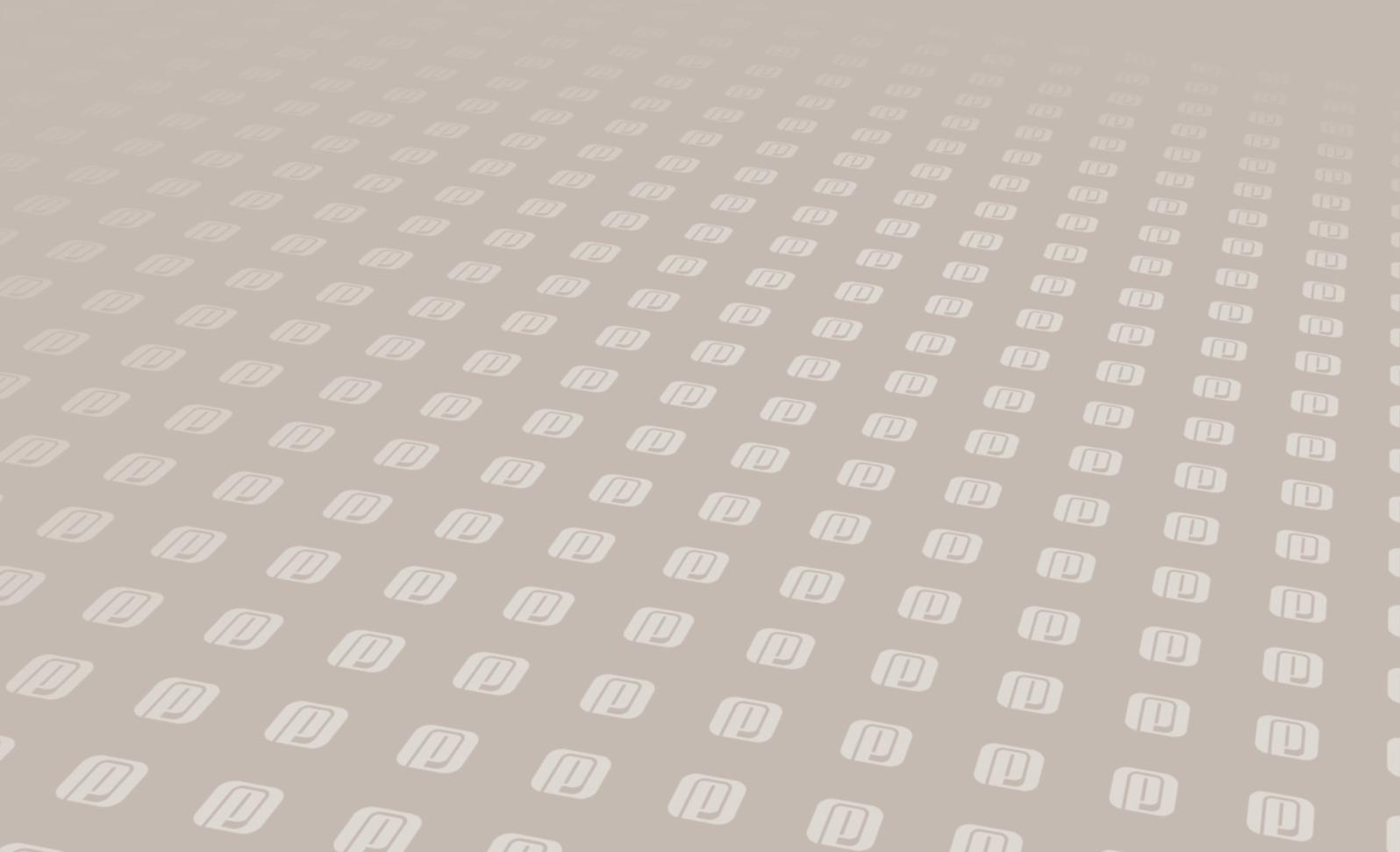




I N T E R I M R E P O R T 2 0 0 7 中 期 報 告



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CORPORATE INFORMATION

DIRECTORS

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Donald Fan Tung
(Chief Operating Officer)
Jimmy Lo Chun To
Lo Po Man
Kenneth Ng Kwai Kai
Ng Siu Chan[#]
Abraham Shek Lai Him, JP[#]
Wong Chi Keung[#]
Kenneth Wong Po Man

[#] *Independent Non-Executive Director*

AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Ng Siu Chan
Abraham Shek Lai Him, JP

REMUNERATION COMMITTEE

Lo Yuk Sui (Chairman)
Ng Siu Chan
Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITORS

Ernst & Young

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FINANCIAL AND BUSINESS REVIEW

FINANCIAL REVIEW

For the six months ended 30th June, 2007, the Group recorded an unaudited consolidated profit attributable to shareholders of HK\$1,200.1 million, representing an increase of more than 4.7 times over the comparative amount of HK\$209.1 million attained in the corresponding period in 2006. The profit increase was largely attributable to the share of profit from Regal Hotels International Holdings Limited, the Group's listed associate, which has increased significantly due to the gain derived by Regal from the spin-off of Regal Real Estate Investment Trust in March 2007.

As at 30th June, 2007, Regal REIT was equity-accounted for by the Regal group as a 70.5% owned associate. Due to the elimination of the unrealised gain attributable to the interest retained by the Regal group in Regal REIT, the interest in Regal REIT was stated in the financial statements of the Regal group only at a net sum of HK\$292.5 million. The interest in Regal REIT represented by far the most significant investment held by the Regal group and if it were to be valued plainly based on its attributable share of the underlying net assets of Regal REIT as at 30th June, 2007, the interest held in Regal REIT would have been stated at HK\$7,333.9 million instead. This has in turn also affected the book net assets of the Group as at 30th June, 2007.

In order to more fairly reflect the underlying net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on a proforma basis to reflect the share of the underlying net assets as attributable to the 70.5% interest held by Regal in Regal REIT as mentioned above, is provided in the section headed "Management Discussion and Analysis" below.

BUSINESS REVIEW

PROPERTIES

Hong Kong

With a view to focusing resources on principal investments and property projects, the Group has during the period taken steps to dispose of some of its non-core assets.

In March 2007, the Group completed the sale to Cosmopolitan International Holdings Limited, a listed company in Hong Kong, of the entire equity interests in the wholly-owned subsidiary that beneficially owns the 10 retained duplex units and unsold car parks in the completed residential development at Rainbow Lodge, 9 Ping Shan Lane, Yuen Long, New Territories at a consideration of HK\$70 million. The profit derived from this disposal has been reflected in the results for the period under review.

Part of the consideration in the amount of HK\$56 million was settled by the Cosmopolitan group issuing to the Group convertible bonds that are convertible into 800 million new shares of Cosmopolitan at an initial conversion price of HK\$0.07 per share. In conjunction with the issue of such convertible bonds, the Group has granted to the Cosmopolitan group certain placement rights, exercisable by the Cosmopolitan group within 12 months from the date of issue, to procure potential investors to purchase part or all