders of the Subject Company, pursuant to the Shareholders Agreement
"Regal"	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
"Regal REIT"	Regal Real Estate Investment Trust, the units of which are listed on the Stock Exchange, the principal activity of which and whose subsidiaries is to own and invest in income-producing hotels, hospitality-related properties and other commercial properties
"REIT Manager"	Regal Portfolio Management Limited, the manager of Regal REIT and a wholly-owned subsidiary of Regal
"Rental Adjustment"	the rental adjustment pursuant to which the monthly rental of HK$2 million under the Lease Agreement shall be reduced by the amount of rental under the tenancies in respect of certain parts of the Property not leased to the Lessee
"RHI"	Regal Hotels International Limited, a wholly-owned subsidiary of Regal, which is principally engaged in the business of providing management, operation and promotion of hotels
"S&P Agreement"	the sale and purchase agreement dated 10 September 2009 entered into between the Company, the Seller, the Purchaser and the REIT Manager in respect of, among others, the Disposal

"Seller"	Paliburg Development BVI Holdings Limited, a wholly-owned subsidiary of the Company
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of any Shares
"Shareholder Loan"	the amount due from the Subject Group to the Assignor (or other members of the Group) from time to time
"Shareholders Agreement"	an agreement (the agreed form of which has been attached to the S&P Agreement) to be entered into between Wise Tower, the Seller, the Purchaser, the Company and the Subject Company on the Completion Date for the purposes of governing certain rights and obligations of the shareholders of the Subject Company subject to the terms and conditions appearing therein
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Company"	Twentyfold Investments Limited, presently a wholly-owned subsidiary of the Company (before the Completion Date) and the holding company of the Property Company
"Subject Group"	the Subject Company and the Property Company
"Unwinding"	the transfer of (a) the 75% equity interest in the Subject Company to be sold to the Purchaser under the Disposal and (b) the Purchaser's Loan back to the Seller pursuant to the Put Right with a view to unwinding the transactions under the S&P Agreement
"Warrantholder(s)"	holder(s) of the warrants of the Company due November 2010 conferring rights on their holders to subscribe for Shares at the current subscription price of HK$2.10 per Share (subject to adjustment)
"HK$"	Hong Kong dollars
"%"	per cent.

百利保控股有限公司
Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 617)

Executive Directors	*Registered office:*
Mr LO Yuk Sui *(Chairman and Chief Executive Officer)*	Rosebank Centre 11 Bermudiana Road
Mr Donald FAN Tung *(Chief Operating Officer)*	Pembroke Bermuda
Mr Jimmy LO Chun To	
Miss LO Po Man	*Head office and*
Mr Kenneth NG Kwai Kai	*principal place of business:*
Mr Kenneth WONG Po Man	11th Floor
	68 Yee Wo Street
Independent Non-Executive Directors	Causeway Bay
Mr Bowen Joseph LEUNG Po Wing, GBS, JP	Hong Kong
Mr NG Siu Chan	
Hon Abraham SHEK Lai Him, SBS, JP	
Mr WONG Chi Keung	
	30 September 2009

To the Shareholders and the Warrantholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS DISPOSAL, OPTION DISPOSAL AND UNWINDING

CONNECTED TRANSACTION BANK AND REFINANCING GUARANTEE

CONTINUING CONNECTED TRANSACTION LEASE TRANSACTION

INTRODUCTION

Reference is made to the joint announcement of the Company and Century City dated 10 September 2009, in which the Board announced that, on 10 September 2009, the Company, the Seller, the Purchaser and the REIT Manager entered into the S&P Agreement, pursuant to which the Seller shall sell 75% of the issued share capital of the Subject Company to the Purchaser, and the Assignor shall assign 75% of the Shareholder Loan to the Assignee on the Completion Date.

The Purchaser will be granted the Call Option to acquire the remaining 25% equity interest in the Subject Company and any then outstanding Shareholder Loan from the Seller.

Upon completion of the Disposal, the Subject Group will draw down the Bank Loan and repay part of the Shareholder Loan. The Company shall provide the Bank Guarantee in respect of the Bank Loan proportional to its 25% equity interest in the Subject Company upon completion of the Disposal. Pursuant to the Shareholders Agreement, the Group shall also provide the Refinancing Guarantee (if required).

The Lease Property will be leased back to the Group upon completion of the Disposal. The Group will operate the Hotel and the leasing business of the Lease Property. The Group will also engage RHI as the hotel manager to manage and promote the business of the Hotel.

S&P AGREEMENT

On 10 September 2009, the Company, the Seller, the Purchaser and the REIT Manager entered into the S&P Agreement, pursuant to which the Seller shall sell 75% of the issued share capital of the Subject Company to the Purchaser, and the Assignor shall assign 75% of the Shareholder Loan to the Assignee on the Completion Date.

Date

10 September 2009

Parties

Seller: Paliburg Development BVI Holdings Limited, a wholly-owned subsidiary of the Company. The Company is the listed subsidiary of Century City, which holds approximately 58% of the issued share capital of the Company.

Purchaser: DB Trustees (Hong Kong) Limited, the trustee of Regal REIT. The Purchaser entered into the S&P Agreement on behalf of Regal REIT and at the direction of the REIT Manager.

As at the Latest Practicable Date, the Group held approximately 47% of the issued ordinary share capital of Regal, which in turn owned approximately 74% of the units of Regal REIT in issue. Regal is the listed associate of the Company and Century City, and Regal REIT is in turn the listed associate of Regal. Century City (the listed holding company of the Company) also held approximately 0.04% of the issued ordinary share capital of Regal and approximately 0.2% of the units of Regal REIT in issue. Mr Lo and his spouse personally held approximately 0.03% of the issued ordinary share capital of Regal and Mr Lo held share options that, if fully exercised, new ordinary shares representing approximately 2.0% of the exisiting issued ordinary share capital of Regal will fall to be issued.

Mr Lo is the Chairman and Chief Executive Officer of Century City, the Company and Regal, and the non-executive Chairman of REIT Manager. Mr Donald Fan Tung and Mr Jimmy Lo Chun To, both directors of the Company, are directors of Century City, Regal and the REIT Manager. Miss Lo Po Man, Mr Kenneth Ng Kwai Kai, Mr Ng Siu Chan and Mr Wong Chi Keung, all directors of the Company, are directors of Century City and Regal. Hon Abraham Shek Lai Him, SBS, JP, a director of the Company, is a director of the REIT Manager.

Save for the aforesaid, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Purchaser, Regal REIT, the REIT Manager and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Company and the REIT Manager (in the capacity as the manager of the Regal REIT) are also parties to the S&P Agreement.

Under the S&P Agreement, the Company has agreed to guarantee the performance by the Seller of its obligations thereunder.

Consideration

Pursuant to the S&P Agreement, the consideration for the Disposal shall equal to 75% of the Adjusted Net Asset Value of the Subject Group and 75% of the adjusted amount of the Shareholder Loan (as described below), both as at the Completion Date. The Adjusted Net Asset Value is determined based on, among other factors, the net asset value of the Subject Group (excluding deferred tax liabilities) and the Appraised Value of the Property after a discount of HK$11 million (or approximately 2.3%) agreed among the parties.

Based on the net asset value of the Subject Group of approximately HK$5.3 million as at 30 June 2009 (comprising the Property with a book value of HK$404 million, and other assets and liabilities of the Subject Group) and the discounted Appraised Value of the Property of HK$468 million, 75% of the Adjusted Net Asset Value of the Subject Group as at 30 June 2009 amounted to approximately HK$59.4 million.

The Assignor shall assign to the Assignee 75% of the Shareholder Loan (after partial repayment by the net proceeds from the Bank Loan) as at the Completion Date on a dollar-for-dollar basis. As at 30 June 2009, the Shareholder Loan to the Subject Group amounted to approximately HK$390.9 million. Upon completion of the Disposal, the Subject Group shall draw down the Bank Loan and shall use the net proceeds of the Bank Loan of approximately HK$209.9 million to repay part of the Shareholder Loan. The Shareholder Loan as at 30 June 2009, net of the net proceeds of the Bank Loan to be drawn down on the Completion Date, amounted to approximately HK$181.0 million (being the adjusted amount of the Shareholder Loan), 75% of which equals to approximately HK$135.8 million.

The Purchaser has paid HK$30 million to the Seller as deposit and part of the consideration for the Disposal which is refundable pursuant to certain provisions under the S&P Agreement.

The Purchaser shall pay a further amount of approximately HK$165.2 million to the Seller on the Completion Date. The aggregate of the deposit of HK$30 million and the further payment of approximately HK$165.2 million equal to 75% of the Adjusted Net Asset Value and the adjusted amount of the Shareholder Loan as at 30 June 2009.

A completion statement, reflecting 75% of the Adjusted Net Asset Value and the carrying amount of the Shareholder Loan, net of the net proceeds of the Bank Loan, as at the Completion Date, shall be prepared by the Seller, reviewed by an independent firm of accountants and delivered to the Purchaser within 60 days after the Completion Date. The Purchaser will be allowed 10 Business Days to review the completion statement. Within 10 Business Days of the Purchaser having agreed to the completion statement, either (a) the Purchaser shall pay to the Seller in respect of the surplus amount of 75% of the Adjusted Net Asset Value and the Shareholder Loan, net of the net proceeds of the Bank Loan, as at the Completion Date (as shown in the completion statement) over the amounts which have been paid by the Purchaser to the Seller on the date of the S&P Agreement and the Completion Date, or (b) the Seller shall pay to the Purchaser the shortfall amount of 75% of the Adjusted Net Asset Value and the Shareholder Loan, net of the net proceeds of the Bank Loan, as at the Completion Date (as shown in the completion statement) to the amounts which have been paid by the Purchaser to the Seller on the date of the S&P Agreement and the Completion Date.

Pursuant to the S&P Agreement, the aggregate consideration for the Disposal shall not exceed HK$210 million.

Conditions precedent

The completion of the Disposal is conditional on, among other conditions, the following conditions as summarised from the S&P Agreement.

(i) each of the Seller, the Company and Century City obtaining its directors' and shareholders' approval in respect of all transactions contemplated under the S&P Agreement (if required) in a form satisfactory to the Purchaser and the REIT Manager (which include the Disposal, the Option Disposal, the Unwinding, the Lease Transaction and the transactions contemplated under the Shareholders Agreement);

(ii) the REIT Manager being satisfied with the results of its inspection and investigation in respect of the Subject Group and the Property;

(iii) the REIT Manager approving the title of the Property;

(iv) the banking facilities in respect of the Bank Loan being available for drawing;

(v) the Purchaser and the REIT Manager being satisfied that all the existing mortgage loan to the Group as secured by the Property and the encumbrances in connection with the Property shall be discharged upon drawdown of the Bank Loan; and

(vi) all necessary consents or waivers in connection with all transactions contemplated under the S&P Agreement (if required) (which include the Disposal, the Option Disposal, the Unwinding, the Lease Transaction and the transactions contemplated under the Shareholders Agreement) having been obtained.

The Company and Century City have obtained their respective shareholders' approvals by way of written resolutions.

If any condition as set out in the S&P Agreement has not been satisfied on or before 31 October 2009 (or such later date as may be agreed by the parties) (the "Fulfillment Date"), the Purchaser may (a) waive such condition(s); (b) postpone the Fulfillment Date to a later date not falling more than 10 Business Days after the Fulfillment Date, or such other date as may be agreed by the parties; or (c) terminate the S&P Agreement.

Completion

Within 5 Business Days of all the aforesaid conditions having been fulfilled or waived, the Purchaser shall issue to the Seller a completion notice, and within 10 Business Days of the completion notice, the completion of the Disposal shall take place subject to all conditions stipulated in the S&P Agreement having been fulfilled or waived.

After completion of the Disposal, the Subject Company will cease to be a subsidiary of the Company but will be treated as an associate (for accounting purposes). The Seller's then remaining 25% interest in the Subject Company will be subject to the Call Option as described later in this section.

Asset Enhancement Programme

Pursuant to the S&P Agreement, the Seller shall, at its own cost, carry out the Asset Enhancement Programme on the Property to convert part of the Property into the Hotel. The Seller has undertaken to complete the Asset Enhancement Programme by 31 December 2010.

The Company estimates that the total cost incurred and to be incurred for the Asset Enhancement Programme is approximately HK$30 million.

Unwinding of the S&P Agreement

If (i) any part of the Asset Enhancement Programme has not been completed, or (ii) the Seller has not fulfilled certain of its obligations under the S&P Agreement to amend the current deed of mutual covenant and management agreement relating to the Property in order to permit the intended use of the Property following the completion of the Asset Enhancement Programme, in each case by 31 December 2010, the Purchaser may at its sole discretion exercise the Put Right by serving a notice to the Seller within 30 days from 31 December 2010 requiring the Seller to acquire (a) the 75% equity interest in the Subject Company to be transferred to Wise Tower under the Disposal; and (b) the Purchaser's Loan from the Purchaser at a consideration equal to:

1. 75% of the Adjusted Net Asset Value (which will be based on, among others, the discounted Appraised Value of the Property of HK$468 million) as at the date of Unwinding; and

2. the carrying amount of any Purchaser's Loan as at the date of Unwinding,

subject to a maximum amount of HK$392 million.

The Seller shall pay an initial amount equal to the sum of 75% of the Adjusted Net Asset Value and the carrying amount of the Purchaser's Loan as per the then Latest Accounts upon completion of the Unwinding, which shall be no earlier than 15 and no later than 30 Business Days after the date on which the Purchaser has served the notice to exercise the Put Right. A completion statement, reflecting 75% of the Adjusted Net Asset Value (which will be adjusted by, among others, the discounted Appraised Value of the Property of HK$468 million) and the carrying amount of the Purchaser's Loan as at the completion date of the Unwinding, shall be prepared by the Purchaser, reviewed by an independent firm of accountants and delivered to the Seller within 60 days after the completion date of the Unwinding. If there is any difference between the initial amount paid and the final consideration amount based on the completion statement, such difference shall be settled in cash between the Seller and the Purchaser in accordance with the terms of the S&P Agreement.

Call Option

Under the S&P Agreement, the Purchaser will be granted the Call Option exercisable at its discretion during the period from 1 November 2010 to 28 February 2011 (both dates inclusive) requiring (a) the Seller to sell its remaining 25% equity interest in the Subject Company; and (b) the Assignor (or other members of the Group) to assign the Shareholder Loan.

The consideration for the Option Disposal shall be the sum of:

1. 25% of the Adjusted Net Asset Value (which will be based on, among others, the Appraised Value without discount) as at the completion date of the Option Disposal; and

2. the carrying amount of any Shareholder Loan as at the completion date of the Option Disposal,

subject to a maximum amount of HK$98 million.

The Purchaser shall pay an initial amount equal to the sum of 25% of the Adjusted Net Asset Value and the carrying amount of the Shareholder Loan as per the then Latest Accounts upon completion of the Option Disposal, which shall be no earlier than 15 and no later than 30 Business Days after the date on which the Purchaser has served the notice to exercise the Call Option. A completion statement, reflecting 25% of the Adjusted Net Asset Value (which will be adjusted by, among others, the Appraised Value without discount) and the carrying amount of the Shareholder Loan as at the completion date of the Option Disposal, shall be prepared by the Purchaser, reviewed by an independent firm of accountants and delivered to the Seller within 60 days after the completion date of the Option Disposal. If there is any difference between the initial amount paid and the final consideration amount based on the completion statement, such difference shall be settled in cash between the Seller and the Purchaser in accordance with the terms of the S&P Agreement.

Upon completion of the Option Disposal, the Subject Group will be wholly owned by the Regal REIT and save for the aforesaid equity interest in the Subject Group through Regal and Regal REIT, the Group will cease to own any equity interest in the Subject Group.

SHAREHOLDERS AGREEMENT

Upon completion of the S&P Agreement, the Subject Company will be owned as to 75% by the Regal REIT and as to 25% by the Group; and Wise Tower, the Seller, the Company, the Purchaser and the Subject Company will enter into the Shareholders Agreement (the agreed form has been attached to the S&P Agreement) setting out the shareholders' rights and obligations regarding the Subject Group.

Principal terms

Below are certain principal terms of the Shareholders Agreement.

The boards of directors of the Subject Company and the Property Company

The maximum number of directors of each of the Subject Company and the Property Company shall be four. Wise Tower shall have the right to appoint and remove up to 3 directors (one of whom will be the chairman of the board) of each of the Subject Company and the Property Company, and the Seller shall have the right to appoint and remove 1 director of each of the Subject Company and the Property Company.

Business of the Subject Group

Wise Tower and the Seller shall procure that unless otherwise agreed, the Subject Group shall carry on the business activities as carried on by the Subject Group as at the date of the Shareholders Agreement, principally comprising the ownership and operation of the Property.

Financial supports

The completion of the Disposal is conditional upon (among other conditions) the banking facilities in respect of the Bank Loan being available. The Company and the Purchaser (on behalf of the Regal REIT) shall provide several guarantees in favour of a licensed bank in respect of the Bank Loan proportional to their respective equity interests of 25% and 75% in the Subject Company upon completion of the Disposal. The grant of the Bank Guarantee forms part of the transactions under the S&P Agreement. No fee will be payable by the Subject Company to the Company or the Purchaser in respect of the provision of such guarantees. The above-mentioned bank is an authorized financial institution in Hong Kong. To the best of the knowledge, information and belief of the Directors, the bank and its beneficial owners are third parties independent of each of the Company and its connected persons.

In the event that further security for the Bank Loan is required, or alternative financing arrangements in replacement or refinancing of the Bank Loan are required, the Subject Company may then request each of the Purchaser and the Paliburg Group to provide a several guarantee in respect of the facility which shall not exceed an aggregate principal sum of HK$250 million, unless otherwise agreed by the shareholders, proportionate to their respective shareholding percentages in the Subject Company.

Apart from the Bank and Refinancing Guarantee, the Company will comply with the applicable requirements under the Listing Rules in respect of any further financial assistance to the Subject Group which may be made by the Group as and when required under the Listing Rules.

Lock-up provision

Prior to 1 March 2011, the Seller shall not, and shall not agree to (i) sell, transfer or otherwise dispose of, any of its interest in the Subject Company; (ii) encumber any of its interest in the Subject Company; or (iii) enter into any agreement or arrangement in respect of the votes or other rights attached to any of its shares of the Subject Company.

THE LEASE AGREEMENT AND THE HMA

Lease Agreement

As part of the whole arrangement in respect of the Disposal, it is proposed that the Property Company and the Lessee will enter into the Lease Agreement (in the agreed form attached to the S&P Agreement) concurrently with the completion of the S&P Agreement.

Under the Lease Agreement, the Property Company shall let and the Lessee shall take the Lease Property for the period commencing from the day following the Completion Date and expiring on 31 December 2010 at the rental of HK$2 million per calendar month, subject to the Rental Adjustment (excluding management expenses, rates, Government rent and other sums payable by the Lessee). It is estimated that the rental payable by the Lessee to the Property Company under the Lease Agreement would not exceed HK$6 million for the year ending 31 December 2009 and HK$24 million for the year ending 31 December 2010. Such annual rental caps were determined based on the monthly rental of HK$2 million and the anticipated commencement date of the Lease Agreement of not earlier than 1 October 2009.

Part of the Property is currently being enhanced and converted into the Hotel. Some other parts of the Property are currently held for rental purposes. Under the Lease Agreement, the Group will lease the Lease Property back and will operate and manage the Hotel and the leasing business of the Lease Property. All rental and other income from the tenancies in respect of the Lease Property during the term of the Lease Agreement shall belong to the Lessee. The Lessee shall assume the rights and obligations of the Property Company under the tenancies in respect of the Lease Property which were entered into before execution of the Lease Agreement.

The Lessee shall have the right to, among other things, underlease certain areas of the Lease Property. All rental and other income from underleases shall belong to the Lessee during the term of the Lease Agreement.

Among other rights, the Property Company shall have the right to terminate the Lease Agreement at any time during the term by giving three months' prior written notice to the Lessee but without compensation interest or costs paid by the Property Company to the Lessee, and the Lessee shall not have any claim whatsoever against the Property Company for such early termination of the Lease Agreement.

Pursuant to the Lease Guarantee, the Company shall provide guarantee in favour of the Property Company, as lessor, and the Purchaser in respect of the obligations of the Lessee under the Lease Agreement.

HMA

It is also proposed that the Lessee will appoint RHI, a wholly-owned subsidiary of Regal, to act as the exclusive manager of the Hotel to manage the Hotel under the "Regal iClub Hotel" brand name, for a period commencing on the date on which the hotel licence for the Hotel is issued to 31 December 2010 (or the last day of the lease under the Lease Agreement if so early terminated by the Property Company). As the manager of the Hotel, RHI shall supervise, direct and control the management, operation, marketing, promotion and human resources deployment in respect of the business of the Hotel.

The Lessee shall be entitled to all income and revenue derived from the business of the Hotel. In return for the services to be rendered under HMA, the Lessee shall pay RHI a management fee comprising an amount equal to 5% of the Gross Revenues of the Hotel, subject to a minimum amount of HK$80,000 per month, payable monthly in arrears in cash.

THE SUBJECT GROUP

The Subject Group is an investment property holding group. It is the owner of the Property and is leasing certain areas of the Property for rental income. As mentioned above, part of the Property is being converted into the Hotel. It is expected that the Asset Enhancement Programme will be completed prior to 31 December 2010 and that the Subject Group will continue to be engaged in the ownership and operation of the Property after the Disposal.

The table below sets out the audited consolidated profit/(loss) before and after tax of the Subject Group for the two years ended 31 December 2007 and 2008:

	For the year ended 31 December	
	2008	**2007**
	HK$ million	*HK$ million*
(Loss)/Profit before tax	(20.9)	12.9
(Loss)/Profit after tax	(16.8)	10.7

As at 30 June 2009, the audited consolidated net asset value of the Subject Group amounted to approximately HK$5.3 million and the inter-company loans due from the Subject Group to the Group (i.e., the Shareholder Loan) amounted to approximately HK$390.9 million.

BENEFITS OF AND REASONS FOR THE TRANSACTIONS UNDER THE S&P AGREEMENT AND THE SHAREHOLDERS AGREEMENT

The Paliburg Group is principally engaged in property development and investment, construction and building related businesses, and other investments including, in particular, its interests in Regal, which is principally engaged in hotel operation and management, investment in Regal REIT and other investments.

It has been stated in the annual report of the Company for the year ended 31 December 2008 that the Group had planned to convert certain part of the Property into the Hotel, which was expected to enhance the value of the Property. The Company believes that the Disposal and the Option Disposal (if the Call Option is exercised) represent a good opportunity for the Group to realize the market value of the Property on the basis that the Asset Enhancement Programme had been completed. The grant of the Bank Guarantee is a condition precedent to the completion of the Disposal and the net proceeds to be drawn down under the Bank Loan will be used to repay part of the Shareholder Loan upon completion of the Disposal.

The consideration for the Disposal, the Option Disposal and the Unwinding was determined based on, among other factors, the Appraised Value. The Appraised Value was based on the valuation performed by CBRE, a qualified professional valuer in Hong Kong, engaged by the REIT Manager. The Company has reviewed the valuation for the Property and considers using the Appraised Value a fair and reasonable basis to determine the consideration for the Disposal, the Option Disposal and the Unwinding, based on the expertise and experience of the management of the Company. A copy of the letter (enclosing a valuation certificate) from CBRE to the Company in respect of the Property is reproduced in Appendix III to this circular for the information of the Shareholders.

It is estimated that the Group would record the following accounting gains as a result of the Disposal and the Option Disposal.

	The Group
	HK$ million
Disposal	34.2
Option Disposal	14.1

The above gains are estimated based on the net asset value of the Subject Group as at 30 June 2009, the estimated cost for the Asset Enhancement Programme and the Adjusted Net Asset Value as at 30 June 2009. The Shareholders should note that the above estimated gains are for illustrative purposes only and any actual gain or loss as a result of the Disposal and Option Disposal shall depend on, among other factors, the carrying value of the Group's interest in the Subject Group and the final consideration for the Disposal and the Option Disposal.

The Group plans to use the net proceeds from the Disposal of not more than HK$210 million as general working capital.

As part of the contemplated transactions under the S&P Agreement, the Lease Property will be leased back to the Group and the Group will be the operator of the Hotel and leasing business of the Lease Property during the term of the Lease Agreement. In this regard, the Group will leverage on the hotel management expertise of RHI. The Group will be entitled to all rental and other income derived from the Hotel and the leasing business of the Lease Property during the term of the Lease Agreement; on the other hand it will have to pay the Property Company an agreed rental and RHI the hotel manager fee. The Company considers that these arrangements and transactions are in its ordinary and usual course of business.

The terms of the S&P Agreement, the Shareholders Agreement, the Lease Agreement and HMA were agreed among the parties after arm's length negotiation with reference to many factors, including the Appraised Value, the net asset value of the Subject Group, the carrying amount of the Shareholder Loan and the prospects of the Hotel and the leasing business of the Subject Group.

The Directors consider that the transactions under the terms of the S&P Agreement and the Shareholders Agreement and the annual cap amounts for the Lease Transaction are fair and reasonable and the transactions contemplated thereunder are in the interests of the Group and Shareholders as a whole.

FINANCIAL INFORMATION OF THE GROUP

Financial and trading prospects

For the six months ended 30 June 2009, the Group achieved an unaudited consolidated profit attributable to shareholders of HK$162.3 million, which was relatively lower than the profit of HK$305.1 million recorded in the last corresponding period, due primarily to the decrease in the profit contribution from Regal, the Group's listed associate.

The Group has a 30% joint venture interest in a development project in Ap Lei Chau. The development has a total gross floor area of about 913,000 square feet, comprising 9 residential towers with 715 luxury residential apartments and certain commercial areas on the ground floor, which will be complemented with club house and car parking facilities. The superstructure works for the project are progressing and the presale marketing program is expected to be commenced early next year. Having regard to the favourable sentiment towards the property sector and the limited supply of luxury apartments in the southern part of the Hong Kong Island, it is anticipated that the units in this residential development will be very well received and should generate to the Group substantial future profits and cash flow.

Chatwin Engineering Limited, the Group's wholly-owned construction arm, continues to operate steadily and contributed satisfactory profit to the Group during the six months ended 30 June 2009. The contract works undertaken by Chatwin Engineering Limited for the construction of three additional stories on top of the Regal Riverside Hotel in Shatin was recently completed in June 2009, while the contract works for the Housing Authority for the redevelopment of Sau Mau Ping Estate Phases 13 & 16 have also been substantially completed. In the meantime, Chatwin Engineering Limited has secured a number of new projects, including a school re-provisioning contract in Wanchai and a contract for maintenance works for the MTR stations. Despite the difficult environment encountered by the construction industry in Hong Kong, Chatwin Engineering Limited will strive to secure further new contracts from different sectors, making use of its competitive advantage afforded by a relatively compact and cost effective operating structure.

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

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

Effects on the assets, liabilities and earnings

Upon completion of the Disposal, the Subject Company will cease to be a subsidiary of the Company, and all the assets and liabilities of the Subject Group and the results of the Subject Group will then not be consolidated into the consolidated financial statements of the Company on a line by line basis but will be accounted for in the consolidated financial statements of the Company using equity accounting method.

Upon completion of the Option Disposal and assuming there will be no change in the shareholding relationship among the Company, Regal and the Regal REIT, apart from the interest in the Subject Group through the interests in Regal, the Company will not hold any equity interest in the Subject Group and the Subject Company and the Property Company will cease to be treated as associates of the Company, and the assets, liabilities and earnings of the Subject Group will not be consolidated into the financial statements of the Company.

Upon completion of the Unwinding (if the Put Right is exercised) and assuming there will be no change in the shareholding relationship among the Company, Regal and the Regal REIT, the Subject Group will become a wholly-owned subsidiary of the Company, and the assets, liabilities and earnings will be consolidated into the financial statements of the Company on a line by line basis.

As stated in the section above headed "Benefits of and reasons for the transactions under the S&P Agreement and the Shareholders Agreement", the Directors are of the view that the Disposal and the Option Disposal (if the Call Option is exercised) represent a good opportunity to realise the market value of the Property under the present favourable market condition, and it is estimated that a gain on disposal will be recorded based on the latest net asset value of the Subject Group as at 30 June 2009 and the estimated cost of the Asset Enhancement Programme. After completion of the Disposal, the Group will become free of any bank loan.

Indebtedness

As at the close of business on 31 August 2009 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding bank borrowings of approximately HK$210.6 million which were secured by the Property and guaranteed by the Company.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 31 August 2009, any outstanding bank loans and overdrafts, mortgages, charges, debentures or other loan capital or other similar indebtedness, or any finance lease commitments, hire purchase commitments, liabilities under acceptances or acceptance credits, or any guarantees or other material contingent liabilities.

Working Capital

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable circumstances and after taking into account of (i) the Group's present available internal resources, (ii) proceeds from the Disposal and (iii) other available borrowing facilities, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of publication of this circular.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Group had been made up.

LISTING RULES IMPLICATIONS AND SHAREHOLDERS' APPROVAL

As at the Latest Practicable Date, the Company is beneficially owned as to approximately 58% by Century City.

Regal REIT is treated as a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

The Disposal and the Option Disposal are aggregated as a single transaction and the Unwinding is deemed to be a separate transaction for the purpose of Chapter 14 of the Listing Rules. As some of the percentage ratios in accordance with Chapter 14 of the Listing Rules in respect of each of (i) the Disposal and the Option Disposal, in aggregate, and (ii) the Unwinding exceed 25% but all the percentage ratios are less than 75%, each of (i) the Disposal and the Option Disposal, in aggregate, and (ii) the Unwinding constitutes a major transaction for the Company subject to the announcement and shareholders' approval requirements under the Listing Rules. The Disposal, the Option Disposal and the Unwinding also constitute connected transactions for the Company subject to the Independent Shareholders' approval.

The Bank and Refinancing Guarantee constitutes a connected transaction for the Company subject to the Independent Shareholders' approval.

Based on the annual rental payable by the Lessee to the Property Company under the Lease Agreement, the Lease Transaction constitutes a continuing connected transaction for the Company subject to the Independent Shareholders' approval.

As no Shareholder has a material interest in the above transactions, no Shareholder is required to abstain from voting in respect of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee and the Lease Transaction under the Listing Rules.

The Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction (including the annual cap amounts of the Lease Transaction) as well as (among other transaction documents and agreements) the S&P Agreement and the Shareholders Agreement have been approved by the closely allied major shareholders' group of the Company (comprising (i) Almighty International Limited (a wholly-owned subsidiary of Century City), which owns approximately 26.51% of the issued ordinary share capital of the Company, (ii) Century City Holdings Limited (a wholly-owned subsidiary of Century City), which owns approximately 2.69% of the issued ordinary share capital of the Company, (iii) Cleverview Investments Limited (a wholly-owned subsidiary of Century City), which owns approximately 15.90% of the issued ordinary share capital of the Company, (iv) Gold Concorde Holdings Limited (a wholly-owned subsidiary of Century City), which owns approximately 2.57% of the issued ordinary share capital of the Company, (v) Meylink Limited (a wholly-owned subsidiary of Century City), which owns approximately 4.63% of the issued ordinary share capital of the Company, (vi) Smartaccord Limited (a wholly-owned subsidiary of Century City), which owns approximately 0.74% of the issued ordinary share capital of the Company, and (vii) Splendour Corporation (a wholly-owned subsidiary of Century City), which owns approximately 4.62% of the issued ordinary share capital of the Company, by way of written resolutions in accordance with Rules 14.44 and 14A.43 of the Listing Rules.

No shareholders' meeting will be convened and held by the Company in connection with the transactions under the S&P Agreement and the Shareholders Agreement, including the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee and the Lease Transaction. However, the Company has appointed CIMB to advise its Independent Board Committee and its Independent Shareholders in respect of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee and the Lease Transaction (including the annual rental caps for the Lease Transaction).

RECOMMENDATION

The Directors believe that the terms of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) approving the transactions if a general meeting were to be held.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendation to the Independent Shareholders in respect of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction (including the annual rental caps for the Lease Transaction) and the letter of advice received from CIMB on pages 24 to 38 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Paliburg Holdings Limited
Lo Yuk Sui
Chairman and Chief Executive Officer

百利保控股有限公司
Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 617)

30 September 2009

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS
DISPOSAL, OPTION DISPOSAL AND UNWINDING

CONNECTED TRANSACTION
BANK AND REFINANCING GUARANTEE

CONTINUING CONNECTED TRANSACTION
LEASE TRANSACTION

We refer to the circular of the Company to the Shareholders dated 30 September 2009 (the "Circular"), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from CIMB as set out on pages 24 to 38 of the Circular and the letter from the Board set out on pages 7 to 21 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of CIMB as stated in its letter of advice, we consider that the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction (including the annual rental caps of the Lease Transaction) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in relation to the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction if a general meeting were to be held.

No Shareholder is required to abstain from voting in respect of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction under the Listing Rules.

As at the Latest Practicable Date, the Company was beneficially owned as to approximately 58% by Century City.

The Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction (including the annual cap amounts of the Lease Transaction) as well as (among other transaction documents and agreements) the S&P Agreement and the Shareholders Agreement have been approved by the closely allied major shareholders' group of the Company (comprising (i) Almighty International Limited (a wholly-owned subsidiary of Century City), which owns approximately 26.51% of the issued ordinary share capital of the Company, (ii) Century City Holdings Limited (a wholly-owned subsidiary of Century City), which owns approximately 2.69% of the issued ordinary share capital of the Company, (iii) Cleverview Investments Limited (a wholly-owned subsidiary of Century City), which owns approximately 15.90% of the issued ordinary share capital of the Company, (iv) Gold Concorde Holdings Limited (a wholly-owned subsidiary of Century City), which owns approximately 2.57% of the issued ordinary share capital of the Company, (v) Meylink Limited (a wholly-owned subsidiary of Century City), which owns approximately 4.63% of the issued ordinary share capital of the Company, (vi) Smartaccord Limited (a wholly-owned subsidiary of Century City), which owns approximately 0.74% of the issued ordinary share capital of the Company, and (vii) Splendour Corporation (a wholly-owned subsidiary of Century City), which owns approximately 4.62% of the issued ordinary share capital of the Company, by way of written resolutions in accordance with Rules 14.44 and 14A.43 of the Listing Rules.

No shareholders' meeting will be convened and held by the Company in connection with the transactions under the S&P Agreement and the Shareholders Agreement, including the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction. However, CIMB has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction (including the annual rental caps for the Lease Transaction).

Yours faithfully,
For and on behalf of
Paliburg Holdings Limited
Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Wong Chi Keung
Independent Non-Executive Directors

The following is the text of a letter of advice from CIMB to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction which has been prepared for the purpose of inclusion in this circular.

CIMB

CIMB Securities (HK) Limited

25th Floor, Central Tower
28 Queen's Road Central
Hong Kong

30 September 2009

To the Independent Board Committee and
the Independent Shareholders of Paliburg Holdings Limited

Dear Sirs/Madams,

MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO
THE DISPOSAL, OPTION DISPOSAL AND UNWINDING,

CONNECTED TRANSACTION
IN RELATION TO
THE BANK AND REFINANCING GUARANTEE,

AND

CONTINUING CONNECTED TRANSACTION
IN RELATION TO
THE LEASE TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to recommend whether the terms of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction (together, the "Connected Transactions"), details of which are contained in a circular (the "Circular") of the Company to the Shareholders dated 30 September 2009 of which this letter forms part, are fair and reasonable and on normal commercial terms and whether the Connected Transactions contemplated under the S&P Agreement and the Shareholders Agreement are in the interests of the Paliburg Group and the Independent Shareholders as a whole. Expressions used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As stated in the letter from the Board (the "Letter from the Board") in the Circular, as at the Latest Practicable Date, Paliburg is beneficially owned as to approximately 58% by Century City and Regal REIT is treated as a connected person of Paliburg for the purposes of Chapter 14A of the Listing Rules. As some of the percentage ratios in accordance with Chapter 14 of the Listing Rules in respect of each of (i) the Disposal and the Option Disposal, in aggregate, and (ii) the Unwinding exceed 25% but all the percentage ratios are less than 75%, each of (i) the Disposal and the Option Disposal, in aggregate, and (ii) the Unwinding constitutes a major transaction for Paliburg subject to the announcement and shareholders' approval requirements under the Listing Rules. The Disposal, the Option Disposal and the Unwinding also constitute connected transactions for Paliburg subject to the Independent Shareholders' approval. The Bank and Refinancing Guarantee also constitutes a connected transaction for Paliburg subject to the Independent Shareholders' approval. Based on the annual rental payable by the Lessee to the Property Company under the Lease Agreement, the Lease Transaction constitutes a continuing connected transaction for Paliburg subject to the Independent Shareholders' approval.

As stated in the Letter from the Board, no Shareholder is required to abstain from voting in respect of the Connected Transactions under the Listing Rules.

As noted from the Letter from the Board, the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction (including the annual rental caps of the Lease Transaction) as well as (among other transaction documents and agreements) the S&P Agreement and the Shareholders Agreement have been approved by the closely allied major shareholders' group of Paliburg, which owns approximately 58% of the issued ordinary share capital of Paliburg, by way of written resolutions in accordance with Rules 14.44 and 14A.43 of the Listing Rules. Accordingly, no shareholders' meeting will be convened and held by Paliburg in connection with the Connected Transactions.

An independent board committee, comprising Mr Bowen Joseph LEUNG Po Wing, GBS, JP, Mr NG Siu Chan, and Mr WONG Chi Keung, all being independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Connected Transactions.

BASIS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the Circular. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, Century City, Regal, Regal REIT, or any of their respective subsidiaries or associates (as defined in the Listing Rules). We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Connected Transactions, we have considered the following principal factors and reasons:

1. Background

The S&P Agreement and the Shareholders Agreement

On 10 September 2009, Paliburg, the Seller, the Purchaser and the REIT Manager entered into the S&P Agreement, pursuant to which the Seller has agreed to sell 75% of the issued share capital of the Subject Company to the Purchaser, and the Assignor shall assign 75% of the Shareholder Loan to the Assignee on the Completion Date, at an aggregate consideration of HK$195.2 million.

As stated in the Letter from the Board, upon completion of the S&P Agreement, the Subject Company will be owned as to 75% by Regal REIT and as to 25% by the Paliburg Group; and Wise Tower, the Seller, Paliburg, the Purchaser and the Subject Company will enter into the Shareholders Agreement (the agreed form has been attached to the S&P Agreement) setting out the shareholders' rights and obligations regarding the Subject Group.

The completion of the Disposal is conditional upon (among other conditions) the banking facilities in respect of the Bank Loan being available. Paliburg and the Purchaser (on behalf of the Regal REIT) shall provide several guarantees in favour of a licensed bank in respect of the Bank Loan proportional to their respective equity interests of 25% and 75% in the Subject Company upon completion of the Disposal. The grant of the Bank Guarantee forms part of the transactions under the S&P Agreement.

The Lease Agreement

We note from the Letter from the Board that as part of the whole arrangement in respect of the Disposal, it is proposed that the Property Company and the Lessee will enter into the Lease Agreement (in the agreed form attached to the S&P Agreement) concurrently with the completion of the S&P Agreement. Under the Lease Agreement, the Property Company shall let and the Lessee shall take the Lease Property for the period commencing from the day following the Completion Date and expiring on 31 December 2010 at the rental of HK$2 million per calendar month, subject to the Rental Adjustment (excluding management expenses, rates, Government rent and other sums payable by the Lessee).

It is also proposed that the Lessee will appoint RHI, a wholly-owned subsidiary of Regal, to act as the exclusive manager of the Hotel to manage the Hotel under the "Regal iClub Hotel" brand name, for a period commencing on the date on which the hotel licence for the Hotel is issued to 31 December 2010 (or the last day of the lease under the Lease Agreement if so early terminated by the Property Company). As the manager of the Hotel, RHI shall supervise, direct and control the management, operation, marketing, promotion, and human resources deployment in respect of the business of the Hotel.

As sated in the Letter from the Board, the Lessee shall be entitled to all income and revenue derived from the business of the Hotel during the term of the Lease Agreement. In return for the services to be rendered under the HMA, the Lessee shall pay RHI a management fee.

The Subject Group

The Subject Group is an investment property holding group. It is the owner of the Property and currently leases certain areas of the Property for rental income. Part of the Property is being converted into the Hotel under the Asset Enhancement Programme, which is expected to be completed prior to 31 December 2010. The Subject Group will continue to be engaged in the ownership and operation of the Property after the Disposal.

The table below sets out the audited consolidated profit/(loss) before and after tax of the Subject Group for the two years ended 31 December 2008:

	For the year ended 31 December	
	2008	**2007**
	HK$ million	*HK$ million*
(Loss)/Profit before tax	(20.9)	12.9
(Loss)/Profit after tax	(16.8)	10.7

As at 30 June 2009, the audited consolidated net asset value of the Subject Group amounted to approximately HK$5.3 million and the inter-company loans due from the Subject Group to the Paliburg Group (i.e., the Shareholder Loan) amounted to approximately HK$390.9 million.

The Property and the Asset Enhancement Programme

As stated in the letter (enclosing a valuation certificate) (the "Property Valuation") issued by CB Richard Ellis Limited ("CBRE"), an independent valuer engaged by the REIT Manager, to the Company as set out in Appendix III to the Circular, the Property, which is located in a prime city location and is close to Hong Kong Convention Centre and the financial district of Hong Kong, comprises a major portion of the G/F, 22 entire floors (from 5/F and upwards of which 13/F, 14/F and 24/F are omitted), 3/F flat roof and upper roof, together with the eastern and western elevations of external walls and architectural feature at roof top in a 26-storey retail/office building completed in 1997. The 3/F of the Property is designated for mechanical and electrical services uses and the upper floors are designated for office uses. We note from the Property Valuation that an approval has been granted by the Building Department regarding a proposed change of uses of 27/F-29/F of the Property from office to restaurant.

Pursuant to the S&P Agreement, the Seller shall, at its own cost, carry out the Asset Enhancement Programme on the Property to convert part of the Property (being 9 office floors from 5/F to 15/F) into a hotel with 50 rooms, 16 of which are standard rooms, 32 are superior rooms and 2 are deluxe rooms, as well as to convert Shop C on the ground floor of the Property into a hotel lobby and Shops A & B on the ground floor into a coffee shop/restaurant. As stated in the Property Valuation, after completion of the Asset Enhancement Programme, the total gross floor area of the Property will be approximately 58,196 sq. ft.

Pursuant to the S&P Agreement, the Seller has undertaken to complete the Asset Enhancement Programme by 31 December 2010. Paliburg estimates that the total cost incurred and to be incurred for the Asset Enhancement Programme is approximately HK$30 million.

2. Reasons for and benefits of the Connected Transactions

We have discussed with the management of the Company and understand that the following factors have been taken into account in relation to the reasons for entering into of the Connected Transactions:

Principal business and business development of the Paliburg Group

The Paliburg Group is principally engaged in property development and investment, construction and building related businesses, and other investments including, in particular, its interests in Regal, which is principally engaged in hotel operation and management, investment in Regal REIT and other investments.

As stated in the annual report of the Company for the year ended 31 December 2008, the Paliburg Group had planned to convert certain part of the Property into the Hotel, which was expected to enhance the value of the Property. As noted from the Letter from the Board, Paliburg believes that the Disposal and the Option Disposal (if the Call Option is exercised) represent a good opportunity for the Paliburg Group to realize the market value of the Property on the basis that the Asset Enhancement Programme had been completed.

We note from the Letter from the Board that as part of the contemplated transactions under the S&P Agreement, the Lease Property will be leased back to the Paliburg Group and the Paliburg Group will be the operator of the Hotel and leasing business of the Lease Property during the term of the Lease Agreement. In this regard, the Paliburg Group will leverage on the hotel management expertise of RHI. The Paliburg Group will be entitled to all rental and other income derived from the Hotel and leasing business of the Lease Property during the term of the Lease Agreement; and in return, it will have to pay the Property Company an agreed rental and RHI the hotel manager fee. Paliburg considers that these arrangements and transactions are in its ordinary and usual course of business.

Gain on Disposal and the Option Disposal

As stated in the Letter from the Board, it is estimated that, based on the audited consolidated net asset value of the Subject Group as at 30 June 2009, the estimated cost for the Asset Enhancement Programme, and the Adjusted Net Asset Value as at 30 June 2009, the Paliburg Group would record the accounting gains as a result of the Disposal and the Option Disposal of approximately HK$34.2 million and HK$14.1 million, respectively.

In addition, pursuant to the Disposal, the Paliburg Group shall receive net proceeds of not more than HK$210 million of which the Paliburg Group plans to use such net proceeds as general working capital.

Our view

Having considered that the arrangements and transactions under the Connected Transactions, on one hand provide an opportunity for the Paliburg Group to realize the market value of the Property, on the basis that the Asset Enhancement Programme had been completed, and provide additional working capital for the Paliburg Group; and on the other hand, pursuant to the terms of the Lease Agreement, allow the Paliburg Group to be entitled to all rental and other income derived from the Hotel and the leasing business of the Lease Property during the term of the Lease Agreement, we concur with the view of management of the Company that the arrangements and transactions under the Connected Transaction are in the ordinary and usual course of business of the Paliburg Group and are in the interests of the Paliburg Group and the Independent Shareholders as a whole.

3. **Major terms of the S&P Agreement**

(A) ***Consideration for the Disposal***

Pursuant to the S&P Agreement, the consideration for the Disposal shall equal to 75% of the Adjusted Net Asset Value of the Subject Group and 75% of the adjusted amount of the Shareholder Loan (as described below), both as at the Completion Date. The Adjusted Net Asset Value is determined based on, among other factors, the net asset value of the Subject Group (excluding deferred tax liabilities) and the Appraised Value of the Property after a discount of HK$11 million agreed among the parties.

As stated in the Letter from the Board, based on the net asset value of the Subject Group of approximately HK$5.3 million as at 30 June 2009 (comprising the Property with a book value of HK$404 million, and other assets and liabilities of the Subject Group) and the discounted Appraised Value of the Property of HK$468 million, 75% of the Adjusted Net Asset Value of the Subject Group as at 30 June 2009 amounted to approximately HK$59.4 million.

The Assignor shall assign to the Assignee 75% of the Shareholder Loan (after partial repayment by the net proceeds from the Bank Loan) as at the Completion Date on a dollar-for-dollar basis. As at 30 June 2009, the Shareholder Loan to the Subject Group amounted to approximately HK$390.9 million. Upon completion of the Disposal, the Subject Group shall draw down the Bank Loan and shall use the net proceeds of the Bank Loan of approximately HK$209.9 million to repay part of the Shareholder Loan. The Shareholder Loan as at 30 June 2009, net of the net proceeds of the Bank Loan to be drawn down on the Completion Date, amounted to approximately HK$181.0 million (being the adjusted amount of the Shareholder Loan), 75% of which equals to approximately HK$135.8 million.

We note from the Letter from the Board that the Purchaser has paid HK$30 million to the Seller as deposit and part of the consideration for the Disposal which is refundable pursuant to certain provisions under the S&P Agreement.

The Purchaser shall pay a further amount of approximately HK$165.2 million to the Seller on the Completion Date. The aggregate of the deposit of HK$30 million and the further payment of approximately HK$165.2 million equals to 75% of the Adjusted Net Asset Value and the adjusted amount of the Shareholder Loan as at 30 June 2009.

A completion statement, reflecting 75% of the Adjusted Net Asset Value and the carrying amount of the Shareholder Loan, net of the net proceeds of the Bank Loan, as at the Completion Date, shall be prepared by the Seller, reviewed by an independent firm of accountants and delivered to the Purchaser within 60 days after the Completion Date. The Purchaser will be allowed 10 Business Days to review the completion statement. Within 10 Business Days of the Purchaser having agreed to the completion statement, either (a) the Purchaser shall pay to the Seller in respect of the surplus amount of 75% of the Adjusted Net Asset Value and the Shareholder Loan, net of the net proceeds of the Bank Loan, as at the Completion Date (as shown in the completion statement) over the amounts which have been paid by the Purchaser to the Seller on the date of the S&P Agreement and the Completion Date, or (b) the Seller shall pay to the Purchaser the shortfall amount of 75% of the Adjusted Net Asset Value and the Shareholder Loan, net of the net proceeds of the Bank Loan, as at the Completion Date (as shown in the completion statement) to the amounts which have been paid by the Purchaser to the Seller on the date of the S&P Agreement and the Completion Date.

Pursuant to the S&P Agreement, the aggregate consideration for the Disposal shall not exceed HK$210 million.

Our view

We have reviewed the computation of the Adjusted Net Asset Value of the Subject Group as at 30 June 2009 prepared by the management of Paliburg and noted that it was calculated based on the audited consolidated net asset value of the Subject Group as at 30 June 2009 of approximately HK$5.3 million as adjusted by (i) replacing the carrying value of the Property (including construction in progress) by the Appraised Value (after an agreed discount (the "Discount") of approximately 2.3%); and (ii) adding back the deferred tax liabilities of the Subject Group as at 30 June 2009.

As noted in the Property Valuation, as at 30 June 2009, the value of the Property, assuming a sale subject to the Asset Enhancement Programme had just completed and its cost being fully paid by Paliburg Group, was approximately HK$479 million.

We note in the Property Valuation that CBRE has adopted two valuation methods, namely Direct Comparison Approach and Income Approach. Direct Comparison Approach involves the analysis of comparable sales and adjustments are made to reflect the differences in date of sale, location, property quality, room configuration, size, view, the land lease terms, the government rents and other factors affecting the values. Income approach takes the market rents and incomes of the property as well as the passing rents of the tenancies into account. The capital values are then assessed by applying appropriate capitalization rates, which made reference to the current yields of similar properties, to the rents/incomes. We also note that these two valuation methods are among the most commonly used valuation methods in the valuation of the market value of income generating properties.

We have discussed with the management and note that the Discount was determined after arm's length negotiation between the parties to the S&P Agreement. Given that the Discount is relatively small and represents the commercial decision of the parties to the S&P Agreement after arm's length negotiation, we are of the view that the Discount is acceptable.

Pursuant to the S&P Agreement, the Seller shall, at its own cost, carry out the Asset Enhancement Programme. Paliburg estimates that the total cost incurred and to be incurred for the Asset Enhancement Programme is approximately HK$30 million. Having considered that in determining the Appraised Value, CBRE has assumed a sale subject to the Asset Enhancement Programme had just completed and its cost being fully paid by the Paliburg Group, we are of the view that the arrangement where the Seller shall, at its own cost, carry out the Asset Enhancement Programme is fair and reasonable.

Taking into consideration the above factors, we are of the view that the basis for the determination of the consideration for the Disposal is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(B) ***Unwinding of the S&P Agreement***

Under the terms of the S&P Agreement, if (i) any part of the Asset Enhancement Programme has not been completed, or (ii) the Seller has not fulfilled certain of its obligations under the S&P Agreement to amend the current deed of mutual covenant and management agreement relating to the Property in order to permit the intended use of the Property following the completion of the Asset Enhancement Programme, in each case by 31 December 2010, the Purchaser may at its sole discretion exercise the Put Right by serving a notice to the Seller within 30 days from 31 December 2010 requiring the Seller to acquire (a) the 75% equity interest in the Subject Company to be transferred to Wise Tower under the Disposal; and (b) the Purchaser's Loan from the Purchaser at a consideration equal to:

1. 75% of the Adjusted Net Asset Value (which will be based on, among others, the discounted Appraised Value of HK$468 million) as at the date of Unwinding; and

2. the carrying amount of any Purchaser's Loan as at the date of Unwinding,

subject to a maximum amount of HK$392 million.

A completion statement, reflecting 75% of the Adjusted Net Asset Value (which will be adjusted by, among others, the discounted Appraised Value of HK$468 million) and the carrying amount of the Purchaser's Loan as at the completion date of the Unwinding, shall be prepared by the Purchaser, reviewed by an independent firm of accountants and delivered to the Seller within 60 days after the completion date of the Unwinding. If there is any difference between the initial amount paid and the final consideration amount based on the completion statement, such difference shall be settled in cash between the Seller and the Purchaser in accordance with the terms of the S&P Agreement.

Our view

Taking into account that:

(a) the parties entered into the S&P Agreement on the basis that part of the Property will be converted into the Hotel;

(b) the Put Right under the Unwinding is only exercisable by the Purchaser should Paliburg fail to complete the Asset Enhancement Programme or the Seller has not fulfilled certain of its obligations under the S&P Agreement to amend the current deed of mutual covenant and management agreement relating to the Property in order to permit the intended use of the Property following the completion of the Asset Enhancement Programme;

(c) the consideration of the Disposal was determined with reference to the fair value of the Property assuming the Asset Enhancement Programme had been completed;

(d) the basis in determining the consideration payable by the Seller under the Unwinding is the same as that of the basis in determining the consideration payable by the Purchaser under the Disposal; and

(e) the Unwinding is part and parcel of the S&P Agreement,

we are of the view that the Unwinding is acceptable.

(C) ***Call Option***

Under the S&P Agreement, the Purchaser will be granted the Call Option exercisable at its discretion during the period from 1 November 2010 to 28 February 2011 (both dates inclusive) requiring (a) the Seller to sell its remaining 25% equity interest in the Subject Company; and (b) the Assignor (or other members of the Paliburg Group) to assign the Shareholder Loan.

The consideration for the Option Disposal shall be the sum of:

(a) 25% of the Adjusted Net Asset Value (which will be based on, among others, the Appraised Value of HK$479 million) as at the completion date of the Option Disposal; and

(b) the carrying amount of any Shareholder Loan as at the completion date of the Option Disposal,

subject to a maximum amount of HK$98 million.

Upon completion of the Option Disposal, the Subject Group will be wholly owned by Regal REIT and save for the equity interest in the Subject Group held indirectly through Regal, the Paliburg Group will cease to own any equity interest in the Subject Group.

Our view

Having considered that (i) the Call Option is part and parcel of the S&P Agreement; (ii) the basis in determining the consideration payable by the Purchaser under the Call Option is substantially the same as that of the basis in determining the consideration payable by the Purchaser under the Disposal; and (iii) the consideration payable by the Purchaser under the Call Option is determined based on the full Appraised Value of HK$479 million, we are of the view that the Call Option is acceptable.

(D) ***Other major terms***

Conditions precedent

The completion of the Disposal is conditional on, among other conditions, the following conditions as summarised from the S&P Agreement:

(i) each of the Seller, Paliburg and Century City obtaining its directors' and shareholders' approval in respect of all transactions contemplated under the S&P Agreement (if required) in a form satisfactory to the Purchaser and the REIT Manager (which include the Disposal, the Option Disposal, the Unwinding, the Lease Transaction and the transactions contemplated under the Shareholders Agreement);

(ii) the REIT Manager being satisfied with the results of its inspection and investigation in respect of the Subject Group and the Property;

(iii) the REIT Manager approving the title of the Property;

(iv) the banking facilities in respect of the Bank Loan being available for drawing;

(v) the Purchaser and the REIT Manager being satisfied that all the existing mortgage loan to the Paliburg Group as secured by the Property and the encumbrances in connection with the Property shall be discharged upon drawdown of the Bank Loan; and

(vi) all necessary consents or waivers in connection with all transactions contemplated under the S&P Agreement (if required) (which include the Disposal, the Option Disposal, the Unwinding, the Lease Transaction and the transactions contemplated under the Shareholders Agreement) having been obtained.

Paliburg has obtained shareholders' approvals by way of written resolutions.

If any condition as set out in the S&P Agreement has not been satisfied on or before 31 October 2009 (or such later date as may be agreed by the parties) (the "Fulfillment Date"), the Purchaser may (a) waive such condition(s); (b) postpone the Fulfillment Date to a later date not falling more than 10 Business Days after the Fulfillment Date, or such other date as may be agreed by the parties; or (c) terminate the S&P Agreement.

Completion

Within 5 Business Days of all the aforesaid conditions having been fulfilled or waived, the Purchaser shall issue to the Seller a completion notice, and within 10 Business Days of the completion notice, the completion of the Disposal shall take place subject to all conditions stipulated in the S&P Agreement having been fulfilled or waived.

Conclusion

Based on the above analysis, we are of the view that the major terms of the Disposal, the Option Disposal and the Unwinding, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Paliburg Group and the Shareholders as a whole.

4. Bank and Refinancing Guarantee

We note from the Letter from the Board that the completion of the Disposal is conditional upon (among other conditions) the banking facilities in respect of the Bank Loan being available. Paliburg and the Purchaser (on behalf of the Regal REIT) shall provide several guarantees in favour of a licensed bank in respect of the Bank Loan proportional to their respective equity interests of 25% and 75% in the Subject Company upon completion of the Disposal. The grant of the Bank Guarantee forms part of the transactions under the S&P Agreement. No fee will be payable by the Subject Company to Paliburg or the Purchaser in respect of the provision of such guarantees. The above-mentioned bank is an authorized financial institution in Hong Kong. To the best of the knowledge, information and belief of the directors of Paliburg, the bank and its beneficial owners are third parties independent of Paliburg and its connected persons.

In the event that further security for the Bank Loan is required, or alternative financing arrangements in replacement or refinancing of the Bank Loan are required, the Subject Company may then request each of the Purchaser and the Paliburg Group to provide a several guarantee in respect of the facility which shall not exceed an aggregate principal sum of HK$250 million, unless otherwise agreed by the shareholders, proportionate to their respective shareholding percentages in the Subject Company.

Apart from the Bank and Refinancing Guarantee, Paliburg will comply with the applicable requirements under the Listing Rules in respect of any further financial assistance to the Subject Group which may be made by the Paliburg Group as and when required under the Listing Rules.

Our view

Given that the Bank and Refinancing Guarantee to be granted by Paliburg is proportional to its equity interests of 25% in the Subject Company after the Disposal, we are of the view that the Bank and Refinancing Guarantee is justifiable.

5. The Lease Transaction

As noted from the Letter from the Board, as part of the whole arrangement in respect of the Disposal, it is proposed that the Property Company and the Lessee will enter into the Lease Agreement (in the agreed form attached to the S&P Agreement) concurrently with the completion of the S&P Agreement.

Under the Lease Agreement, the Property Company shall let and the Lessee shall take the Lease Property for the period commencing from the day following the Completion Date and expiring on 31 December 2010 at the rental of HK$2 million per calendar month, subject to the Rental Adjustment (excluding management expenses, rates, Government rent and other sums payable by the Lessee). It is estimated that the rental payable by the Lessee to the Property Company under the Lease Agreement would not exceed HK$6 million for the year ending 31 December 2009 and HK$24 million for the year ending 31 December 2010. Such annual rental caps were determined based on the monthly rental of HK$2 million and the anticipated commencement date of the Lease Agreement of not earlier than 1 October 2009.

Part of the Property is currently being enhanced and converted into the Hotel. Some other parts of the Property are currently held for rental purposes. Under the Lease Agreement, the Paliburg Group will lease the Lease Property back and will operate and manage the Hotel and the leasing business of the Lease Property. All rental and other income from the tenancies in respect of the Lease Property during the term of the Lease Agreement shall belong to the Lessee. The Lessee shall assume the rights and obligations of the Property Company under the tenancies in respect of the Lease Property which were entered into before execution of the Lease Agreement.

The Lessee shall have the right to, among other things, underlease certain areas of the Lease Property. All rental and other income from underleases shall belong to the Lessee during the term of the Lease Agreement.

Among other rights, the Property Company shall have the right to terminate the Lease Agreement at any time during the term by giving three months' prior written notice to the Lessee but without compensation interest or costs paid by the Property Company to the Lessee, and the Lessee shall not have any claim whatsoever against the Property Company for such early termination of the Lease Agreement.

Pursuant to the Lease Guarantee, Paliburg shall provide guarantee in favour of the Property Company, as lessor, and the Purchaser in respect of the obligations of the Lessee under the Lease Agreement.

Our view

As discussed with the management of Paliburg, the rental expenses payable by the Lessee were determined after arm's length negotiation with reference to the Appraised Value, and the prospects of the Hotel and leasing business of the Lease Property.

Based on the rental of HK$2 million per calendar month under the Lease Agreement and the Appraised Value of HK$479 million, the rental yield of the Property (the "Rental Yield") is approximately 5%. Based on provisional data published by the Rating and Valuation Department of Hong Kong, the average property yield for retail and office property in Hong Kong for the first seven months of 2009 is within the range of 4.47% to 4.70%.

To assess the fairness of the Rental Yield, we have also, on a best effort basis, conducted a search on Stock Exchange's website of all transactions ("Comparable Transaction") in relation to disposal-and-lease-back of hotel related properties, announced in 2009. The table below sets out the comparison between the Connected Transactions and the Comparable Transaction:

Company	Stock code	Date of announcement	Transaction detail	Appraised Value of the subject property of the transaction (HK$' million)	Annual rental (HK$' million)	Implied rental yield (%)
Wing On Travel (Holdings) Limited ("**Wing On**")	1189	5 August 2009	Disposal of Rosedale on the Park *(Note)*	830	54	6.5
The Connected Transactions		**10 September 2009**		**479**	**24**	**5.0**

Source: Website of SEHK

Note: Rosedale on the Park is a 30-storey 4-star hotel located at No. 8 Shelter Street, Causeway Bay, Hong Kong

We note that the implied rental yield under the Comparable Transaction is higher than that of the Connected Transactions.

Taking into consideration the above analysis and that the subject portion of the Property under the Asset Enhancement Programme will be converted into a hotel with leading edge concept of trendy, cosmopolitan and apartment-liked room setting, and that the Property is located in a prime city location and close to Hong Kong Convention Centre and the financial district of Hong Kong, we are of the view that the Rental Yield of 5% is reasonable.

Taking into consideration that:

(a) the Lease Transaction is part and parcel of the Disposal;

(b) under the Lease Agreement, the Paliburg Group will lease the Lease Property back and will operate and manage the Hotel and the leasing business of the Lease Property. All rental and other income from the tenancies in respect of the Lease Property during the term of the Lease Agreement shall belong to the Lessee; and

(c) the Rental Yield is comparable with the prevailing property market yield,

we are of the view that the terms of the Lease Transaction are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Paliburg Group and the Shareholders as a whole.

6. Possible financial effects of the Connected Transactions

(i) *Financial effects of the Connected Transactions on the assets, liabilities and earnings*

As stated in the Letter from the Board, upon Completion, the Subject Group will cease to be accounted for as a subsidiary of the Paliburg Group. It is estimated that, based on the net asset value of the Subject Group as at 30 June 2009, the estimated cost for the Asset Enhancement Programme, the Adjusted Net Asset Value as at 30 June 2009, the Paliburg Group would record the accounting gains as a result of the Disposal and the Option Disposal of approximately HK$34.2 million and HK$14.1 million, respectively.

As noted from the Letter from the Board, upon completion of the Option Disposal and assuming there will be no change in the shareholding relationship among the Company, Regal and Regal REIT, apart from the interest in the Subject Group through the interests in Regal, the Company will not hold any equity interest in the Subject Group, and the assets, liabilities and earnings of the Subject Group will not be consolidated into the financial statements of the Company.

As stated in the Letter from the Board, upon completion of the Unwinding (if the Put Right is exercised) and assuming there will be no change in the shareholding relationship among the Company, Regal and Regal REIT, the Subject Group will become a wholly-owned subsidiary of the Company, and the assets, liabilities and earnings will be consolidated into the financial statements of the Company on a line by line basis.

(ii) *Working capital*

Pursuant to the Disposal, the Paliburg Group shall receive net proceeds of not more than HK$210 million. Accordingly, the working capital position of the Paliburg Group shall be improved as a result of the Disposal.

(iii) *Gearing ratio*

As stated in the Letter from the Board, upon Completion, the Paliburg Group will become free of any bank loan.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the terms of the Connected Transactions are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Paliburg Group and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to approve the Connected Transactions if the Company were to convene a general meeting for the approval of the Connected Transactions.

Yours faithfully,
For and on behalf of
CIMB Securities (HK) Limited

Alex Lau	**Heidi Cheng**
Director	*Director*
Head of Corporate Finance	

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated results of the Group for each of the three years ended 31 December 2006, 2007 and 2008 and the audited consolidated assets and liabilities as at these dates.

Results

	For the year ended 31 December		
	2008	**2007**	**2006**
	HK$ million	*HK$ million*	*HK$ million*
Revenue	280.0	334.5	159.6
Profit/(Loss) for the year attributable to the equity holders of the Company	(468.8)	1,413.8	300.1
Earnings/(Loss) per Share attributable to the equity holders of the Company			
— Basic	HK$(0.46)	HK$1.67	HK$0.37
— Diluted	N/A	HK$1.55	HK$0.35

Assets and liabilities

	As at 31 December		
	2008	**2007**	**2006**
	HK$ million	*HK$ million*	*HK$ million*
Total assets	5,462.1	5,998.5	3,958.0
Total liabilities	(646.3)	(675.7)	(687.1)
Net assets	4,815.8	5,322.8	3,270.9

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, consolidated balance sheet, balance sheet, consolidated statement of changes in equity and consolidated cash flow statement, together with the notes to the financial statements of the Group, extracted from the annual report of the Company for the year ended 31 December 2008. References to page numbers in this section are to the page numbers of such annual report of the Company.

Consolidated Income Statement
For the year ended 31st December, 2008

	Notes	2008 HK$'million	2007 HK$'million
REVENUE	5	280.0	334.5
Cost of sales		(258.0)	(258.3)
Gross profit		22.0	76.2
Other income and gains	5	16.5	33.9
Fair value gains/(losses) on investment properties		(22.0)	30.0
Fair value gains/(losses) on financial assets at fair value through profit or loss		(76.9)	126.6
Administrative expenses		(31.8)	(30.7)
Other operating expenses	6	(3.5)	(78.4)
OPERATING PROFIT/(LOSS)		(95.7)	157.6
Finance costs	8	(5.0)	(20.4)
Share of profits and losses of associates		(371.4)	1,280.0
PROFIT/(LOSS) BEFORE TAX	7	(472.1)	1,417.2
Tax	11	3.3	(3.4)
PROFIT/(LOSS) FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS		(468.8)	1,413.8
Attributable to:			
Equity holders of the parent	12	(468.8)	1,413.8
Minority interests		—	—
		(468.8)	1,413.8
DIVIDENDS	13		
Interim		18.3	13.6
Proposed final		20.4	40.8
		38.7	54.4
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14		(Restated)
Basic		HK$(0.46)	HK$1.67
Diluted		N/A	HK$1.55

Consolidated Balance Sheet
As at 31st December, 2008

	Notes	2008 HK$'million	2007 HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment	15	1.9	3.0
Investment properties	16	358.3	380.3
Interests in associates	18	4,136.8	4,550.0
Available-for-sale investments	19	3.2	10.0
Financial assets at fair value through profit or loss	21	211.3	308.5
Loans receivable	20	6.5	9.7
Total non-current assets		4,718.0	5,261.5
CURRENT ASSETS			
Financial assets at fair value through profit or loss	21	121.0	0.3
Properties held for sale		6.0	6.0
Inventories	22	10.0	3.7
Debtors, deposits and prepayments	23, 26	79.7	75.7
Time deposits		186.0	330.2
Cash and bank balances		92.0	71.7
		494.7	487.6
Asset of a disposal group classified as held for sale	24	249.4	249.4
Total current assets		744.1	737.0
CURRENT LIABILITIES			
Creditors and accruals	25, 26	(100.9)	(93.5)
Tax payable		(3.7)	(4.0)
Interest bearing bank borrowings	27	—	(197.0)
Deposits received	24	(221.3)	(221.3)
		(325.9)	(515.8)
Liability directly associated with the asset of a disposal group classified as held for sale	24	(98.9)	(98.9)
Total current liabilities		(424.8)	(614.7)
NET CURRENT ASSETS		319.3	122.3
TOTAL ASSETS LESS CURRENT LIABILITIES		5,037.3	5,383.8

	Notes	2008 HK$'million	2007 HK$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		5,037.3	5,383.8
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	27	(214.6)	(50.0)
Deferred tax liabilities	28	(6.9)	(11.0)
Total non-current liabilities		(221.5)	(61.0)
Net assets		4,815.8	5,322.8
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	29	101.9	101.9
Reserves	30(a)	4,693.3	5,179.9
Proposed final dividend	13	20.4	40.8
		4,815.6	5,322.6
Minority interests		0.2	0.2
Total equity		4,815.8	5,322.8

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2008

	Notes	Attributable to equity holders of the parent												Minority interests	Total equity
		Issued capital	Share premium account	Equity component of convertible bonds of the listed associate	Share option reserve	Special reserve	Assets revaluation reserve	Available for-sale investments revaluation reserve	Hedge reserve	Exchange equalisation reserve	Retained profits	Proposed final dividend	Total		
		HK$'m	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*
At 1st January, 2007		72.1	522.1	6.1	14.0	689.6	693.8	16.8	—	14.8	1,219.8	21.6	3,270.7	0.2	3,270.9
Changes in fair value of available-for-sale investments		—	—	—	—	—	—	(0.9)	—	—	—	—	(0.9)	—	(0.9)
Exchange realignment		—	—	—	—	—	—	—	—	38.0	—	—	38.0	—	38.0
Share of the listed associate		—	—	—	—	—	—	—	(7.9)	17.3	—	—	9.4	—	9.4
Total income and expense recognised directly in equity		—	—	—	—	—	—	(0.9)	(7.9)	55.3	—	—	46.5	—	46.5
Profit for the year		—	—	—	—	—	—	—	—	—	1,413.8	—	1,413.8	—	1,413.8
Total income and expense for the year		—	—	—	—	—	—	(0.9)	(7.9)	55.3	1,413.8	—	1,460.3	—	1,460.3
Issue of new shares in settlement of the Share Swap	29(i)	3.4	122.6	—	—	—	—	—	—	—	—	—	126.0	—	126.0
Issue of new shares under the Open Offer	29(ii)	26.4	528.2	—	—	—	—	—	—	—	—	—	554.6	—	554.6
Issue of new shares upon exercise of share options	29(iii)	—	0.1	—	—	—	—	—	—	—	—	—	0.1	—	0.1
Issue of new shares upon exercise of warrants	29(iv)	—	0.3	—	—	—	—	—	—	—	—	—	0.3	—	0.3
Share issue expenses		—	(1.0)	—	—	—	—	—	—	—	—	—	(1.0)	—	(1.0)
Release on deemed disposal of interests in the listed associate		—	—	(1.7)	(0.5)	—	(30.2)	—	—	(0.3)	—	—	(32.7)	—	(32.7)
Release on exercise of warrants in the listed associate		—	—	—	—	—	—	(23.8)	—	—	—	—	(23.8)	—	(23.8)
Final 2006 dividend declared		—	—	—	—	—	—	—	—	—	—	(21.6)	(21.6)	—	(21.6)
Equity-settled share option arrangements		—	—	—	2.4	—	—	—	—	—	—	—	2.4	—	2.4
Share of the listed associate		—	—	(4.4)	5.3	—	—	—	—	—	—	—	0.9	—	0.9
Interim 2007 dividend	13	—	—	—	—	—	—	—	—	—	(13.6)	—	(13.6)	—	(13.6)
Proposed final 2007 dividend1	13	—	—	—	—	—	—	—	—	—	(40.8)	40.8	—	—	—
At 31st December, 2007		101.9	1,172.3	—	21.2	689.6	663.6	(7.9)	(7.9)	69.8	2,579.2	40.8	5,322.6	0.2	5,322.8

	Notes	Issued capital HK$'m	Share premium account HK$'m	Share option reserve HK$'m	Special reserve HK$'m	Assets revaluation reserve HK$'m	Available for-sale investments revaluation reserve HK$'m	Hedge reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Proposed final dividend HK$'m	Total HK$'m	Minority interests HK$'m	Total equity HK$'m
		Attributable to equity holders of the parent												
At 1st January, 2008		101.9	1,172.3	21.2	689.6	663.6	(7.9)	(7.9)	69.8	2,579.2	40.8	5,322.6	0.2	5,322.8
Changes in fair value of available-for-sale investments		—	—	—	—	—	(0.8)	—	—	—	—	(0.8)	—	(0.8)
Exchange realignment		—	—	—	—	—	—	—	39.7	—	—	39.7	—	39.7
Share of the listed associate		—	—	—	—	—	(0.3)	(51.2)	19.0	—	—	(32.5)	—	(32.5)
Total income and expense recognised directly in equity		—	—	—	—	—	(1.1)	(51.2)	58.7	—	—	6.4	—	6.4
Loss for the year		—	—	—	—	—	—	—	—	(468.8)	—	(468.8)	—	(468.8)
Total income and expense for the year		—	—	—	—	—	(1.1)	(51.2)	58.7	(468.8)	—	(462.4)	—	(462.4)
Issue of new shares upon exercise of warrants	29(v)	—	1.3	—	—	—	—	—	—	—	—	1.3	—	1.3
Release on redemption		—	—	—	—	—	7.9	—	—	—	—	7.9	—	7.9
Final 2007 dividend declared		—	—	—	—	—	—	—	—	—	(40.8)	(40.8)	—	(40.8)
Equity-settled share option arrangements		—	—	1.4	—	—	—	—	—	—	—	1.4	—	1.4
Share of the listed associate		—	—	3.9	—	—	—	—	—	—	—	3.9	—	3.9
Interim 2008 dividend	13	—	—	—	—	—	—	—	—	(18.3)	—	(18.3)	—	(18.3)
Proposed final 2008 dividend	13	—	—	—	—	—	—	—	—	(20.4)	20.4	—	—	—
At 31st December, 2008		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

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	Notes	2008 HK$'million	2007 HK$'million
Net cash inflow/(outflow) from operating activities	32(a)	(17.1)	32.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of additional interests in the listed associate		(4.8)	(107.6)
Disposal of subsidiaries	32(d)	—	50.0
Purchases of available-for-sale investments		(11.7)	—
Purchases of financial assets at fair value through profit or loss		(129.7)	—
Proceeds from disposal of available-for-sale investments		34.4	—
Proceeds from disposal of financial assets at fair value through profit or loss		31.8	—
Decrease in loans receivable		3.3	5.1
Purchases of items of property, plant and equipment		(0.3)	(0.9)
Advance to associates		(7.9)	(11.8)
Interest received		5.9	10.0
Dividends received from listed and unlisted investments		63.7	91.0
Net cash inflow/(outflow) from investing activities		(15.3)	35.8
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		—	554.6
Proceeds from exercise of warrants		1.3	0.3
Proceeds from exercise of share options		—	0.1
Share issue expenses		—	(1.0)
Drawdown of new loans		23.0	—
Repayments of bank loans and other loans		(55.4)	(11.7)
Repayments of promissory notes		—	(300.0)
Payment of loan costs		(0.3)	—
Interest paid		(4.8)	(20.4)
Dividend paid		(59.1)	(35.2)
Net cash inflow/(outflow) from financing activities		(95.3)	186.7
Net increase/(decrease) in cash and cash equivalents		(127.7)	254.8
Cash and cash equivalents at beginning of year		401.9	146.3
Effect of foreign exchange rate changes, net		3.8	0.8
Cash and cash equivalents at end of year		278.0	401.9
Analysis of balances of cash and cash equivalents			
Cash and bank balances		92.0	71.7
Non-pledged time deposits with original maturity of less than three months when acquired		186.0	330.2
		278.0	401.9

Balance Sheet

As at 31st December, 2008

	Notes	2008 HK$'million	2007 HK$'million
NON-CURRENT ASSETS			
Interests in subsidiaries	31	3,571.1	3,631.3
CURRENT ASSETS			
Deposits and prepayments		0.3	0.9
CURRENT LIABILITIES			
Creditors and accruals		(2.0)	(2.4)
NET CURRENT LIABILITIES		(1.7)	(1.5)
Net assets		3,569.4	3,629.8
EQUITY			
Issued capital	29	101.9	101.9
Reserves	30(b)	3,447.1	3,487.1
Proposed final dividend	13	20.4	40.8
Total equity		3,569.4	3,629.8

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Notes to Financial Statements
31st December, 2008

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in property development and investment, construction and building related businesses, and other investments.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited ("CCIHL"), which is incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. A disposal group classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4(g). These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]

HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* [2]

Apart from the above, the HKICPA also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st July, 2008
[4] Effective for annual periods beginning on or after 1st October, 2008
[5] Effective for annual periods ending on or after 30th June, 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and presentation of financial statements and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(b) Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates, after reassessment, is recognised immediately in the consolidated income statement.

The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

(c) **Subsidiaries**

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Upon the disposal of interests in subsidiaries, any gain or loss arising thereon, including the realisation of the attributable reserves, is included in the income statement.

(d) **Associates**

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's interests in associates.

Where the Group's equity interest in an associate is diluted by virtue of the additional issue of shares by such associate (i.e., a "deemed disposal"), any gain or loss arising from the deemed disposal, including the realisation of the attributable reserves, is dealt with in the Group's consolidated income statement.

(e) **Impairment of non-financial assets other than goodwill**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(f) **Investment properties**

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

(g) **Non-current assets and disposal groups held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

(h) **Property held for future development**

Property held for future development is stated at cost less any impairment losses. Cost includes all costs attributable to the acquisition and holding of such property, including any related finance charges.

(i) **Borrowing costs**

Borrowing costs directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Interest is capitalised at the Group's weighted average interest rate on external borrowings and, where applicable, at the interest rates related to specific development project borrowings.

(j) **Investments and other financial assets**

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Dividends earned are reported as dividend income and are recognised in the income statement as "Other income" in accordance with the policy set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investments revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions and reference to the current market value of another instrument which is substantially the same.

(k) **Impairment of financial assets**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade debtors, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the debts is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

(l) **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(m) **Financial liabilities at amortised cost (including interest bearing bank borrowings)**

Financial liabilities including creditors, interest bearing bank borrowings and deposits received are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(n) **Convertible bonds**

The component of convertible bonds of an associate that exhibits characteristics of a liability is recognised as a liability in the balance sheet of the associate, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity of the associate, net of transaction costs, and the Group's attributable share thereof is included in its shareholders' equity. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(o) **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(p) **Properties held for sale**

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(q) **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold properties	Over the shorter of the remaining lease terms and 2.5%
Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

(r) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any further costs expected to be incurred to completion and disposal.

(s) **Construction contracts**

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads, including any related finance charges.

Revenue from short term construction contracts is recognised upon completion of the construction work.

Revenue from long term fixed price construction contracts is recognised by reference to the work certified by architects for the relevant contract. Gross construction profit is recognised when the relevant contract has completed not less than 50% based on the percentage of completion method. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

(t) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

(ii) income on sale of completed properties and outright sale of an entire development prior to completion, on the exchange of legally binding unconditional sales contracts;

(iii) fee income on short term construction contracts, on completion of the construction work;

(iv) fee income on long term construction contracts, on the percentage of completion basis as further explained in note 2.4(s) above;

(v) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(vi) dividend income, when the shareholders' right to receive payment has been established;

(vii) gain/loss from sale of listed investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged; and

(viii) consultancy and management fees, in the period in which such services are rendered.

(u) **Foreign currencies**

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange equalisation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(v) **Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(w) **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(x) **Employee benefits**

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Any dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per ordinary share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7th November, 2002 that had not vested by 1st January, 2005 and to those granted on or after 1st January, 2005.

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(y) **Related parties**

A party is considered to be related to the Group if:

(i) the party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(z) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(aa) **Dividends**

Final dividend proposed by the Directors is classified as a separate allocation of retained profits within the equity section of the balance sheet, until it has been approved by the shareholders in a general meeting. When the dividend has been approved by the shareholders and declared, it is recognised as a liability.

Interim dividend is simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) **Judgement**

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(b) **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill included in interests in associates at 31st December, 2008 was HK$289.2 million (2007 - HK$284.3 million). More details are given in note 18 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of tax losses arising in Hong Kong and the United States of America at 31st December, 2008 were HK$781.5 million (2007 - HK$760.1 million) and HK$212.8 million (2007 - HK$212.9 million), respectively, for which no deferred tax assets have been recognised. Further details are contained in note 28 to the financial statements.

Outcome of construction contracts

The Group determines whether outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. During the year, the outcome of a number of construction contracts was revised, thus leading to a gross construction profit of HK$6.2 million (2007 - HK$7.6 million) being recognised in the income statement.

Measurement of fair value of equity-settled transactions

The Company operates a share option scheme under which employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk-free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the property development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate agency services;

(b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;

(c) the hotel ownership/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.

* The listed associate of the Company, Regal Hotels International Holdings Limited ("RHIHL") and its subsidiaries (the "RHIHL Group") owned and operated its hotels in Hong Kong until the disposal of the hotel properties to Regal Real Estate Investment Trust ("Regal REIT") for a separate listing on 30th March, 2007 and thereafter the RHIHL Group leased the hotel properties from Regal REIT for hotel operations. Regal REIT has since then become an associate of RHIHL.

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.

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December, 2008 and 2007.

GROUP

	Property development and investment		Construction and building related businesses		Hotel ownership/ operation and management		Securities investment		Others		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'m	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*
Segment revenue:														
Sales to external customers	17.1	85.5	263.0	249.5	—	—	(0.1)	(0.5)	—	—	—	—	280.0	334.5
Intersegment sales	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	17.1	85.5	263.0	249.5	—	—	(0.1)	(0.5)	—	—	—	—	280.0	334.5
Segment results	(9.6)	100.9	6.1	25.9	—	—	(67.6)	126.1	1.5	1.5	—	—	(69.6)	254.4
Interest income and unallocated non-operating and corporate gains													3.3	9.2
Unallocated non-operating and corporate expenses													(29.4)	(106.0)
Operating profit/(loss)													(95.7)	157.6
Finance costs													(5.0)	(20.4)
Share of profits and losses of associates	(11.9)	(56.0)	—	(0.3)	(359.5)	1,336.3	—	—	—	—	—	—	(371.4)	1,280.0
Profit/(Loss) before tax													(472.1)	1,417.2
Tax													3.3	(3.4)
Profit/(Loss) for the year before allocation between equity holders of the parent and minority interests													(468.8)	1,413.8
Attributable to:														
Equity holders of the parent													(468.8)	1,413.8
Minority interests													—	—
													(468.8)	1,413.8

	Property development and investment		Construction and building related businesses		Hotel ownership/ operation and management		Securities investment		Others		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'m	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*	*HK$'m*
Segment assets	366.8	389.4	83.3	68.8	—	—	335.5	310.3	7.1	10.6	—	—	792.7	779.1
Interests in associates	643.1	613.6	—	—	3,493.7	3,936.4	—	—	—	—	—	—	4,136.8	4,550.0
Asset of a disposal group classified as held for sale	249.4	249.4	—	—	—	—	—	—	—	—	—	—	249.4	249.4
Cash and unallocated assets													283.2	420.0
Total assets													5,462.1	5,998.5
Segment liabilities	(7.0)	(4.9)	(91.7)	(85.1)	—	—	—	—	—	—	—	—	(98.7)	(90.0)
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)	—	—	—	—	—	—	—	—	—	—	(98.9)	(98.9)
Bank borrowings and unallocated liabilities													(448.7)	(486.8)
Total liabilities													(646.3)	(675.7)
Other segment information:														
Depreciation	—	—	0.5	0.5	—	—	—	—	—	—				
Capital expenditure	—	—	0.3	0.9	—	—	—	—	—	—				
Other non-cash expenses	—	0.2	—	—	—	—	—	—	—	—				

5. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Revenue		
Rental income:		
Investment properties	15.6	14.1
Properties held for sale	0.4	0.4
Construction and construction-related income	253.8	237.2
Proceeds from sale of properties	—	70.0
Estate management fees	3.4	3.4
Property development consultancy and project management fees	5.8	8.9
Loss from sale of listed investments at fair value through profit or loss, net*	(0.1)	(0.5)
Other operations including estate agency service	1.1	1.0
	280.0	334.5
Other income and gains		
Interest income from:		
Bank balances	2.8	5.1
Loans receivable	1.7	3.0
Others	1.0	—
Dividend income from:		
Listed investments	1.8	1.3
Unlisted investments	—	0.2
Gain on redemption of available-for-sale investments	9.0	—
Gain on disposal of subsidiaries (note 32(d))	—	23.2
Others	0.2	1.1
	16.5	33.9

* In prior years, the Group's proceeds from sale of listed investments at fair value through profit or loss was presented under "Revenue" with the corresponding cost of sales included under "Cost of sales". During the current year, the Group has changed the presentation, as in the opinion of the Directors, it is more appropriate to include the gain/loss from sale of listed investments at fair value through profit or loss in the "Revenue" only. To conform with the current year's presentation, the revenue and cost of sales in the prior year were decreased by the same amount of HK$19.2 million with the gross profit remaining the same.

6. OTHER OPERATING EXPENSES

Other operating expenses include the following items:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Loss on deemed disposal of interests in the listed associate	—	76.8
Loss on disposal of financial assets at fair value through profit or loss	2.2	—

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Cost of completed properties sold	—	32.7
Cost of inventories sold and services provided	18.8	24.0
Depreciation	1.4	1.5
Less: Depreciation capitalised in respect of construction contracts	(0.2)	(0.1)
	1.2	1.4
Employee benefits expenses* (inclusive of Directors' remuneration disclosed in note 9):		
Salaries, wages and benefits	47.3	41.5
Equity-settled share option expense	1.4	2.4
Staff retirement scheme contributions	2.6	2.2
	51.3	46.1
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Wages and salaries	(30.0)	(27.9)
Staff retirement scheme contributions	(1.5)	(1.3)
	19.8	16.9

* Inclusive of an amount of HK$5.5 million (2007 - HK$2.8 million) classified under cost of inventories sold and services provided.

	GROUP 2008 *HK$'million*	GROUP 2007 *HK$'million*
Fair value gains/(losses) on financial assets at fair value through profit or loss		
- held for trading	(3.5)	0.1
- designated as such upon initial recognition	(73.4)	126.5
	(76.9)	126.6
Auditors' remuneration	1.4	1.3
Write-off of items of property, plant and equipment	—	0.4
Impairment of debtors	—	0.2
Minimum lease payments under operating leases:		
Land and buildings	2.3	2.3
Plant and machinery	2.8	2.4
	5.1	4.7
Less: Minimum lease payments capitalised in respect of construction contracts:		
Land and buildings	(0.5)	(0.5)
Plant and machinery	(2.8)	(2.4)
	1.8	1.8
and after crediting:		
Release of unrealised profit upon disposal of subsidiaries by the listed associate	—	21.5
Gross rental income	16.0	14.5
Less: Outgoings	(3.0)	(2.8)
Net rental income	13.0	11.7

8. FINANCE COSTS

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Interest in respect of:		
Bank loans wholly repayable within five years	4.8	11.6
Other loans and promissory notes, wholly repayable within five years	—	8.8
	4.8	20.4
Other loan costs	0.2	—
Total finance costs	5.0	20.4

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Fees	1.2	1.1
Other emoluments:		
Salaries and other allowances	6.2	5.3
Performance related/discretionary bonuses	1.0	1.3
Equity-settled share option expense	1.3	2.2
Staff retirement scheme contributions	0.6	0.5
	10.3	10.4

(a) **Independent Non-Executive Directors**

The fees paid to the Independent Non-Executive Directors during the year were as follows:

	2008	**2007**
	HK$'million	*HK$'million*
Mr. Bowen Joseph Leung Po Wing, GBS, JP*	0.13	—
Mr. Ng Siu Chan	0.15	0.15
Hon Abraham Shek Lai Him, SBS, JP	0.15	0.15
Mr. Wong Chi Keung	0.20	0.20
	0.63	0.50

There were no other emoluments payable to the Independent Non-Executive Directors during the year (2007 - Nil).

* Appointed on 13th February, 2008.

(b) **Executive directors and a non-executive director**

	Fees	Salaries and other allowances	Performance related/ discretionary bonuses	Equity-settled share option expense	Staff retirement scheme contributions	Total remuneration
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
2008						
Executive directors:						
Mr. Lo Yuk Sui	0.10	2.35	0.39	0.78	0.24	3.86
Mr. Donald Fan Tung	0.10	0.92	0.17	0.13	0.09	1.41
Mr. Jimmy Lo Chun To	0.10	0.84	0.14	0.13	0.08	1.29
Miss Lo Po Man	0.10	0.13	0.02	0.07	0.01	0.33
Mr. Kenneth Ng Kwai Kai	0.10	0.68	0.09	0.13	0.04	1.04
Mr. Kenneth Wong Po Man	0.10	1.24	0.21	0.07	0.09	1.71
	0.60	6.16	1.02	1.31	0.55	9.64
2007						
Executive directors:						
Mr. Lo Yuk Sui	0.10	2.12	0.46	1.28	0.21	4.17
Mr. Donald Fan Tung	0.10	0.82	0.25	0.23	0.08	1.48
Mr. Jimmy Lo Chun To	0.10	0.64	0.27	0.23	0.05	1.29
Miss Lo Po Man	0.10	0.11	0.03	0.12	0.01	0.37
Mr. Kenneth Ng Kwai Kai	0.10	0.50	0.13	0.23	0.04	1.00
Mr. Kenneth Wong Po Man	0.10	1.09	0.21	0.12	0.08	1.60
	0.60	5.28	1.35	2.21	0.47	9.91
Non-executive director:						
Mrs. Kitty Lo Lee Kit Tai*	—	—	—	—	—	—
	0.60	5.28	1.35	2.21	0.47	9.91

* Resigned as a Non-Executive Director on 11th January, 2007 and received Director's fee of HK$2,740 during the year ended 31st December, 2007.

The Independent Non-Executive Directors of the Company were entitled to a total sum of HK$0.63 million (2007 - HK$0.50 million) as Directors' fees, including the fees entitled by those Independent Non-Executive Directors for serving as audit committee members, for the year ended 31st December, 2008.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

10. SENIOR EXECUTIVES' EMOLUMENTS

The five highest-paid individuals included four (2007 - four) Directors, details of whose remuneration are disclosed in note 9 to the financial statements. The emoluments of the remaining one (2007 - one) individual, who was not a Director, are as follows:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Salaries and other emoluments	1.0	0.9
Performance related/discretionary bonuses	0.1	0.1
Staff retirement scheme contributions	0.1	0.1
	1.2	1.1

The emoluments of the remaining one (2007 - one) individual fell within the following band:

	2008	**2007**
HK$	*Number of individuals*	*Number of individuals*
1,000,001 - 1,500,000	1	1

11. TAX

	GROUP 2008	2007
	HK$'million	*HK$'million*
Group:		
Current - Hong Kong		
Charge for the year	0.8	1.1
Deferred tax expenses/(income) (note 28)	(4.1)	2.3
Total tax charge/(credit) for the year	(3.3)	3.4

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2007 - 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31st December, 2008.

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

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rate is as follows:

	GROUP 2008	2007
	HK$'million	*HK$'million*
Profit/(Loss) before tax	(472.1)	1,417.2
Tax at the Hong Kong statutory tax rate of 16.5% (2007 - 17.5%)	(77.9)	248.0
Effect on opening deferred tax of decrease in tax rate	(0.6)	—
Profits and losses attributable to associates	61.3	(224.0)
Income not subject to tax	(4.6)	(39.2)
Expenses not deductible for tax	15.0	18.3
Tax losses utilised from previous periods	(1.3)	(3.0)
Tax losses not recognised during the year	4.8	3.0
Others	—	0.3
Tax charge/(credit) at the Group's effective rate of 0.7% (2007 - 0.2%)	(3.3)	3.4

The share of tax charge attributable to associates amounting to HK$0.3 million (2007 - HK$7.7 million) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit/(loss) attributable to equity holders of the parent for the year ended 31st December, 2008 includes a loss of HK$4.0 million (2007 - HK$3.9 million) which has been dealt with in the financial statements of the Company (note 30(b)).

13. DIVIDENDS

	2008	**2007**
	HK$'million	*HK$'million*
Interim - HK1.8 cents (as adjusted for the Share Consolidation (notes 14 and 29)) per ordinary share (2007 - HK1.8 cents, as adjusted)	18.3	13.6
Proposed final - HK2.0 cents per ordinary share (2007 - HK4.0 cents, as adjusted for the Share Consolidation)	20.4	40.8
	38.7	54.4

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share is based on the loss for the year attributable to equity holders of the parent of HK$468.8 million (2007 - profit of HK$1,413.8 million) and on the weighted average of 1,019.2 million ordinary shares of the Company in issue during the year, as adjusted for the effect of the consolidation of ordinary shares of the Company on the basis that every ten then existing issued and unissued ordinary shares of HK$0.01 each were consolidated into one ordinary share of HK$0.10 effective from 23rd October, 2008 (the "Share Consolidation") (2007 - 849.0 million, as adjusted for the Share Consolidation).

(b) **Diluted earnings/(loss) per ordinary share**

No diluted loss per ordinary share is presented for the year ended 31st December, 2008 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 the year are higher than the average market prices of the respective ordinary shares of the Company and RHIHL and, accordingly, they have no dilutive effect on the basic loss per ordinary share. In addition, the conversion of the outstanding convertible preference shares of RHIHL is anti-dilutive for the year and is not included in the calculation of diluted loss per ordinary share.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2007 was based on the profit for that year attributable to equity holders of the parent, adjusted for (i) the decrease in the Group's proportionate interest in the earnings of the RHIHL Group of HK$75.4 million; and (ii) the dividend income from the convertible preference shares of RHIHL of HK$1.4 million assuming all outstanding convertible bonds (including optional convertible bonds) of the RHIHL Group and all outstanding convertible preference shares of RHIHL were converted into, and the subscription rights attaching to all outstanding warrants of RHIHL were exercised to subscribe for, ordinary shares of RHIHL at the beginning of that year. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue (as adjusted for the Share Consolidation) during that year, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 13.5 million (as adjusted for the Share Consolidation) that would be issued at no consideration assuming (i) all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of that year; and (ii) the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the date of issue. The exercise price of the share options of RHIHL outstanding during that year was higher than the average market price of the ordinary shares of RHIHL and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

15. PROPERTY, PLANT AND EQUIPMENT

	GROUP			
	Leasehold properties	**Leasehold improvements, furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
31st December, 2008				
At 31st December, 2007 and 1st January, 2008:				
Cost	1.1	10.3	1.4	12.8
Accumulated depreciation	(0.3)	(8.7)	(0.8)	(9.8)
Net carrying amount	0.8	1.6	0.6	3.0
At 1st January, 2008, net of accumulated depreciation	0.8	1.6	0.6	3.0
Additions	—	0.3	—	0.3
Disposals/Write-off	—	—	(0.3)	(0.3)
Write-back of depreciation upon disposals/write-off	—	—	0.3	0.3
Depreciation provided during the year	(0.1)	(1.1)	(0.2)	(1.4)
At 31st December, 2008, net of accumulated depreciation	0.7	0.8	0.4	1.9
At 31st December, 2008:				
Cost	1.1	10.6	1.1	12.8
Accumulated depreciation	(0.4)	(9.8)	(0.7)	(10.9)
Net carrying amount	0.7	0.8	0.4	1.9

	GROUP			
	Leasehold properties	Leasehold improvements, furniture, fixtures and equipment	Motor vehicles	Total
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
31st December, 2007				
At 1st January, 2007:				
Cost	1.1	9.9	1.4	12.4
Accumulated depreciation	(0.3)	(7.4)	(0.7)	(8.4)
Net carrying amount	0.8	2.5	0.7	4.0
At 1st January, 2007, net of accumulated depreciation	0.8	2.5	0.7	4.0
Additions	—	0.4	0.5	0.9
Disposals/Write-off	—	—	(0.5)	(0.5)
Write-back of depreciation upon disposals/write-off	—	—	0.1	0.1
Depreciation provided during the year	—	(1.3)	(0.2)	(1.5)
At 31st December, 2007, net of accumulated depreciation	0.8	1.6	0.6	3.0
At 31st December, 2007:				
Cost	1.1	10.3	1.4	12.8
Accumulated depreciation	(0.3)	(8.7)	(0.8)	(9.8)
Net carrying amount	0.8	1.6	0.6	3.0

The leasehold properties are held under medium term leases and are situated in Hong Kong.

16. INVESTMENT PROPERTIES

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Carrying amount at 1st January	380.3	350.3
Gain/(Loss) from fair value adjustments	(22.0)	30.0
Carrying amount at 31st December	358.3	380.3

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	HK$'million
Long term leases	358.2
Medium term lease	0.1
	358.3

The Group's investment properties were revalued on 31st December, 2008 by independent professionally qualified valuers with an RICS qualification at HK$358.3 million, on an open market, existing use basis. Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

At 31st December, 2008, the Group's investment property with a carrying value of HK$358.0 million (2007 − HK$380.0 million) was pledged to secure banking facilities granted to the Group.

17. PROPERTY HELD FOR FUTURE DEVELOPMENT

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Medium term leasehold land in Hong Kong, at cost:		
At 1st January	—	26.7
Disposal of subsidiaries (note 32(d))	—	(26.7)
At 31st December	—	—

18. INTERESTS IN ASSOCIATES

	GROUP 2008 HK$'million	GROUP 2007 HK$'million
Listed and unlisted companies:		
Share of net assets	3,452.2	3,878.6
Goodwill on acquisition	289.2	284.3
	3,741.4	4,162.9
Loans to associates	156.0	156.0
Amounts due from associates	239.5	234.2
Amount due to an associate	(0.1)	(2.7)
	4,136.8	4,550.4
Less: Provision for impairment	—	(0.4)
	4,136.8	4,550.0
Share of net assets of the listed associate	3,204.6	3,654.7
Market value of an associate listed in Hong Kong	1,025.7	3,044.3

Goodwill

	GROUP 2008 HK$'million	GROUP 2007 HK$'million
Cost and carrying amount at 1st January	284.3	54.0
Acquisition of additional interests in the listed associate	4.9	230.3
Cost and carrying amount at 31st December	289.2	284.3

The loans to associates are unsecured, interest-free and not repayable within one year. The carrying amounts of these loans approximate to their fair values.

The amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the Directors, the loans to and amounts due from associates are considered as quasi-equity investments in the associates.

Details of the Group's principal associates are as follows:

Name	Place of incorporation	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2008	2007	Principal activities
Regal Hotels International Holdings Limited ("RHIHL")(1)(i)	Bermuda	Ordinary shares of HK$0.10 each(1)(ii)	47.0	45.2	Investment holding
		Preference shares of US$10 each	—(1)(iii)	20.5	
Hang Fok Properties Limited ("Hang Fok")(2)	British Virgin Islands	Ordinary shares of US$1 each	50.0	50.0	Investment holding
Cheerjoy Development Limited*	Hong Kong	Ordinary shares of HK$1 each	30.0	30.0	Property development

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

(1) (i) The RHIHL Group is engaged in the business activities of hotel operation and management, property investment and other investments. The RHIHL Group disposed of its hotel properties to Regal REIT for a separate listing on 30th March, 2007 and thereafter leased the hotel properties from Regal REIT for hotel operations. Regal REIT has since then become an associate of RHIHL. The ordinary shares of RHIHL are listed on the Stock Exchange.

(ii) Pursuant to an ordinary resolution passed by the shareholders of RHIHL at the special general meeting of RHIHL held on 22nd October, 2008, the consolidation of ordinary shares in the share capital of RHIHL (on the basis that every 10 then existing issued and unissued ordinary shares of HK$0.01 each were consolidated into 1 ordinary share of HK$0.10) was approved and subsequently became effective on 23rd October, 2008.

(iii) The preference shares were fully redeemed on maturity by RHIHL during the year.

(2) The major asset of Hang Fok is its 59% equity interest in each of two sino-foreign joint ventures, namely Beijing Century City Real Estate Development Co., Ltd. and Beijing Jianye Real Estate Developing Co., Ltd. established in Beijing, the People's Republic of China (the "PRC"), which are engaged in a property development project in Beijing, PRC.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length. All associates were indirectly held by the Company.

The summarised financial information of the Group's associates, which has been extracted from their audited consolidated financial statements and/or management accounts is as follows:

	2008	**2007**
	HK$'million	*HK$'million*
Assets	11,551.4	12,465.8
Liabilities	6,740.4	6,558.5
Revenue	1,511.8	1,780.8
Profit/(Loss)	(832.6)	2,844.4

19. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Listed investments, at fair value:		
Elsewhere	—	9.9
Unlisted investments, at fair value	3.2	0.1
	3.2	10.0

During the year, the gross loss of the Group's available-for-sale investments recognised directly in equity amounted to HK$0.8 million (2007 - HK$0.9 million).

The fair values of the listed investments in the prior year were based on quoted market prices. The fair values of the unlisted investments are based on the net asset value of the investments calculated by reference to the last traded prices of the underlying securities. The Directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated balance sheet, and the related changes in fair values, which are recorded in the consolidated equity, are reasonable, and that they are the most appropriate values at the balance sheet date.

20. LOANS RECEIVABLE

The balance represents long term mortgage loans granted by the Group to purchasers in connection with the sale of its properties. The loans are secured by second mortgages over the properties sold and are repayable by instalments in 15 to 20 years. The long term mortgage loans bear interest at Hong Kong prime rate to Hong Kong prime rate plus 2% per annum. The carrying amounts of these loans receivable approximate to their fair values.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	**2007**
	HK$'million	*HK$'million*
Non-current assets:		
Listed equity investments in Hong Kong, at market value	75.6	135.0
Unlisted debt investment, at fair value	135.7	173.5
	211.3	308.5
Current assets:		
Listed equity investments in Hong Kong, at market value	1.5	0.3
Unlisted debt investment, at fair value	119.5	—
	121.0	0.3

The listed equity investments included under non-current assets and the unlisted debt investments at 31st December, 2007 and 2008 were designated upon initial recognition as financial assets at fair value through profit or loss as they are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investments are provided on that basis to the Group's key management personnel.

The listed equity investments included under current assets at 31st December, 2007 and 2008 were classified as held for trading.

The unlisted debt investment included under non-current assets in the prior year represented the investment in convertible bonds issued by a subsidiary of Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed company in Hong Kong, in a principal amount of HK$56.0 million. The convertible bonds are due 2009 and convertible into 800.0 million new ordinary shares of Cosmopolitan at an initial conversion price of HK$0.07 per share (the "2009 CB"). In conjunction with the issue of the 2009 CB, the Group has granted to the Cosmopolitan group certain placement rights, exercisable by the Cosmopolitan group within twelve months from the date of issue (the "Lock-up Period"), to procure potential investors to purchase part or all of the 2009 CB held by the

Group. During the Lock-up Period, the expiry date of which has subsequently been extended to 12th February, 2009, the Group shall not exercise the conversion rights, and save for the placement rights mentioned above, sell or transfer the 2009 CB to any third parties. In case where the Group disposes of the 2009 CB pursuant to such placement rights or chooses to retain the 2009 CB after an offer has been so procured, the Group would account to Cosmopolitan 70% of the profit arising from the placement of the 2009 CB.

In August 2008, the Group completed an agreement with Cosmopolitan group for the disposal by the Group of part of the 2009 CB in a principal amount of HK$11.0 million, to a third party investor procured by Cosmopolitan group at a consideration of approximately HK$78.6 million, equivalent to an effective disposal price of HK$0.50 per Cosmopolitan share. Under that agreement, the Group also sought release from Cosmopolitan group of the placement rights over part of the remaining 2009 CB in a principal amount of HK$7.0 million at a consideration of approximately HK$29.7 million, at the same effective price of HK$0.50 per Cosmopolitan share. The outstanding balance of the 2009 CB in a principal amount of HK$45.0 million has been reclassified as unlisted debt investment under current assets as at 31st December, 2008.

Subsequent to the balance sheet date, the Group converted part of its holding of the 2009 CB in a principal amount of HK$14.0 million into 200.0 million new ordinary shares of Cosmopolitan and its remaining holding of the 2009 CB in a principal amount of HK$31.0 million were redeemed by Cosmopolitan group in cash at an aggregate redemption amount of approximately HK$33.2 million upon their maturity in March 2009.

The fair value of the unlisted debt investments have been estimated by an independent professional valuer using valuation techniques based on quoted market price of the underlying listed security.

At the date of approval of these financial statements, the market value of the listed equity investments was approximately HK$59.8 million and the fair value of the unlisted debt investments included under non-current assets was approximately HK$113.9 million.

22. INVENTORIES

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Raw materials	—	0.1
Work in progress	8.8	3.4
Finished goods	1.2	0.2
	10.0	3.7

23. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$46.1 million (2007 - HK$34.9 million) representing the trade debtors of the Group.

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Trade debtors	46.1	35.1
Impairment	—	(0.2)
	46.1	34.9

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.

An aged analysis of the trade debtors as at the balance sheet date, based on the invoice date, is as follows:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Within 3 months	45.5	34.2
Between 4 to 6 months	0.6	0.8
Between 7 to 12 months	—	0.1
	46.1	35.1

The movements in provision for impairment of trade debtors are as follows:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
At 1st January	0.2	—
Impairment losses recognised (note 7)	—	0.2
Amounts written off as uncollectible	(0.2)	—
At 31st December	—	0.2

The above provision for impairment of trade debtors in the prior year represented a provision for individually impaired trade debtors with a gross carrying amount of HK$0.6 million. The individually impaired trade debtors related to customers that were in financial difficulties and only a portion of the balances was expected to be recovered. The Group did not hold any collateral or other credit enhancements over those balances.

An aged analysis of the trade debtors that are not considered to be impaired is as follows:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Less than 3 months past due	45.5	33.8
4 to 6 months past due	0.6	0.7
	46.1	34.5

Trade debtors that were past due but not impaired relate to a number of diversified customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the balances are amounts due from the Group's listed associate, a jointly controlled entity of the listed associate and related companies of HK$9.8 million (2007 - HK$12.8 million), HK$0.7 million (2007 - HK$1.9 million) and HK$2.6 million (2007 - HK$3.6 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.

24. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In prior years, the Group's interest in Talent Faith Investments Ltd. ("Talent Faith") was classified under interests in associates despite the increase in its equity interest therein from 50% to 100% in 2003, since the Group had entered into an agreement (the "SP Agreement") in that year to dispose of its entire equity interest in Talent Faith and accordingly the control over Talent Faith was considered temporary pending the outcome of the SP Agreement.

As at 31st December, 2005, the SP Agreement had not yet been completed and upon the adoption of HKAS 27 and HKFRS 5 in 2005, the result of Talent Faith was consolidated in the Group's consolidated financial statements and the asset and liability of Talent Faith and its subsidiaries (the "Talent Faith Group") were presented as asset and liability of a disposal group classified as held for sale under current assets and current liabilities, respectively. The consideration of the disposal was settled at 31st December, 2006. However, the SP Agreement was yet to be completed due to a delay caused by events beyond the Group's control. Since the Group remains committed to its plan to dispose of Talent Faith, no reclassification has been made therefor. The consideration received in the amount of HK$216.7 million was included in "Deposits received" at 31st December, 2007 and 2008.

The major class of the asset and liability of the Talent Faith Group classified as held for sale as at 31st December are as follows:

	2008	**2007**
	HK$'million	*HK$'million*
Asset		
Loan receivable	249.4	249.4
Liability		
Loan from minority shareholders	(98.9)	(98.9)

25. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK$25.6 million (2007 - HK$14.4 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Outstanding balances with ages:		
Within 3 months	25.6	14.4

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

Included in the balances are amounts due to the Group's listed associate and a fellow subsidiary of HK$2.3 million (2007 - Nil) and HK$1.3 million (2007 - HK$1.2 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

26. CONSTRUCTION CONTRACTS

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Gross amount due from contract customers included in debtors, deposits and prepayments	9.2	14.8
Gross amount due to contract customers included in creditors and accruals	(37.7)	(34.8)
	(28.5)	(20.0)
Contract costs incurred plus recognised profits less recognised losses to date	1,969.7	1,734.3
Less: Progress billings	(1,998.2)	(1,754.3)
	(28.5)	(20.0)

At 31st December, 2008, retentions held by customers for contract works, as included in debtors, deposits and prepayments under current assets, amounted to approximately HK$15.7 million (2007 - HK$13.3 million).

27. INTEREST BEARING BANK BORROWINGS

	GROUP					
	2008			2007		
	Effective interest rate (%) p.a.	*Maturity*	*HK$'million*	*Effective interest rate (%) p.a.*	*Maturity*	*HK$'million*
Current						
Bank loans - secured	—	—	—	4.4-6.7	2008	197.0
Non-current						
Bank loans - secured	1.0-5.2	2011	214.6	4.1-5.4	2009	50.0
			214.6			247.0

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	—	197.0
In the second year	—	50.0
In the third to fifth years, inclusive	214.6	—
	214.6	247.0

All interest bearing bank borrowings are in Hong Kong dollars.

The Group's bank borrowings are secured by the pledge of certain of the Group's assets as further detailed in note 34 to the financial statements.

The carrying amounts of the Group's bank borrowings approximate to their fair values.

28. DEFERRED TAX

The movements in deferred tax liabilities of the Group for the years ended 31st December, 2008 and 2007 are as follows:

	GROUP			
	Revaluation of investment properties	**Accelerated tax depreciation**	**Tax losses**	**Total**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
At 1st January, 2007	14.0	0.7	(6.0)	8.7
Deferred tax charged/(credited)to the income statement during the year (note 11)	5.2	0.7	(3.6)	2.3
At 31st December, 2007 and 1st January, 2008	19.2	1.4	(9.6)	11.0
Deferred tax charged/(credited) to the income statement during the year (note 11)	(4.7)	0.5	0.1	(4.1)
At 31st December, 2008	14.5	1.9	(9.5)	6.9

In addition, the Group also has tax losses arising in Hong Kong and the United States of America amounting to HK$781.5 million (2007 - HK$760.1 million) and HK$212.8 million (2007 - HK$212.9 million), respectively, as at 31st December, 2008. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, whilst those arising in the United States of America are available for a maximum period of twenty years. No deferred tax assets in respect of these tax losses have been recognised on account of the unpredictability of future profit streams.

At 31st December, 2008, there was no significant unrecognised deferred tax liability (2007 - Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2008	**2007**
	HK$'million	*HK$'million*
Shares		
Authorised:		
2,000.0 million (2007 - 20,000.0 million) ordinary shares of HK$0.10 (2007 - HK$0.01) each	200.0	200.0
4,750.0 million (2007 - 4,750.0 million) convertible preference shares of HK$0.10 each	475.0	475.0
	675.0	675.0
Issued and fully paid:		
1,019.3 million (2007 - 10,187.1 million) ordinary shares of HK$0.10 (2007 - HK$0.01) each	101.9	101.9
Share premium		
Ordinary shares	1,173.6	1,172.3

A summary of the movements of the Company's share capital and share premium during the years ended 31st December, 2008 and 2007 is as follows:

		Authorised		Issued and fully paid		Share premium account
	Notes	Number of shares	Amount	Number of shares	Amount	
		'million	*HK$'million*	*'million*	*HK$'million*	*HK$'million*
Ordinary shares						
At 1st January, 2007		20,000.0	200.0	7,208.5	72.1	522.1
Issue of new shares in settlement of the Share Swap	(i)	—	—	336.0	3.4	122.6
Issue of new shares under the Open Offer	(ii)	—	—	2,640.7	26.4	528.2
Issue of new shares upon exercise of share options	(iii)	—	—	0.5	—	0.1
Issue of new shares upon exercise of warrants	(iv)	—	—	1.4	—	0.3
Share issue expenses		—	—	—	—	(1.0)
At 31st December, 2007 and 1st January, 2008		20,000.0	200.0	10,187.1	101.9	1,172.3
Issue of new shares upon exercise of warrants	(v)	—	—	6.3	—	1.3
		20,000.0	200.0	10,193.4	101.9	1,173.6
Balance at 23rd October, 2008 after the Share Consolidation	(vi)	2,000.0	200.0	1,019.3	101.9	1,173.6
At 31st December, 2008		2,000.0	200.0	1,019.3	101.9	1,173.6

		Authorised		Issued and fully paid		Share premium account
	Notes	Number of shares	Amount	Number of shares	Amount	
		'million	*HK$'million*	*'million*	*HK$'million*	*HK$'million*
Convertible preference shares of HK$0.10 each						
At 1st January, 2007, 31st December, 2007 and 2008		4,750.0	475.0	—	—	—
Total share capital						
At 31st December, 2008			675.0		101.9	1,173.6
At 31st December, 2007			675.0		101.9	1,172.3

Notes:

(i) In July 2007, 336.0 million new ordinary shares of HK$0.01 each were issued in settlement of the consideration of HK$126.0 million for the acquisition from an independent third party of 180.0 million existing issued shares in Cosmopolitan pursuant to a share swap agreement (the "Share Swap").

(ii) In November 2007, 2,640.7 million new ordinary shares of HK$0.01 each were issued to the qualifying shareholders of the Company on the basis of seven new ordinary shares for every twenty existing ordinary shares then held at a subscription price of HK$0.21 per share under the open offer of new ordinary shares of HK$0.01 each to the qualifying shareholders of the Company (the "Qualifying Shareholders") on the basis of seven new ordinary shares of HK$0.01 each (with three new bonus warrants for every seven open offer shares taken up) for every twenty existing ordinary shares of HK$0.01 each held on 22nd October, 2007 at a subscription price of HK$0.21 per share (the "Open Offer").

(iii) During the year ended 31st December 2007, 0.5 million new ordinary shares of HK$0.01 each were issued upon the exercise of the same number of share options of the Company at the then prevailing exercise price of HK$0.22 per share.

(iv) During the year ended 31st December 2007, an aggregate of 1.4 million new ordinary shares of HK$0.01 each were issued for cash upon the exercise of the subscription rights by the holders of the Company's warrants at the then prevailing subscription price of HK$0.21 per share for a total cash consideration of HK$0.3 million, before expenses.

(v) During the year, an aggregate of 6.3 million new ordinary shares of HK$0.01 each were issued for cash upon the exercise of the subscription rights by the holders of the Company's warrants at the then prevailing subscription price of HK$0.21 per share for a total cash consideration of HK$1.3 million, before expenses.

(vi) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 22nd October, 2008, the consolidation of ordinary shares in the share capital of the Company (on the basis that every 10 then existing issued and unissued ordinary shares of HK$0.01 each were consolidated into one ordinary share of HK$0.10) was approved and subsequently became effective on 23rd October, 2008.

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 year, 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* At 1st January, 2008	Vested during the year	Before adjustment for the effect of Share Consolidation *(Note 1)*	After adjustment for the effect of Share Consolidation and at 31st December, 2008 *(Note 1)*	Vesting/ Exercise periods of share options	Adjusted exercise price of share options* HK$ *(Note 1)*
	Directors						
12th May, 2005	Mr. Lo Yuk Sui						
	Vested:	80,352,000	40,176,000	120,528,000	12,052,800	Note 2	1.97
	Unvested:	120,528,000***	(40,176,000)	80,352,000	8,035,200		
25th July, 2005	Mr. Donald Fan Tung						
	Vested:	8,928,000	4,464,000	13,392,000	1,339,200	Note 2	1.97
	Unvested:	13,392,000	(4,464,000)	8,928,000	892,800		
25th July, 2005	Mr. Jimmy Lo Chun To						
	Vested:	8,928,000	4,464,000	13,392,000	1,339,200	Note 2	1.97
	Unvested:	13,392,000	(4,464,000)	8,928,000	892,800		
25th July, 2005	Miss Lo Po Man						
	Vested:	4,464,000	2,232,000	6,696,000	669,600	Note 2	1.97
	Unvested:	6,696,000	(2,232,000)	4,464,000	446,400		

Offer date**	Name or category of participant	Number of ordinary shares under share options*: At 1st January, 2008	Vested during the year	Before adjustment for the effect of Share Consolidation *(Note 1)*	After adjustment for the effect of Share Consolidation and at 31st December, 2008 *(Note 1)*	Vesting/ Exercise periods of share options	Adjusted exercise price of share options* HK$ *(Note 1)*
25th July, 2005	Mr. Kenneth Ng Kwai Kai						
	Vested:	8,370,000	4,464,000	12,834,000	1,283,400	Note 2	1.97
	Unvested:	13,392,000	(4,464,000)	8,928,000	892,800		
25th July, 2005	Mr. Kenneth Wong Po Man						
	Vested:	4,464,000	2,232,000	6,696,000	669,600	Note 2	1.97
	Unvested:	6,696,000	(2,232,000)	4,464,000	446,400		
	Other Employees						
25th July, 2005	Employees, in aggregate						
	Vested:	7,588,800	3,794,400	11,383,200	1,138,320	Note 2	1.97
	Unvested:	11,383,200	(3,794,400)	7,588,800	758,880		
	Total						
	Vested:	123,094,800	61,826,400	184,921,200	18,492,120		
	Unvested:	185,479,200	(61,826,400)	123,652,800	12,365,280		

* 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.

Notes:

(1) During the year, as a result of the Share Consolidation, the total number of ordinary shares falling to be allotted and issued upon full exercise of the subscription rights attaching to the then outstanding 308,574,000 options granted under the Share Option Scheme was adjusted from 308,574,000 ordinary shares of HK$0.01 each to 30,857,400 ordinary shares of HK$0.10 each, and the exercise price of all outstanding options was adjusted from HK$0.197 per ordinary share to HK$1.97 per ordinary share, both effective from 23rd October, 2008.

(2) 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)

The summarised information on the Share Option Scheme is set out as follows:

(i)	Purpose:	To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons
(ii)	Participants:	Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person
(iii)	Total number of ordinary shares subject to outstanding options under the Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2008 and at the date of this report:	30,857,400 ordinary shares (approximately 3.03%)

(iv)	Maximum entitlement of each participant under the Share Option Scheme:	Not exceeding 1% of the offer ordinary shares of the Company in issue as of the offer date in any 12 month period
(v)	The period within which the shares must be taken up under an option:	From the time when the options become vested to no later than ten years after the offer date
(vi)	Minimum period for which an option must be held before it can be exercised:	No minimum period unless otherwise determined by the Board at the time of the approval of the grant
(vii)	Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:	N/A
(viii)	The basis of determining the exercise price:	Determined by the Board (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of the Company
(ix)	The life of the Share Option Scheme:	The life of the Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015

Warrants

At the special general meeting of the Company held on 7th November, 2007, an ordinary resolution was duly passed by the shareholders of the Company with respect to a bonus issue of warrants ("Warrants") of the Company on the basis of three units of Warrants each carrying a subscription right of HK$0.21 for every seven ordinary shares of HK$0.01 each of the Company taken up by the Qualifying Shareholders under the Open Offer.

On 13th November, 2007, Warrants carrying aggregate subscription rights of approximately HK$237.7 million were issued to the shareholders of the Company. On issue, the Warrants confer rights on their holders to subscribe for up to approximately 1,131.7 million new ordinary shares of HK$0.01 each of the Company at the initial subscription price of HK$0.21 per ordinary share of HK$0.01 each (subject to adjustment), at any time from the date falling 7 days after the date of issue (i.e., 13th November, 2007) to the date falling 7 days prior to the third anniversary of date of issue (i.e., 8th November, 2010). With effect from 23rd October, 2008, the subscription price of the Warrants was adjusted to HK$2.10 per ordinary share of HK$0.10 as a result of the Share Consolidation.

During the year ended 31st December, 2007, Warrants carrying aggregate subscription rights of approximately HK$0.3 million were exercised to subscribe for 1.4 million new ordinary shares of HK$0.01 each of the Company at the then prevailing subscription price of HK$0.21 per share. During the year ended 31st December, 2008, Warrants carrying aggregate subscription rights of approximately HK$1.3 million and HK$3,229.38 were exercised to subscribe for 6.3 million new ordinary shares of HK$0.01 each of the Company at the then prevailing subscription price of HK$0.21 per share and 1,537 new ordinary shares of HK$0.10 each of the Company at the adjusted subscription price of HK$2.10 per share, respectively. At the balance sheet date, the Company had Warrants carrying aggregate subscription rights of approximately HK$236.1 million remaining outstanding. The exercise in full of such Warrants would, under the present capital structure of the Company, result in the issue of 112.4 million additional ordinary shares of HK$0.10 each and share premium of HK$224.8 million (before issue expenses).

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on pages 61 to 62.

Special reserve

The Group's special reserve represents reserve arising from the Company's capital reorganisation in 2002.

(b) **Company**

	Notes	**Share premium account** *HK$'million*	**Contributed surplus** *HK$'million*	**Share option reserve** *HK$'million*	**Retained profits** *HK$'million*	**Total** *HK$'million*
At 1st January, 2007		522.1	1,742.7	4.6	623.4	2,892.8
Issue of new shares in settlement of the Share Swap	29(i)	122.6	—	—	—	122.6
Issue of new shares under the Open Offer	29(ii)	528.2	—	—	—	528.2
Issue of new shares upon exercise of share options	29(iii)	0.1	—	—	—	0.1
Issue of new shares upon exercise of warrants	29(iv)	0.3	—	—	—	0.3
Share issue expenses		(1.0)	—	—	—	(1.0)
Equity-settled share option arrangements	29	—	—	2.4	—	2.4
Loss for the year		—	—	—	(3.9)	(3.9)
Interim 2007 dividend	13	—	—	—	(13.6)	(13.6)
Proposed final 2007 dividend	13	—	—	—	(40.8)	(40.8)
At 31st December, 2007 and 1st January, 2008		1,172.3	1,742.7	7.0	565.1	3,487.1
Issue of new shares upon exercise of warrants	29(v)	1.3	—	—	—	1.3
Equity-settled share option arrangements	29	—	—	1.4	—	1.4
Loss for the year		—	—	—	(4.0)	(4.0)
Interim 2008 dividend	13	—	—	—	(18.3)	(18.3)
Proposed final 2008 dividend	13	—	—	—	(20.4)	(20.4)
At 31st December, 2008		1,173.6	1,742.7	8.4	522.4	3,447.1

The contributed surplus represents reserves arising from (i) a group reorganisation in 1993 in preparation for a separate listing of the Company's shares, originally representing the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then consolidated net assets value of the subsidiaries at the date of acquisition; and (ii) the Company's capital reorganisation in 2002.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4(x) to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited after vesting.

31. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2008	**2007**
	HK$'million	*HK$'million*
Unlisted shares, at cost	209.0	209.0
Amounts due from subsidiaries	3,362.1	3,422.3
	3,571.1	3,631.3

The amounts due from subsidiaries are unsecured, interest-free and not repayable within one year. In the opinion of the Directors, these amounts are considered as quasi-equity investments in the subsidiaries. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2008	2007	Principal activities
303 Technology Limited	Hong Kong	HK$2	100	100	Security systems and software development and distribution
Bajan Company Limited	Hong Kong	HK$2	100	100	Securities investment
Cathay City Property Management, Inc.	U.S.A.	US$10,000	100	100	Financing
Chatwin Engineering Limited	Hong Kong	HK$16,800,000	100	100	Building construction

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2008	2007	Principal activities
Cosmos Best Development Limited	Hong Kong	HK$2	100	100	Management services
Cosmos Gain Investment Limited	Hong Kong	HK$2	100	100	Property development and investment
Everlane Investment Limited	Hong Kong	HK$2	100	100	Property development and investment
Farich Investment Limited	Hong Kong	HK$2	100	100	Investment holding
Finso Limited	Hong Kong	HK$2	100	100	Investment holding
Gain World Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Glaser Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Grand Equity Limited	British Virgin Islands	US$1	100	100	Investment holding
Guo Yui Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
H.P. Nominees Limited	Hong Kong	HK$2	100	100	Investment holding and nominee services
Hilmark Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Jumbo Pearl Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Leading Technology Holdings Limited	British Virgin Islands	US$100	100	100	Investment holding
Lendas Investments Limited	British Virgin Islands	US$1	100	100	Securities investment

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2008	2007	Principal activities
Linkprofit Limited	Hong Kong	HK$1,000	100	100	Investment holding
Paliburg BVI Holdings Limited	British Virgin Islands	HK$10	100	100	Investment holding
Paliburg Building Services Limited	Hong Kong	HK$2	100	100	Mechanical and electrical engineering services
Paliburg Development BVI Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Paliburg Development Consultants Limited	Hong Kong	HK$100,000	100	100	Development consultants
Paliburg Development Finance Limited	Hong Kong	HK$2	100	100	Financing
Paliburg Estate Agents Limited	Hong Kong	HK$20	100	100	Estate agent
Paliburg Estate Management Limited	Hong Kong	HK$20	100	100	Estate management
Paliburg Finance Limited	Hong Kong	HK$2	100	100	Financing
Paliburg International Holdings Limited	Bermuda	HK$100,000	100	100	Investment holding
Paliburg Investments Limited	Hong Kong	HK$526,506,860	100	100	Investment holding
Paliburg Property Development (Shanghai) Co., Ltd.	The People's Republic of China	US$10,000,000	100	100	Property development and investment
Rich Pearl Limited	Hong Kong	HK$10,000	100	100	Financing

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2008	2007	Principal activities
Sanefix Development Limited	Hong Kong	HK$2	100	100	Property investment
Shenzhen Leading Technology Co., Ltd.*	The People's Republic of China	RMB20,000,000	100	100	Security systems and software development and distribution
Sonnix Limited	Hong Kong	HK$2	100	100	Property investment
Sun Joyous Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Taylor Investments Ltd.	British Virgin Islands	US$1	100	100	Investment holding
Transcar Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Winart Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Yield Star Limited	British Virgin Islands	US$1	100	100	Investment holding

* This subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

Except for Paliburg Development BVI Holdings Limited and Paliburg Property Development (Shanghai) Co., Ltd., all of the above subsidiaries are indirectly held by the Company.

All of the above subsidiaries operate in the place of their incorporation/registration.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before tax to net cash inflow/(outflow) from operating activities

	2008 *HK$'million*	2007 *HK$'million*
Profit/(Loss) before tax	(472.1)	1,417.2
Adjustments for:		
Finance costs	5.0	20.4
Share of profits and losses of associates	371.4	(1,280.0)
Interest income	(5.5)	(8.1)
Dividend income	(1.8)	(1.5)
Loss on deemed disposal of interests in the listed associate	—	76.8
Gain on disposal of subsidiaries	—	(23.2)
Gain on redemption of available-for-sale investments	(9.0)	—
Loss on disposal of financial assets at fair value through profit or loss	2.2	—
Release of unrealised profit upon disposal of subsidiaries by the listed associate	—	(21.5)
Depreciation	1.2	1.4
Write-off of items of property, plant and equipment	—	0.4
Impairment of debtors	—	0.2
Profit on sale of properties	—	(37.1)
Fair value losses/(gains) on investment properties	22.0	(30.0)
Fair value losses/(gains) on financial assets at fair value through profit or loss	76.9	(126.6)
Net proceeds from sale of properties	—	14.0
Equity-settled share option expenses	1.4	2.4
	(8.3)	4.8
Decrease/(Increase) in financial assets at fair value through profit or loss	(4.7)	18.9
Decrease/(Increase) in inventories	(6.3)	3.2
Decrease/(Increase) in debtors, deposits and prepayments	(4.2)	8.6
Increase/(Decrease) in creditors and accruals	7.5	(4.3)
Increase in deposits received	—	1.0
Cash generated from/(used in) operations	(16.0)	32.2
Hong Kong profits tax refunded/(paid)	(1.1)	0.1
Net cash inflow/(outflow) from operating activities	(17.1)	32.3

(b) Major non-cash transactions

(i) In the prior year, a partial consideration receivable by the Group in the amount of HK$56.0 million in respect of the disposal of its entire equity interest in a wholly-owned subsidiary indirectly holding a property held for sale was satisfied by the purchaser group issuing to the Group convertible bonds in the same principal amount.

(ii) As detailed in note 29(i), in the prior year, 336.0 million new ordinary shares of the Company of HK$0.01 each were issued in settlement of the consideration of HK$126.0 million for a share swap of 180.0 million existing issued shares of Cosmopolitan.

(iii) In the prior year, a partial consideration payable for the acquisition of convertible bonds issued by the listed associate in the amount of HK$300.0 million was satisfied by the issue of promissory notes which were subsequently settled during that year.

(c) Restricted cash and cash equivalent balances

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$62.2 million (2007 - HK$58.5 million). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(d) Disposal of subsidiaries

	2008	**2007**
	HK$'million	*HK$'million*
Net assets disposed of:		
Property held for future development (note 17)	—	26.7
Debtors, deposits and prepayments	—	0.1
	—	26.8
Gain on disposal (note 5)	—	23.2
	—	50.0
Satisfied by:		
Cash	—	50.0

33. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2008 HK$'million	2007 HK$'million
The listed ultimate holding company:			
Management fees	(i)	7.4	6.5
The listed associate:			
Gross construction fee income	(ii)	68.8	110.6
Gross development consultancy fee income	(iii)	5.3	8.9
Gross income in respect of security systems and products and other software	(iv)	5.4	3.4
A jointly controlled entity of the listed associate*:			
Gross construction fee income	(ii)	0.1	2.0
A related company*:			
Advertising and promotion fees (including cost reimbursements)	(v)	—	0.1

* Certain directors of these related companies are also the Directors of the Company.

Notes:

(i) The management costs included rentals and other overheads allocated from CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, RHIHL and the Company based on the distribution of job responsibilities and the estimated time to be spent by the relevant staff in serving each of the three groups.

(ii) The construction fee income was received from the RHIHL Group for providing repairs and maintenance and construction works for the hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.

(iii) The gross development consultancy fee income was charged to the RHIHL Group for advisory, supervisory, architectural and design services provided in connection with the room extension and other renovation projects of the hotel properties operated by the RHIHL Group. The fees were charged at agreed rates of the estimated cost of individual projects.

(iv) The fees were received from the RHIHL Group for the purchases and maintenance services of the security systems and products and other software installed in the hotels operated by the RHIHL Group. The fees were charged based on cost plus a margin depending on the nature and location of the work provided.

(v) The advertising and promotion fees comprised a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.

The Directors of the Company are of the opinion that the above transactions were entered into in the normal and usual course of business.

(b) Outstanding balances with related parties:

	Notes	2008 HK$'million	2007 HK$'million
Due from associates	(i)	249.3	247.0
Due from a jointly controlled entity of the listed associate	(ii)	0.7	1.9
Due from related companies	(ii)	2.6	3.6
Due to a fellow subsidiary	(iii)	(1.3)	(1.2)
Due to the listed associate	(iv)	(2.4)	(2.7)
Loans to associates	(v)	156.0	156.0

Notes:

(i) Except for an amount of HK$239.5 million (2007 − HK$234.2 million) included in interests in associates in note 18 to the financial statements, the remaining balance is included in debtors, deposits and prepayments in note 23 to the financial statements.

(ii) The amounts are included in debtors, deposits and prepayments in note 23 to the financial statements.

(iii) The amounts are included in creditors and accruals in note 25 to the financial statements.

(iv) Except for an amount of HK$0.1 million (2007 − HK$2.7 million) included in interests in associates in note 18 to the financial statements, the remaining balance is included in creditors and accruals in note 25 to the financial statements.

(v) Details of loans to associates are included in note 18 to the financial statements.

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

	2008 HK$'million	2007 HK$'million
Short term employee benefits	8.3	7.7
Equity-settled share option expense	1.3	2.2
Total compensation paid to key management personnel	9.6	9.9

Further details of Directors' emoluments are included in note 9 to the financial statements.

The related party transactions set out in notes 33(a)(i) and (v) above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules to the Company. Such transactions are exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval pursuant to, where applicable, rules 14A.31(8), 14A.33(2) and 14A.33(3)(a) of the Listing Rules.

The related party transactions set out in note 33(a)(ii) to (iv) above did not constitute connected transactions as defined in the Listing Rules to the Company.

34. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's investment properties with a total carrying value of HK$358.0 million (2007 - HK$380.0 million) and certain ordinary shares in the listed associate with a market value of HK$115.7 million (2007 - HK$344.5 million) were pledged to secure general banking facilities granted to the Group.

35. CONTINGENT LIABILITIES

At the balance sheet date, the Company had the following contingent liabilities:

	2008	**2007**
	HK$'million	*HK$'million*
Corporate guarantees provided by the Company in respect of banking facilities granted to subsidiaries	264.7	247.1

At 31st December, 2008, the banking facilities granted to the subsidiaries subject to guarantees given by the Company were utilised to the extent of approximately HK$214.7 million (2007 - HK$247.1 million).

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 31st December, 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Within one year	9.2	9.6
In the second to fifth years, inclusive	2.0	5.4
	11.2	15.0

(b) **As lessee**

The Group leases certain office properties, area and machineries under operating lease arrangements. Leases for the office properties and area are negotiated for terms ranging from 1 to 2 years, and those for the machineries are for terms ranging from 1 to 1.5 years.

At 31st December, 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Within one year	0.2	1.8

At the balance sheet date, the Company had no outstanding operating lease commitment.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008

GROUP

Financial assets

	Financial assets at fair value through profit or loss				
	- designated as such upon initial recognition	**- held for trading**	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Interests in associates (note 18)	—	—	395.5	—	395.5
Available-for-sale investments	—	—	—	3.2	3.2
Financial assets at fair value through profit or loss	330.8	1.5	—	—	332.3
Loans receivable	—	—	6.5	—	6.5
Trade debtors (note 23)	—	—	46.1	—	46.1
Other financial assets included in debtors, deposits and prepayments	—	—	24.0	—	24.0
Time deposits	—	—	186.0	—	186.0
Cash and bank balances	—	—	92.0	—	92.0
	330.8	1.5	750.1	3.2	1,085.6

Financial liabilities

	Financial liabilities at amortised cost
	HK$'million
Interests in associates (note 18)	0.1
Trade creditors (note 25)	25.6
Other financial liabilities included in creditors and accruals	24.4
Deposits received	4.6
Interest bearing bank borrowings (note 27)	214.6
	269.3

2007

GROUP

Financial assets

	Financial assets at fair value through profit or loss				
	- designated as such upon initial recognition	- held for trading	Loans and receivables	Available-for-sale financial assets	Total
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Interests in associates (note 18)	—	—	390.2	—	390.2
Available-for-sale investments	—	—	—	10.0	10.0
Financial assets at fair value through profit or loss	308.5	0.3	—	—	308.8
Loans receivable	—	—	9.7	—	9.7
Trade debtors (note 23)	—	—	34.9	—	34.9
Other financial assets included in debtors, deposits and prepayments	—	—	24.8	—	24.8
Time deposits	—	—	330.2	—	330.2
Cash and bank balances	—	—	71.7	—	71.7
	308.5	0.3	861.5	10.0	1,180.3

Financial liabilities

	Financial liabilities at amortised cost
	HK$'million
Interests in associates (note 18)	2.7
Trade creditors (note 25)	14.4
Other financial liabilities included in creditors and accruals	22.5
Deposits received	4.6
Interest bearing bank borrowings (note 27)	247.0
	291.2

	COMPANY	
	2008	2007
Financial assets	Loans and receivables	Loans and receivables
	HK$'million	*HK$'million*
Amounts due from subsidiaries (note 31)	3,362.1	3,422.3

Financial liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'million	*HK$'million*
Financial liabilities included in creditors and accruals	1.5	1.9

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as available-for-sale investments, financial assets at fair value through profit or loss, trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 27 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings) and the Group's equity.

	GROUP		
	Change in basis points	**Change in profit/(loss) before tax**	**Change in equity***
		HK$'million	*HK$'million*
2008			
Hong Kong dollar	100	2.1	—
2007			
Hong Kong dollar	100	2.5	—

* *Excluding retained profits*

Credit risk

The Group's major exposure to the credit risk arises from the default of the trade debtors, with a maximum exposure equal to their carrying amounts in the consolidated balance sheet. The Group only grants credits after due credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss and available-for-sale investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 23 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group will raise funds from either the financial market or realisation of its assets if required.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

2008

	GROUP			
	Within 1 year or on demand	**1 to 2 years**	**3 to 5 years**	**Total**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Interest bearing bank borrowings	—	—	214.7	214.7
Trade creditors	25.6	—	—	25.6
Other payables	24.4	—	—	24.4
Deposits received	4.6	—	—	4.6
Due to an associate	0.1	—	—	0.1
	54.7	—	214.7	269.4

2007

	GROUP			
	Within 1 year or on demand	**1 to 2 years**	**3 to 5 years**	**Total**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Interest bearing bank borrowings	197.1	50.0	—	247.1
Trade creditors	14.4	—	—	14.4
Other payables	22.5	—	—	22.5
Deposits received	4.6	—	—	4.6
Due to an associate	2.7	—	—	2.7
	241.3	50.0	—	291.3

	COMPANY	
	2008	**2007**
	Within 1 year or on demand	**Within 1 year or on demand**
	HK$'million	*HK$'million*
Creditors and accruals	1.5	1.9

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual investments classified as financial assets at fair value through profit or loss (note 21) and available-for-sale investments (note 19) as at 31st December, 2008. The Group's listed investments are valued at quoted market prices and the unlisted investments are either valued by an independent professional valuer using valuation techniques based on quoted market price of the underlying listed security or carried at the net asset value calculated by reference to the last traded prices of the underlying securities at the balance sheet date.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments and the underlying listed securities of the unlisted investments that are carried at fair value, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale investments the impact is deemed to be on the available-for-sale investments revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of investments	Change in profit/(loss) before tax	Change in equity*
	HK$'million	*HK$'million*	*HK$'million*
2008			
Listed investments:			
— At fair value through profit or loss	77.1	3.9	—
Unlisted investments:			
— Available-for-sale	3.2	—	0.2
— At fair value through profit or loss	255.2	12.1	—
2007			
Listed investments:			
— Available-for-sale	9.9	—	0.5
— At fair value through profit or loss	135.3	6.8	—
Unlisted investments:			
— Available-for-sale	0.1	—	—
— At fair value through profit or loss	173.5	6.1	—

* *Excluding retained profits*

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2008 and 31st December, 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank borrowings less cash and cash equivalents, and excludes discontinued operations. The gearing ratios as at the balance sheet dates were as follows:

	GROUP	
	2008	**2007**
	HK$'million	*HK$'million*
Interest bearing bank borrowings	214.6	247.0
Less: Cash and cash equivalents	(278.0)	(401.9)
Net cash	(63.4)	(154.9)
Total assets	5,462.1	5,998.5
Gearing ratio	N/A	N/A

39. POST BALANCE SHEET EVENTS

Apart from the post balance sheet event disclosed in note 21 to the financial statements, in February 2009, the Group also completed the subscription for certain zero coupon guaranteed convertible bonds due 2011 issued by the Cosmopolitan group in a principal amount of HK$28.0 million. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK$0.30 per share (subject to adjustments) and carry a redemption yield of 5% per annum.

40. COMPARATIVE AMOUNTS

As further explained in note 5 to the financial statements, certain comparative amounts have been revised to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31st March, 2009.

1. ACCOUNTANTS' REPORT ON THE SUBJECT GROUP

The following is the text of an accountants' report in respect of the Subject Group received from Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

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

30th September, 2009

The Directors
Twentyfold Investments Limited
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

Dear Sirs

We set out below our report on the financial information of Twentyfold Investments Limited ("TIL") and its subsidiary, Sonnix Limited ("Sonnix"), (hereinafter collectively referred to as the "TIL Group") for each of the years ended 31st December, 2006, 2007 and 2008 and the six months ended 30th June, 2009 (the "Relevant Periods") (the "Financial Information") and the six months ended 30th June, 2008 (the "June 2008 Financial Information"), prepared on the basis set out in Section II below, for inclusion in the circular of Paliburg Holdings Limited (the "Company") dated 30th September, 2009 in connection with, inter alia, the proposed disposal and connected transaction of the Company. The Company is the immediate listed holding company of TIL.

TIL was incorporated in the British Virgin Islands with limited liability on 18th February, 1992. Sonnix, a company incorporated with limited liability in Hong Kong, is a wholly-owned subsidiary of TIL. The principal activity of TIL is investment holding and the principal activity of the TIL Group is property investment. TIL and Sonnix have adopted 31st December as their financial year end date.

No audited financial statements have been prepared for TIL since the date of its incorporation as there is no statutory requirement for TIL to prepare audited financial statements. The statutory financial statements of Sonnix for each of the years ended 31st December, 2006, 2007 and 2008 prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") were audited by Ernst & Young.

The Financial Information, which includes the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the TIL Group for the Relevant Periods and the consolidated and company statements of financial position of the TIL Group as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, together with the notes thereto, has been prepared based on the audited financial statements, or where appropriate, the unaudited management accounts of the TIL Group, prepared in accordance with the HKFRSs.

The Directors are responsible for the preparation and the true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information, that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and consistently applied, that the judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion, based on our audit, on the Financial Information for the Relevant Periods and to report our opinion to you.

Procedures performed in respect of the Financial Information for the Relevant Periods

For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA, and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Procedures performed in respect of the June 2008 Financial Information

The June 2008 Financial Information includes the comparative consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows of the TIL Group for the six months ended 30th June, 2008, together with the notes thereto, which are prepared by the Directors solely for the purpose of this report. We have also performed a review of the June 2008 Financial Information for which the Directors are responsible, 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 HKICPA. Our responsibility is to express a conclusion on such information based on our review. A review 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 HKSAs 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 opinion on the June 2008 Financial Information.

Opinion in respect of the Relevant Periods

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the consolidated results and cash flows of the TIL Group for each of the Relevant Periods and of the state of affairs of TIL and the TIL Group as at 31st December, 2006, 2007 and 2008 and 30th June, 2009.

Review conclusion in respect of the June 2008 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the June 2008 Financial Information does not give a true and fair view of the consolidated results and cash flows of the TIL Group for the six months ended 30th June, 2008 in accordance with HKFRSs.

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Notes	Year ended 31st December, 2006 HK$	Year ended 31st December, 2007 HK$	Year ended 31st December, 2008 HK$	Six months ended 30th June, 2008 HK$ (Unaudited)	Six months ended 30th June, 2009 HK$
REVENUE	6	11,461,320	14,065,516	15,531,637	7,320,228	7,091,147
Cost of sales		(2,585,490)	(2,628,161)	(2,797,895)	(1,465,590)	(1,280,132)
Gross profit		8,875,830	11,437,355	12,733,742	5,854,638	5,811,015
Other income and gains	6	177,167	165,204	35,416	24,855	25,447
Administrative expenses		(109,080)	(188,963)	(396,823)	(185,588)	(56,923)
Fair value changes on investment property		80,000,000	30,000,000	(22,000,000)	—	46,000,000
Fair value gain upon reclassification of a property held for sale to an investment property		55,640,972	—	—	—	—
Impairment of debtors		(22,470)	(270,417)	(8,333)	—	—
Finance cost	7	(27,950,054)	(28,220,054)	(11,240,859)	(10,650,775)	(4,793,947)
PROFIT/(LOSS) BEFORE TAX	8	116,612,365	12,923,125	(20,876,857)	(4,956,870)	46,985,592
Tax	9	(8,713,492)	(2,262,380)	4,038,969	1,440,231	(7,753,407)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		107,898,873	10,660,745	(16,837,888)	(3,516,639)	39,232,185

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31st December,			Six months ended 30th June,	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Profit/(Loss) for the year/period	107,898,873	10,660,745	(16,837,888)	(3,516,639)	39,232,185
Other comprehensive income, net of tax	—	—	—	—	—
Total comprehensive income/(loss) for the year/period, net of tax	107,898,873	10,660,745	(16,837,888)	(3,516,639)	39,232,185

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	**As at 31st December, 2006** *HK$*	**As at 31st December, 2007** *HK$*	**As at 31st December, 2008** *HK$*	**As at 30th June, 2009** *HK$*
NON-CURRENT ASSETS					
Investment property	10	350,000,000	380,000,000	358,000,000	404,000,000
Construction in progress	11	—	—	—	4,881,690
Total non-current assets		350,000,000	380,000,000	358,000,000	408,881,690
CURRENT ASSETS					
Debtors	12	525,165	686,634	309,814	126,277
Deposits and prepayments		1,212,200	1,212,200	1,212,200	1,254,841
Bank balances		2,772,756	4,003,094	5,040,291	4,121,092
Total current assets		4,510,121	5,901,928	6,562,305	5,502,210
CURRENT LIABILITIES					
Creditors and accruals		(79,726)	(133,937)	(185,668)	(126,798)
Deposits received		(2,080,694)	(1,902,050)	(2,664,488)	(2,412,953)
Total current liabilities		(2,160,420)	(2,035,987)	(2,850,156)	(2,539,751)
NET CURRENT ASSETS		2,349,701	3,865,941	3,712,149	2,962,459
TOTAL ASSETS LESS CURRENT LIABILITIES		352,349,701	383,865,941	361,712,149	411,844,149

					As at
			As at 31st December,		**30th June,**
	Notes	**2006**	**2007**	**2008**	**2009**
		HK$	*HK$*	*HK$*	*HK$*
NON-CURRENT LIABILITIES					
Amount due to the immediate holding company	15(b)	(66,684)	(71,442)	(75,420)	(80,178)
Amount due to a fellow subsidiary	15(b)	(369,953,729)	(387,379,328)	(386,795,812)	(390,884,651)
Deposits received		(1,344,902)	(2,507,660)	(1,810,263)	(863,074)
Deferred tax liabilities	13	(8,713,492)	(10,975,872)	(6,936,903)	(14,690,310)
Total non-current liabilities		(380,078,807)	(400,934,302)	(395,618,398)	(406,518,213)
Net assets/(liabilities)		(27,729,106)	(17,068,361)	(33,906,249)	5,325,936
EQUITY					
Issued capital	14	8	8	8	8
Retained profit/(Accumulated losses)		(27,729,114)	(17,068,369)	(33,906,257)	5,325,928
Total equity		(27,729,106)	(17,068,361)	(33,906,249)	5,325,936

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Retained profit/ (Accumulated losses)	Total equity
	HK$	*HK$*	*HK$*
At 1st January, 2006	8	(135,627,987)	(135,627,979)
Profit for the year	—	107,898,873	107,898,873
At 31st December, 2006 and 1st January, 2007	8	(27,729,114)	(27,729,106)
Profit for the year	—	10,660,745	10,660,745
At 31st December, 2007 and 1st January, 2008	8	(17,068,369)	(17,068,361)
Loss for the year	—	(16,837,888)	(16,837,888)
At 31st December, 2008 and 1st January, 2009	8	(33,906,257)	(33,906,249)
Profit for the period	—	39,232,185	39,232,185
At 30th June, 2009	8	5,325,928	5,325,936

	Issued capital	Accumulated losses	Total equity
	HK$	*HK$*	*HK$*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
At 1st January, 2008	8	(17,068,369)	(17,068,361)
Loss for the period	—	(3,516,639)	(3,516,639)
At 30th June, 2008	8	(20,585,008)	(20,585,000)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31st December, 2006 *HK$*	2007 *HK$*	2008 *HK$*	Six months ended 30th June, 2008 *HK$* *(Unaudited)*	2009 *HK$*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(Loss) before tax		116,612,365	12,923,125	(20,876,857)	(4,956,870)	46,985,592
Adjustments for:						
Finance cost	7	27,950,054	28,220,054	11,240,859	10,650,775	4,793,947
Interest income		(121,406)	(152,604)	(35,416)	(24,855)	(25,447)
Fair value gain upon reclassification of a property held for sale to an investment property		(55,640,972)	—	—	—	—
Fair value changes on investment property		(80,000,000)	(30,000,000)	22,000,000	—	(46,000,000)
Impairment of debtors		22,470	270,417	8,333	—	—
		8,822,511	11,260,992	12,336,919	5,669,050	5,754,092
Decrease/(Increase) in debtors		(187,300)	(426,086)	354,338	440,131	182,378
Increase in deposits and prepayments		—	—	—	—	(42,641)
Decrease/(Increase) in creditors and accruals		(124,390)	54,211	51,731	(40,572)	(58,870)
Increase/(Decrease) in deposits received		733,953	984,114	65,041	(48,645)	(1,198,724)
Cash generated from operations		9,244,774	11,873,231	12,808,029	6,019,964	4,636,235
Interest received		42,581	42,669	34,826	25,248	19,466
Net cash inflow from operating activities		9,287,355	11,915,900	12,842,855	6,045,212	4,655,701

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Bank interest received	78,121	104,135	14,739	14,739	7,140
Additions to construction in progress	—	—	—	—	(4,881,690)
Net cash inflow/(outflow) from investing activities	78,121	104,135	14,739	14,739	(4,874,550)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from the immediate holding company	4,680	4,758	3,978	4,368	4,758
Net repayment to a fellow subsidiary	(7,972,051)	(10,794,455)	(11,824,375)	(4,408,718)	(705,108)
Net cash outflow from financing activities	(7,967,371)	(10,789,697)	(11,820,397)	(4,404,350)	(700,350)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,398,105	1,230,338	1,037,197	1,655,601	(919,199)
Cash and cash equivalents at beginning of year/period	1,374,651	2,772,756	4,003,094	4,003,094	5,040,291
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	2,772,756	4,003,094	5,040,291	5,658,695	4,121,092
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances	2,772,756	4,003,094	5,040,291	5,658,695	4,121,092

STATEMENTS OF FINANCIAL POSITION

		As at 31st December,			**As at 30th June,**
	Notes	**2006**	**2007**	**2008**	**2009**
		HK$	*HK$*	*HK$*	*HK$*
NON-CURRENT ASSET					
Investment in a subsidiary	19	2	2	2	2
NON-CURRENT LIABILITY					
Amount due to the immediate holding company	15(b)	(66,684)	(71,442)	(75,420)	(80,178)
Net liability		(66,682)	(71,440)	(75,418)	(80,176)
EQUITY					
Issued capital	14	8	8	8	8
Accumulated losses		(66,690)	(71,448)	(75,426)	(80,184)
Total equity		(66,682)	(71,440)	(75,418)	(80,176)

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Twentyfold Investments Limited is a limited company incorporated in the British Virgin Islands. The principal place of business of TIL is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

In the opinion of the Directors, the parent company of TIL is Paliburg Development BVI Holdings Limited ("PDBVI") which was incorporated in the British Virgin Islands, and the ultimate holding company of TIL is Century City International Holdings Limited ("CCH"), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited.

Subsequent to the balance sheet date, on 10th September, 2009, the Company, PDBVI, DB Trustees (Hong Kong) Limited ("DB Trustees") and Regal Portfolio Management Limited (the "REIT Manager"), the manager of Regal Real Estate Investment Trust ("Regal REIT"), entered into a sale and purchase agreement (the "S&P Agreement"), pursuant to which PDBVI shall sell 75% of the issued share capital of TIL to DB Trustees. DB Trustees entered into the S&P Agreement on behalf of Regal REIT and at the direction of the REIT Manager. The completion of the S&P Agreement shall be subject to, inter alia, (i) the approval by the shareholders of CCH and the Company; and (ii) the REIT Manager being satisfied with the results of its inspection and investigation in respect of the TIL Group and its investment property. The S&P Agreement has not yet been completed at the date of approval of this accountants' report. Upon the completion of the S&P Agreement, the parent company of TIL will be changed to Wise Tower Limited, a wholly-owned subsidiary of Regal REIT, which was incorporated in the British Virgin Islands, and the ultimate parent of TIL will be changed to Regal REIT, which is a collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and listed on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. The Financial Information has been prepared under the historical cost convention, except for investment property, which has been measured at fair value. For the purpose of preparing the Financial Information, the TIL Group has consistently adopted the HKFRSs which are effective for the TIL Group's financial year beginning on 1st January, 2006. The Financial Information is presented in Hong Kong dollars, which is also the functional currency of TIL.

Basis of consolidation

The consolidated financial statements include the financial statements of TIL and its subsidiary for the Relevant Periods and the six months ended 30th June, 2008. The results of the subsidiary is consolidated from the date of acquisition, being the date on which the TIL Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the TIL Group are eliminated on consolidation in full.

A summary of the significant accounting policies adopted and consistently applied by the TIL Group in the preparation of the Financial Information is set out in note 4 under Section II of this report.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The TIL Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in the preparation of the Financial Information.

HKFRS 1 (Revised)	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters*[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 5 Amendments	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*[1]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[3]

Apart from the above, the HKICPA have also issued, *Improvements to HKFRSs 2009* in May 2009 which set out amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9, HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16, which are effective for annual periods beginning on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2010, although there are separate transitional provisions for certain amendments.

1 Effective for annual periods beginning on or after 1st July, 2009
2 Effective for annual periods beginning on or after 1st January, 2010
3 Effective for transfers of assets from customers received on or after 1st July, 2009

The TIL Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that these new and revised HKFRSs are unlikely to have a significant impact on the TIL Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiary

A subsidiary is an entity whose financial and operating policies TIL controls, directly or indirectly, so as to obtain benefits from its activities.

TIL's investment in a subsidiary is stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment property and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Investment property

Investment property is interest in land and building (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair value of the investment property are included in the income statement in the year/period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year/period of the retirement or disposal.

For a transfer from inventory to investment property, any difference between the fair value of the property at the date and its previous carrying amount is recognised in the income statement.

Construction in progress

Construction in progress represents investment property under renovation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of renovation during the period of renovation. Construction in progress is reclassified to investment property when completed and ready for commercial use.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The TIL Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to debtors, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the TIL Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the debts is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the TIL Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the TIL Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the TIL Group's cash management.

Financial liabilities at amortised cost

Financial liabilities are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance cost" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the TIL Group and when the revenue can be measured reliably, on the following bases:

(i) rental income, in the period in which the property units are let and on the straight-line basis over the lease terms; and

(ii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related parties

A party is considered to be related to the TIL Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the TIL Group; (ii) has an interest in the TIL Group that gives it significant influence over the TIL Group; or (iii) has joint control over the TIL Group;

(b) the party is a member of the key management personnel of the TIL Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b); or

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the TIL Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Operating lease commitments - TIL Group as lessor

The TIL Group has entered into commercial property leases on its investment property. The TIL Group has determined, based on an evaluation of the terms and conditions of the arrangement, that it retains all the significant risks and rewards of ownership of the property units which are leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period, are discussed below.

Estimation of fair values of investment property

The fair value of the investment property is individually determined at each reporting date by an independent valuer based on an open market, existing use basis. The valuer has relied on the discounted cash flow analysis and the capitalisation of income approach as its primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to the property to reflect its tenancy and cash flow profile. The discounted cash flow projections of the investment property are based on reliable estimates of expected future cash flows, supported by the terms of any existing leases and other contracts and (when possible) by external evidence, and using discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

Impairment of non-financial assets

The TIL Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of such cash flows.

Impairment of debtors

The TIL Group assesses at the end of each reporting period whether there is any objective evidence that a debtor is impaired. To determine whether there is objective evidence of impairment, the TIL Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The TIL Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The TIL Group makes its estimates based on the ageing of its debtor balances, debtors' creditworthiness, repayment history, historical write-off experience and other relevant information. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the TIL Group would be required to revise the basis of making the allowance and its future results would be affected.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the TIL Group's turnover, represents the gross rental income earned during the Relevant Periods and the six months ended 30th June, 2008.

An analysis of other income and gains is as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Bank interest income	78,121	104,135	14,739	14,739	7,140
Interest income on overdue rental	43,285	48,469	20,677	10,116	18,307
Gain on early termination of tenancies	46,831	—	—	—	—
Others	8,930	12,600	—	—	—
	177,167	165,204	35,416	24,855	25,447

7. FINANCE COST

Finance cost represents interest charged by a fellow subsidiary.

8. PROFIT/(LOSS) BEFORE TAX

The TIL Group's profit/(loss) before tax is arrived at after charging:

	Year ended 31st December,			Six months ended 30th June,	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Auditors' remuneration	30,000	40,000	40,000	—	—
and crediting:					
Gross rental income	11,461,320	14,065,516	15,531,637	7,320,228	7,091,147
Less: Outgoings	(2,585,490)	(2,628,161)	(2,797,895)	(1,465,590)	(1,280,132)
Net rental income	8,875,830	11,437,355	12,733,742	5,854,638	5,811,015

No directors' remuneration was paid by the TIL Group during the Relevant Periods and the six months ended 30th June, 2008.

9. TAX

	Year ended 31st December,			Six months ended 30th June,	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Deferred tax charge/(credit) for the year/period (note 13)	8,713,492	2,262,380	(4,038,969)	(1,440,231)	7,753,407

No provision for Hong Kong profits tax was required as the TIL Group had no estimated assessable profits for the years ended 31st December, 2007 and 2008 and the six months ended 30th June, 2008 and 2009. No provision for Hong Kong profits tax was made for the year ended 31st December, 2006 as the TIL Group had available tax losses brought forward from prior years to offset the assessable profits arising in Hong Kong generated during that year.

A reconciliation of the tax charge/(credit) applicable to the TIL Group's profit/(loss) before tax using the Hong Kong statutory tax rate to the tax amount at the effective tax rate is as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Profit/(Loss) before tax	116,612,365	12,923,125	(20,876,857)	(4,956,870)	46,985,592
Tax charge/(credit) at the Hong Kong statutory tax rate	20,407,164	2,261,547	(3,444,681)	(817,884)	7,752,623
Effect on opening deferred tax of decrease in tax rate	—	—	(627,193)	(627,193)	—
Income not subject to tax	(13,672)	—	—	—	—
Expenses not deductible for tax	819	833	32,905	4,846	784
Tax losses utilised from previous years	(5,706,618)	—	—	—	—
Tax effect of utilisation of tax losses previously not recognised	(5,974,201)	—	—	—	—
Tax charge/(credit) at the TIL Group's effective tax rate	8,713,492	2,262,380	(4,038,969)	(1,440,231)	7,753,407

The Hong Kong profits tax rate of 17.5% was used for the years ended 31st December, 2006 and 2007. The lower Hong Kong profits tax rate of 16.5% is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the year ended 31st December, 2008 and the six months ended 30th June, 2008 and 2009.

10. INVESTMENT PROPERTY

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$	*HK$*	*HK$*	*HK$*
Carrying amount at beginning of year/period	—	350,000,000	380,000,000	358,000,000
Transfer from property held for sale	270,000,000	—	—	—
Fair value changes	80,000,000	30,000,000	(22,000,000)	46,000,000
Carrying amount at end of year/period	350,000,000	380,000,000	358,000,000	404,000,000

The investment property is situated in Hong Kong and is held under a long term lease.

The investment property was revalued on 31st December 2006, 2007 and 2008 and 30th June, 2009 by independent professionally qualified valuers with an RICS qualification at HK$350,000,000, HK$380,000,000, HK$358,000,000 and HK$404,000,000, respectively, on an open market, existing use basis. The investment property is leased to third parties under operating leases, further details of which are included in note 16 under Section II of this report.

The TIL Group's investment property was pledged to secure banking facilities granted to a fellow subsidiary of the TIL Group as at the end of each reporting period.

11. CONSTRUCTION IN PROGRESS

This represents the amount incurred for renovation projects in respect of the investment property which have not been completed as at the end of the reporting period.

12. DEBTORS

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$	*HK$*	*HK$*	*HK$*
Trade debtors	525,165	957,051	309,814	126,277
Impairment	—	(270,417)	—	—
	525,165	686,634	309,814	126,277

Trade debtors generally have credit terms of 30 to 90 days. The TIL 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 the fact that the TIL Group's exposures spread over a number of customers, the TIL Group has no significant concentration of credit risk.

The movements in the provision for impairment are as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
At beginning of year/period	—	—	270,417	—
Impairment losses recognised	22,470	270,417	8,333	—
Amount written off as uncollectible	(22,470)	—	(278,750)	—
At end of year/period	—	270,417	—	—

The provision for impairment of debtors as at 31st December, 2007 represented provision for individually impaired debtors with a gross carrying amount of HK$579,405. The individually impaired debtors related to customers that were in financial difficulties and only a portion of the balances were expected to be recovered. The TIL Group did not hold any collateral or other credit enhancements over those balances.

An aged analysis of the TIL Group's trade debtors that are not considered to be impaired is as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Less than 3 months past due	515,060	323,683	284,830	126,277
4 to 6 months past due	10,105	19,329	24,984	—
7 to 12 months past due	—	7,086	—	—
Over 1 year past due	—	27,548	—	—
	525,165	377,646	309,814	126,277

Trade debtors that were past due but not impaired relate to a number of customers that have a good track record with the TIL Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The TIL Group does not hold any collateral or other credit enhancements over these balances.

13. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities of the TIL Group during the Relevant Periods are as follows:

	Revaluation of investment property	Accelerated tax depreciation	Tax losses	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1st January, 2006	—	—	—	—
Deferred tax charged/(credited) to the income statement during the year (note 9)	14,000,000	687,693	(5,974,201)	8,713,492
At 31st December, 2006 and 1st January, 2007	14,000,000	687,693	(5,974,201)	8,713,492
Deferred tax charged/(credited) to the income statement during the year (note 9)	5,250,000	687,693	(3,675,313)	2,262,380
At 31st December, 2007 and 1st January, 2008	19,250,000	1,375,386	(9,649,514)	10,975,872
Deferred tax charged/(credited) to the income statement during the year (note 9)	(4,730,000)	569,803	121,228	(4,038,969)
At 31st December, 2008 and 1st January, 2009	14,520,000	1,945,189	(9,528,286)	6,936,903
Deferred tax charged/(credited) to the income statement during the period (note 9)	7,590,000	324,198	(160,791)	7,753,407
At 30th June, 2009	22,110,000	2,269,387	(9,689,077)	14,690,310

14. SHARE CAPITAL

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$	*HK$*	*HK$*	*HK$*
Authorised:				
50,000 ordinary shares of US$1 each	390,000	390,000	390,000	390,000
Issued and fully paid:				
1 ordinary share of US$1 each	8	8	8	8

15. RELATED PARTY TRANSACTIONS

(a) The TIL Group had the following material transaction with a related party during the Relevant Periods and the six months ended 30th June, 2008:

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Interest expense paid to a fellow subsidiary	27,950,054	28,220,054	11,240,859	10,650,775	4,793,947

The interest expense was charged by the fellow subsidiary for the provision of financing to the TIL Group on monthly outstanding balances at the following rates per annum:

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
	%	%	%	%	%
Interest rates charged	7.625 to 7.875	6.625 to 7.625	2.5 to 4.25	2.75 to 4.25	2.5

(b) Outstanding balances with related parties:

(i) The amount due to a fellow subsidiary, disclosed on the face of the consolidated statements of financial position, is unsecured, bears interest at pre-determined rates mutually agreed between both parties, as detailed in note 15(a) above, and is not repayable within one year.

(ii) The amount due to the immediate holding company, disclosed on the face of the consolidated and company statements of financial position, is unsecured, interest-free and is not repayable within one year.

16. OPERATING LEASE ARRANGEMENTS

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

As at the end of each reporting date, the TIL Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	6,770,586	9,637,564	9,221,466	5,688,356
In the second to fifth years, inclusive	3,085,913	5,374,683	2,019,745	912,244
	9,856,499	15,012,247	11,241,211	6,600,600

At the end of each reporting period, TIL had no outstanding operating lease commitments.

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the TIL Group had the following capital commitments in respect of renovation of and improvements to the investment property as at the end of each reporting period:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$	*HK$*	*HK$*	*HK$*
Contracted, but not provided for	—	—	—	17,158,708
Authorised, but not contracted for	—	—	—	10,992,302
	—	—	—	28,151,010

At the end of each reporting period, TIL had no outstanding capital commitments.

18. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

TIL GROUP

Financial assets

Loans and receivables

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$	*HK$*	*HK$*	*HK$*
Debtors	525,165	686,634	309,814	126,277
Financial assets included in deposits and prepayments	1,212,200	1,212,200	1,212,200	1,216,400
Bank balances	2,772,756	4,003,094	5,040,291	4,121,092
	4,510,121	5,901,928	6,562,305	5,463,769

Financial liabilities

	Financial liabilities at amortised cost			
	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$	*HK$*	*HK$*	*HK$*
Financial liabilities included in creditors and accruals	49,726	33,443	50,450	71,058
Deposits received	3,425,596	4,409,710	4,474,751	3,276,027
Amount due to the immediate holding company	66,684	71,442	75,420	80,178
Amount due to a fellow subsidiary	369,953,729	387,379,328	386,795,812	390,884,651
	373,495,735	391,893,923	391,396,433	394,311,914

TIL

Financial liability

	Financial liability at amortised cost			
	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$	*HK$*	*HK$*	*HK$*
Amount due to the immediate holding company	66,684	71,442	75,420	80,178

19. INVESTMENT IN A SUBSIDIARY

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$	*HK$*	*HK$*	*HK$*
Unlisted shares, at cost	2	2	2	2

Details of the subsidiary are as follows:

Name	Place of incorporation/ operation	Nominal value of issued share capital	Percentage of equity interest attributable to the TIL Group				Principal activity
		HK$	31st December,			30th June,	
			2006	2007	2008	2009	
Sonnix Limited	Hong Kong	2	100	100	100	100	Property investment

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The TIL Group has various financial instruments which arise directly from its operations.

The main risks arising from the TIL Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

The TIL Group's exposure to interest rate risks relates primarily to the amount due to a fellow subsidiary which bears interest at floating interest rates. The interest rates and terms of repayment of the amount due to a fellow subsidiary are disclosed in note 15(b) under Section II of this report.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the TIL Group's profit/(loss) before tax (through the impact on floating rate borrowing).

	Increase/(Decrease) in profit/(loss) before tax			
	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$	*HK$*	*HK$*	*HK$*
Increase in 100 basis points	(3,699,537)	(3,873,793)	(3,867,958)	(3,908,847)
Decrease in 100 basis points	3,699,537	3,873,793	3,867,958	3,908,847

Credit risk

The TIL Group's major exposure to the credit risk arises from the default of the debtors, with a maximum exposure equal to their carrying amounts in the statements of financial position. The TIL Group only grants credits after due credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the TIL Group's exposure to bad debts is not significant.

The credit risk of the TIL Group's other financial assets, which comprise bank balances and deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

In the management of liquidity risk, the TIL Group monitors and maintains a level of bank balances deemed adequate by management to finance the TIL Group's operations. The TIL Group also maintains a balance between continuity of funding and flexibility through the funding from a fellow subsidiary and the immediate holding company in order to meet its liquidity requirements both in the short and longer terms.

Except for amounts due to the immediate holding company and a fellow subsidiary which are not repayable within one year, the maturity profile of the TIL Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, was as follows:

	Within 1 year or on demand	**2 - 5 years**	**Total**
	HK$	*HK$*	*HK$*
31st December, 2006			
Financial liabilities included in creditors and accruals	49,726	—	49,726
Deposits received	2,080,694	1,344,902	3,425,596
	2,130,420	1,344,902	3,475,322
31st December, 2007			
Financial liabilities included in creditors and accruals	33,443	—	33,443
Deposits received	1,902,050	2,507,660	4,409,710
	1,935,493	2,507,660	4,443,153
31st December, 2008			
Financial liabilities included in creditors and accruals	50,450	—	50,450
Deposits received	2,664,488	1,810,263	4,474,751
	2,714,938	1,810,263	4,525,201
30th June, 2009			
Financial liabilities included in creditors and accruals	71,058	—	71,058
Deposits received	2,412,953	863,074	3,276,027
	2,484,011	863,074	3,347,085

Capital management

The primary objectives of the TIL Group's capital management are to safeguard the TIL Group's ability to continue as a going concern and to maintain healthy capital ratios, including working capital and gearing ratios, in order to support its business and maximise shareholders' value.

The TIL Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the TIL Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods and the six months ended 30th June, 2008.

21. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the TIL Group and TIL in respect of any period subsequent to 30th June, 2009.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE SUBJECT GROUP

Operating results

Revenue of the Subject Group for the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 (the "Reporting Periods") in the approximate amounts of HK$11.5 million, HK$14.1 million, HK$15.5 million and HK$7.1 million, respectively, represented the gross rental income earned from leasing of the Property which was the only business activity of the Subject Group. The growth of the revenue of the Subject Group from approximately HK$11.5 million for 2006 to approximately HK$14.1 million for 2007 was primarily due to the improvement in the overall rental market in Hong Kong. The revenue of the Subject Group for 2008 remained relatively steady when compared with the previous year. The revenue of the Subject Group for the six months ended 30 June 2009 also remained relatively steady when compared with the previous period.

The Subject Group recorded a consolidated profit before tax of approximately HK$116.6 million and approximately HK$12.9 million for each of the two years ended 31 December 2006 and 2007, and a consolidated loss before tax of approximately HK$20.9 million for the year ended 31 December 2008. The profits for the years of 2006 and 2007 were mainly attributable to a fair value gain on the Property of approximately HK135.6 million (including a fair value gain upon reclassification of the Property from a property held for sale to an investment property of approximately HK$55.6 million) and HK$30 million, respectively. In the year of 2008, the loss was mainly attributable to a fair value loss on the Property of HK$22 million recognised in that year.

For the six months ended 30 June 2009, the Subject Group recorded a consolidated profit before tax of approximately HK$47 million as compared to a consolidated loss before tax of approximately HK$5 million for the six months ended 30 June 2008. The improvement in results was primarily due to the fact that a fair value gain on the Property of HK$46 million was recognised during the six months ended 30 June 2009.

Segmental information

During the Reporting Periods, the Subject Group was solely engaged in the investment holding of the Property.

Liquidity and financial resources

During the Reporting Periods, the operation of the Subject Group was financed by the cash generated from its operations and by the Shareholder Loan.

Borrowings

As at 31 December 2006, 2007 and 2008 and 30 June 2009, except for the Shareholder Loan of approximately HK$370 million, HK$387.5 million, HK$386.9 million and HK$390.9 million, respectively, the Subject Group did not have any outstanding borrowings. The gearing ratios of the Subject Group (calculated by dividing the Shareholder Loan by total assets value) were approximately 104%, 100%, 106% and 94% as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively.

Pledge of assets

The Property owned by the Property Company was pledged to secure the banking facilities granted to a fellow subsidiary of the Subject Group as at the end of each of the Reporting Periods.

Capital commitments

The Subject Group had no capital commitments at 31 December 2006, 2007 and 2008. At 30 June, 2009, the Subject Group had outstanding authorised capital commitments in respect of the Asset Enhancement Programme not provided for amounting to approximately HK$28.2 million.

Contingent liabilities

As at the end of each of the Reporting Periods, the Subject Group did not have any contingent liabilities.

Capital structure

There was no change in the equity capital structure of the Subject Group during the Reporting Periods.

Significant investments held

Except for the Property, the Subject Group did not have any other significant investments during the Reporting Periods.

Material acquisitions and disposals of subsidiaries and associates

During the Reporting Periods, there were no material acquisitions or disposals of subsidiaries and associates of the Subject Group.

Exchange risk and hedging

During the Reporting Periods, as the functional currency of the Subject Group was primarily in Hong Kong dollars, being the same currency in which the Subject Group's revenue was derived, the Subject Group did not have significant exposure to fluctuations in exchange rates and no hedging instrument had been deployed.

Employees and remuneration

During the Reporting Periods, the Subject Group did not have any staff nor any staff remuneration.

Prospects

As stated in the Letter from the Board in this circular, pursuant to the S&P Agreement, the Seller shall at its own cost carry out the Asset Enhancement Programme on the Property to convert part of the Property into the Hotel and the Seller has undertaken to complete the Asset Enhancement Programme by 31 December 2010. It is expected that business prospects of the Subject Group would be improved with the completion of the Asset Enhancement Programme. Moreover, as the proposed Lease Agreement will become effective on the date after the Completion Date, the rental income of the Subject Group would increase and would become more stable after the Lease Agreement becoming effective.

The following is the text of a letter (enclosing a valuation certificate) from CBRE to the Company in respect of the Property, prepared for inclusion in this circular.

CBRE is an independent professional valuer solely engaged by the REIT Manager in connection with its valuation of the Property as at 30 June 2009. The following letter (enclosing the valuation certificate) has been prepared by CBRE at the request of the Company, and CBRE has given its consent to the reproduction of the same in this circular.

CBRE
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地產代理（公司）牌照號碼
Estate Agent's Licence No: C-004065

Date: 30 September 2009

Paliburg Holdings Limited
11/F., 68 Yee Wo Street,
Causeway Bay, Hong Kong

Dear Sirs,

**Re: Shops A, B and C on Ground Floor,
Flat Roof on 3rd Floor, 5th to 12th Floors,
15th to 23rd Floors and 25th to 29th Floors,
Eastern and Western Elevations of External Walls,
Architectural Feature at Roof Top and Upper Roof,
No.211 Johnston Road, Wanchai, Hong Kong (the "Property")**

We refer to the valuation engagement conducted by CB Richard Ellis Limited (hereinafter referred to as "we" or "CBRE") at the instruction of Regal Portfolio Management Limited (the "REIT Manager") as the Manager of Regal Real Estate Investment Trust ("Regal REIT") in connection with a proposed acquisition, setting out our opinion of the market value of the leasehold interests of the Property as at June 30 2009 (the "Date of Valuation").

As requested, we have set out in this letter the valuation principles on which our valuation of the Property are based and enclose a valuation certificate.

Valuation Principles

Our valuation is prepared in accordance with the "HKIS Valuation Standards on Properties (First Edition 2005)" and meets the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities (the "Exchange Listing Rules") issued by The Stock Exchange of Hong Kong Limited.

Our valuation is made on the basis of Market Value which is defined by the HKIS to mean "the estimated amount for which a property should exchange on the Date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our assessment addresses the Market Value of the Property based on the information and materials available to us. In view of the nature of the Property, our valuation of the hotel portion has been made inclusive of furniture, trade fixtures and fittings.

Gross Floor Area ("GFA") expressed in our valuation has the same meaning as that defined in the Building (Planning) Regulations. Except where such area has been exempted that constitutes gross floor area under the Building (Planning) Regulations of the Buildings Ordinance, Cap. 123 of the Laws of Hong Kong, in general, Gross Floor Area of a building shall be the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground) and the thickness of the external walls of the building but may disregard any floor space that is constructed solely for refuse related facilities and other mechanical and electrical services.

In the course of our valuation, we have carried out searches to be made at the Land Registry. However, we have not inspected the original documents to verify the ownership or to ascertain the existence of any amendments which may not appear on the copies delivered to us. We are not aware of any title defects, easements or rights of way affecting the Property. Our valuation assumes that none of the above exists, except only where otherwise stated.

We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of, all ordinances as well as the Deed of Mutual Covenant, except only where otherwise stated. We have further assumed that, for the existing and the proposed uses of the Property upon which the attached certificate are based, any and all required licences, permits, certificates, and authorizations have been obtained, except only where otherwise stated.

No allowance has been made in our valuation for any charges, mortgages or amounts owing neither on the Property nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the Property was free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our valuation.

We have adopted two valuation methods, namely Direct Comparison Approach and Income Approach. Direct Comparison Approach involves the analysis of comparable sales and adjustments are made to reflect the differences in date of sale, location, property quality, room configuration, size, view, the land lease terms, the government rents and other factors affecting the values. Income approach takes the market rents and incomes of the property as well as the passing rents of the tenancies into account. The capital values are then assessed by applying appropriate capitalization rates, which are made reference to the current yields of similar properties, to the rents/incomes. These two valuation methods are among the most commonly used valuation methods in the valuation of the market value of income generating properties.

We have inspected the Property to such extent as is necessary for the purpose of the valuation. In the course of our inspection, we did not notice any serious defects, except where stated otherwise. However, we have not carried out any structural survey nor any tests which were made on the building services.

Reliance On This Letter

The valuation and market information are not guarantees or predictions and must be read in conjunction with the following:

- The conclusion as to the estimated value of the Property is based upon the factual information set forth in the valuation certificate. Whilst CBRE has endeavored to assure the accuracy of the factual information, it has not independently verified all information provided to us (primarily copies of leases and financial information with respect to the Property);

- We have no reason to doubt the truth and accuracy of the information provided to us and we also have no reason to believe that the information is not fair and reasonable. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld; and

- The valuation was undertaken based upon information available to us. CBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions. No obligation is assumed to revise the valuation to reflect events or conditions which may occur subsequent to the date thereof.

Disclaimer

CBRE has relied upon information supplied by the REIT Manager of Regal REIT and various independent third party studies which we assume to be true and accurate. CBRE takes no responsibility for the accuracy of the supplied data and subsequent conclusions related to such data. The inquiries of CBRE are necessarily limited by the nature of its role and CBRE does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. For the purpose of our valuation assessments, we have assumed that this information is correct.

CBRE has no present or prospective interest in the Property and has no personal interest or bias with respect to the parties involved. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of subsequent events (such as a lending proposal or sale negotiation).

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Alex PW Leung MHKIS MRICS RPS(GP)
Director
Valuation & Advisory Services

Note:

Mr. Alex Leung is a Registered Professional Surveyor (General Practice), a member of the Hong Kong Institute of Surveyors, a member of Royal Institution of Chartered Surveyors. He has about 15 years experience in valuation in Hong Kong.

Encl.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital Values subject to the existing tenancies as at June 30, 2009
Shops A, B and C on Ground Floor, Flat Roof on 3rd Floor, 5th to 12th Floors, 15th to 23rd Floors and 25th to 29th Floors, Eastern and Western Elevations of External Walls, Architectural Feature at Roof Top and Upper Roof, No. 211 Johnston Road, Wanchai, Hong Kong 3062/3637 shares of and in the Remaining Portion and the Subsection 1 of Section F, and the Remaining Portion and the Subsection 1 of Section G, all of Inland Lot No.2769.	The Property comprises a major portion of the G/F, 22 entire floors (from 5/F and upwards of which 13/F, 14/F and 24/F are omitted), 3/F flat roof and upper roof, together with the eastern and western elevations of external walls and architectural feature at roof top in a 26-storey retail/office building completed in 1997. The remaining portion of G/F, 1/F and 2/F of the building are currently owned by The Financial Secretary Incorporated, the property agent of the Government of HKSAR. 3/F is designated to mechanical and electrical services. The upper floors were designed for office uses but we have been informed that Building Department's approval has been obtained regarding a proposed change of uses of 27/F-29/F from office to restaurant. Asset Enhancement Program ("AEP") is being undertaken for the purpose of converting 9 office storeys (5/F-15/F) into a hotel of 50 guestrooms, a hotel office and a function room as well as converting Shop C at G/F into hotel lobby and Shops A & B into a coffee shop/restaurant. **Gross Floor Areas (Before AEP)** G/F Shops: 1,479 sq ft[1] G/F Entrance and Common Areas: 1,048 sq ft[2] 5/F-29/F Office: 56,343 sq ft Total: 58,870 sq ft (or 5,471 sq m) **(Remarks** 1. G/F is held under multi-ownership and therefore shop areas are quoted in term of saleable areas. 2. Areas of G/F entrance and common areas comprise all the common parts on G/F, i.e. the portion shared with the entire building.)	As at the Date of Valuation, about 82.6% of the G/F shop spaces, about 89.8% of office portion on 16-26/F as well as one of the top three floors were leased to various tenants. The total monthly rent was approximately HK$708,639 exclusive of air-conditioning charges, management fees and rates. The latest expiry date of the leases is June 30, 2011.	i) assuming a sale subject to the Asset Enhancement Program had just completed and its cost being fully paid by Paliburg Development BVI Holdings Limited (the "Vendor") as vendor: **HK$479,000,000** (HONG KONG DOLLARS FOUR HUNDRED SEVENTY NINE MILLION) ii) If there is no Asset Enhancement Program: **HK$404,000,000** (HONG KONG DOLLARS FOUR HUNDRED AND FOUR MILLION) on the basis that the top three floors were valued as office use without taking any retail element into account.

Property	Description and tenure	Details of occupancy	Capital Values subject to the existing tenancies as at June 30, 2009
(Cont'd)	The hotel portion is expected to commence its operation in the 1st quarter of 2010.		

The outstanding project cost is estimated to be about HK$25 million as at the valuation date. The construction cost is payable by Paliburg Development BVI Holdings Limited.

Gross Floor Areas (After AEP)

G/F Shops	1,222 sq ft[1]
G/F Entrance, Common Areas and Hotel Lobby	1,305 sq ft[2]
5/F-15/F Guest Rooms	22,375 sq ft
16/F-29/F Office/ Commercial	33,294 sq ft
Total:	58,196 sq ft (or 5,409 sq m)

Plus:

Hotel Back-of-the-house	651 sq ft
Exempted Hotel Pipe Duct Areas	23 sq ft

(Remarks

1. G/F is held under multi-ownership and therefore shop areas are quoted in term of saleable areas.

2. Areas of G/F entrance and common areas comprise all the common parts on G/F, i.e. the portion shared with the entire building.)

The property is held for a term expiring on May 24, 2028 and renewable for 99 years. The government rent payable is HK$52.06 per annum (for whole IL2769 s.F&G).

Notes:

i. The registered owner of the Property is Sonnix Limited.

ii. Pursuant to the Land Registry, the Property is subject to the following encumbrances:

- Licence in favour of Sonnix Limited by the District Lands Officer/Hong Kong West for & on behalf of The Governor of Hong Kong dated November 22, 1994 vide Memorial No.UB6186840;
- Statutory Declaration of Liu Yee Man John dated April 17, 1997 vide Memorial No.UB7020522;
- Occupation Permit No.H73/97 dated November 20, 1997 vide Memorial No.UB7355437;
- Deed of Mutual Covenant and Management Agreement in favour of Paliburg Estate Management Limited dated November 28, 1997 vide Memorial No.UB7376631 ("DMC");
- Mortgage in favour of The Bank of East Asia, Limited dated February 28, 2005 vide Memorial No.05031001490187;
- Supplement to Security Documents in favour of The Bank of East Asia, Limited dated July 19, 2006 vide Memorial No. 06080801050066; and
- Second Supplement to Security Documents in favour of The Bank of East Asia, Limited dated February 13, 2008 vide Memorial No. 08030402000161.

iii. As informed, the Property will be subject to a proposed lease agreement (the "Proposed Lease Agreement") with the terms as follows:

- Lessor: Sonnix Limited;
- Lessee: Real Charm Investment Limited, a subsidiary of the Vendor;
- Term: Commencing from the day following the completion date of the proposed acquisition to December, 31 2010;
- Rental: Fixed monthly rental of HK$2,000,000;
- Remarks: Lessee has a right to grant subleases subject to the terms and conditions of the Proposed Lease Agreement. The Proposed Lease Agreement is subject to a right of early termination exercisable at the discretion of Lessor at any time on 3 months' prior written notice.

iv. The Property lies within an area zoned as "Commercial/Residential" under the current Wanchai Outline Zoning Plan No. S/H5/25 dated November 16, 2007.

v. In our valuation, we have made the following assumptions:-

a) We have disregarded the effect of the Proposed Lease Agreement in Note iii above upon assessing the values of the Property;

b) We have assumed the relevant consent/licence for the AEP has been obtained with all the conditions in the consent/licence have been complied;

c) We have been provided with a proposed Supplemental DMC. We have assumed the proposed Supplemental DMC will become effective.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code") were as follows:

	Name of Director	Class of shares held	Number of shares held Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at Latest Practicable Date)
1. **The Company**	Mr Lo	Ordinary				
		(i) issued	60,062,373	629,648,684 (Note c(i))	13,500	689,724,557
		(ii) unissued	21,951,641 (Notes c(ii) & (iii))	64,284,117 (Notes c(iv) & (v))	1,500 (Note c(vi))	86,237,258
					Total (i) & (ii):	775,961,815 (76.12%)

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

	Name of associated corporation	Name of Director	Class of shares held	Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at Latest Practicable Date)
				Number of shares held			
2.	Century City	Mr Lo	Ordinary				
			(i) issued	31,801,690	1,166,482,217 (Note a(i))	251,000	1,198,534,907
			(ii) unissued	40,890,338 (Notes a(ii) & (iii))	233,296,441 (Note a(iv))	50,200 (Note a(v))	274,236,979
						Total (i) & (ii):	1,472,771,886 (63.74%)
		Mr. Jimmy Lo Chun To	Ordinary				
			(i) issued	165,980	—	—	165,980
			(ii) unissued	33,196 (Note b(i))	—	—	33,196
						Total (i) & (ii):	199,176 (0.009%)
		Miss Lo Po Man	Ordinary				
			(i) issued	74,043	—	—	74,043
			(ii) unissued	14,808 (Note b(ii))	—	—	14,808
						Total (i) & (ii):	88,851 (0.004%)
		Mr. Ng Siu Chan	Ordinary				
			(i) issued	—	—	2,322,180	2,322,180
			(ii) unissued	—	—	464,436 (Note b(iii))	464,436
						Total (i) & (ii):	2,786,616 (0.12%)
		Mr. Kenneth Wong Po Man	Ordinary				
			(i) issued	200	—	—	200
			(ii) unissued	40 (Note b(iv))	—	—	40
						Total (i) & (ii):	240 (0.000%)

	Name of associated corporation	Name of Director	Class of shares held	Number of shares held Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at Latest Practicable Date)
3.	Regal	Mr Lo	Ordinary				
			(i) issued	24,200	477,507,262 (Note i(i))	260,700	477,792,162
			(ii) unissued	20,000,000 (Note i(ii))	—	—	20,000,000
						Total (i) & (ii):	497,792,162 (49.25%)
		Mr. Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note j)	—	—	2,000,000 (0.20%)
		Mr. Jimmy Lo Chun To	Ordinary (unissued)	1,500,000 (Note k)	—	—	1,500,000 (0.15%)
		Miss Lo Po Man	Ordinary				
			(i) issued	300,000	—	269,169 (Note l(i))	569,169
			(ii) unissued	3,000,000 (Note l(ii))	—	—	3,000,000
						Total (i) & (ii):	3,569,169 (0.35%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note j)	—	—	2,000,000 (0.20%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	—	—	200 (0.000%)
4.	8D International (BVI) Limited	Mr Lo	Ordinary (issued)	—	1,000 (Note m)	—	1,000 (100%)

Notes:

(a) (i) The interests in 91,482,217 issued ordinary shares of Century City 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 1,075,000,000 issued ordinary shares of Century City were held through corporations controlled by Mr Lo as detailed below:

(a)	**Name of corporation**	**Controlled by**	**% of control**
	Century City	Mr Lo	51.86
	Century City BVI Holdings Limited	Century City	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 Century City were held through the interests in the options granted under the share option scheme of Century City 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 Century City at an adjusted exercise price of HK$1.20 per ordinary share (subject to adjustments). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12 May 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 Century City under vested options**
12 May 2007 to 11 May 2011	14,000,000
12 May 2008 to 11 May 2011	7,000,000
12 May 2009 to 11 May 2011	7,000,000
12 May 2010 to 11 May 2011	7,000,000

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

(iv) The interests in 233,296,441 unissued ordinary shares of Century City 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 Century City upon the terms as set out in note (a)(iii) above.

The interests in 18,296,441 unissued ordinary shares of Century City 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
Century City	Mr Lo	51.86
Century City BVI Holdings Limited	Century City	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 Century City 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 Century City upon the terms as set out in note (a)(iii) above.

(b) (i) The interests in 33,196 unissued ordinary shares of Century City 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 Century City upon the terms as set out in note (a)(iii) above.

(ii) The interests in 14,808 unissued ordinary shares of Century City 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 Century City upon the terms as set out in note (a)(iii) above.

(iii) The interests in 464,436 unissued ordinary shares of Century City 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 Century City upon the terms as set out in note (a)(iii) above.

(iv) The interests in 40 unissued ordinary shares of Century City 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 Century City upon the terms as set out in note (a)(iii) above.

(c) (i) The interests in 587,730,624 issued Shares were held through companies wholly owned by Century City, in which Mr Lo held 51.86% shareholding interests.

The interests in 14,592,860 issued Shares 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 Shares 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 Shares 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 Shares at an adjusted exercise price of HK$1.97 per 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 12 May 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 Shares under vested options
12 May 2007 to 11 May 2011	8,035,200
12 May 2008 to 11 May 2011	4,017,600
12 May 2009 to 11 May 2011	4,017,600
12 May 2010 to 11 May 2011	4,017,600

(iii) The interests in 1,863,641 unissued Shares 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 20 November 2007 to 8 November 2010 to subscribe for a total of 1,863,641 new Shares at an adjusted subscription price of HK$2.10 per Share (subject to adjustment).

(iv) The interests in 59,465,921 unissued Shares 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 Shares upon the terms as set out in note (c)(iii) above and were held through companies wholly owned by Century City, in which Mr Lo held 51.86% shareholding interests.

(v) The interests in 4,818,196 unissued Shares 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 Shares upon the terms as set out in note (c)(iii) above.

The interests in 1,678,825 unissued Shares 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 Shares 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 Shares 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 Shares upon the terms as set out in note (c)(iii) above.

(d) (i) The interests in 2,232,000 unissued Shares 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 Shares at an adjusted exercise price of HK$1.97 per 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 25 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 Shares under vested options
25 July 2007 to 24 July 2011	892,800
25 July 2008 to 24 July 2011	446,400
25 July 2009 to 24 July 2011	446,400
25 July 2010 to 24 July 2011	446,400

(ii) The interests in 85 unissued Shares 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 Shares upon the terms as set out in note (c)(iii) above.

(e) (i) The interests in 2,232,000 unissued Shares 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 Shares at an adjusted exercise price of HK$1.97 per 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 25 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 Shares under vested options
25 July 2007 to 24 July 2011	892,800
25 July 2008 to 24 July 2011	446,400
25 July 2009 to 24 July 2011	446,400
25 July 2010 to 24 July 2011	446,400

(ii) The interests in 4,260 unissued Shares 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 Shares upon the terms as set out in note (c)(iii) above.

(f) The interests in 1,116,000 unissued Shares 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 Shares at an adjusted exercise price of HK$1.97 per 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 25 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 Shares under vested options**
25 July 2007 to 24 July 2011	446,400
25 July 2008 to 24 July 2011	223,200
25 July 2009 to 24 July 2011	223,200
25 July 2010 to 24 July 2011	223,200

(g) (i) The interests in 2,176,200 unissued Shares 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 Shares at an adjusted exercise price of HK$1.97 per 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 25 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 Shares under vested options**
25 July 2007 to 24 July 2011	837,000
25 July 2008 to 24 July 2011	446,400
25 July 2009 to 24 July 2011	446,400
25 July 2010 to 24 July 2011	446,400

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

(h) The interests in 8,047 unissued Shares 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 Shares upon the terms as set out in note (c)(iii) above.

(i) (i) The interests in 421,400 issued ordinary shares of Regal were held through companies wholly owned by Century City, in which Mr Lo held 51.86% shareholding interests, and the interests in the other 477,085,862 issued ordinary shares of Regal were held through companies wholly owned by the Company, in which Century City held 57.66% shareholding interests.

(ii) The interests in 20,000,000 unissued ordinary shares of Regal were held through the interests in the options granted under the share option scheme of Regal 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 Regal 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 12 May 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 Regal under vested options**
12 May 2007 to 11 May 2011	8,000,000
12 May 2008 to 11 May 2011	4,000,000
12 May 2009 to 11 May 2011	4,000,000
12 May 2010 to 11 May 2011	4,000,000

(j) The interests in 2,000,000 unissued ordinary shares of Regal 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 Regal 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 25 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 Regal under vested options**
25 July 2007 to 24 July 2011	800,000
25 July 2008 to 24 July 2011	400,000
25 July 2009 to 24 July 2011	400,000
25 July 2010 to 24 July 2011	400,000

(k) The interests in 1,500,000 unissued ordinary shares of Regal 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 Regal 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 25 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 Regal under vested options**
25 July 2007 to 24 July 2011	600,000
25 July 2008 to 24 July 2011	300,000
25 July 2009 to 24 July 2011	300,000
25 July 2010 to 24 July 2011	300,000

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

(ii) The interests in 3,000,000 unissued ordinary shares of Regal 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 25 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 Regal under vested options
25 July 2007 to 24 July 2011	1,200,000
25 July 2008 to 24 July 2011	600,000
25 July 2009 to 24 July 2011	600,000
25 July 2010 to 24 July 2011	600,000

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

Save as disclosed above, none of the Directors or the chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group:

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

Notes:

(i) Mr Lo directly and indirectly held 51.86% shareholding interests in Century City, and the interests in these Shares held by Century City through its wholly owned subsidiaries were included in the corporate interests of Mr Lo in the Shares as disclosed under the section headed "Disclosure of Directors' Interests" above.

(ii) These companies are wholly owned subsidiaries of Century City and their interests in the Shares of the Company were included in the interests held by Century City.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

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

(1) Mr Lo, 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 Century City.

(2) Mr Lo, Mr. Donald Fan Tung and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which have been since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration of material importance and there was no litigation or claim known to the Directors to be pending or threatened against the Company or any of its subsidiaries which in the opinion of the Directors would be or is likely to be of material importance.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

8. MATERIAL CONTRACT

The following contract (not being contract in the ordinary course of business) has been entered into by the members of the Group within the two years preceding the date of this circular and is or may be material:

(a) the S&P Agreement (which is appended with the agreed forms of the Assignment Deed, the Shareholders Agreement and the Lease Agreement).

9. QUALIFICATIONS AND CONSENTS OF EXPERTS

The qualifications of the experts who have given opinions or advices contained in this circular are set out as follows:

Name	Qualification
CIMB	a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the Option Disposal, the Unwinding, the Bank and Refinancing Guarantee, and the Lease Transaction (including the annual rental caps for the Lease Transaction)
CBRE	Chartered Surveyors and Valuers
Ernst & Young	Certified Public Accountants

As at the date of this circular, the above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and reference to their names and opinions in the form and context in which they appear in this circular.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above experts did not have any interest in any assets which have been since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong during normal business hours on any business day from the date of this circular until 14 October 2009:

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the annual reports of the Company for each of the two years ended 31 December 2007 and 31 December 2008;

(c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 22 to 23 of this circular;

(d) the letter from CIMB to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 24 to 38 of this circular;

(e) the letter (enclosing a valuation certificate) from CBRE to the Company, the text of which is set out in Appendix III to this circular;

(f) the accountants' report on the Subject Group, the text of which is set out in Appendix II to this circular;

(g) the written consents from the experts referred to in paragraph headed "Qualifications and consents of experts" in this appendix; and

(h) a copy of the material contract referred to under the paragraph headed "Material contract" in this appendix and the HMA.

11. GENERAL

(a) The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong. The registered office of the Company is located at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.

(b) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The secretary of the Company is Ms Lam Sau Fun, Eliza, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(d) The English text of this circular shall prevail over the Chinese text.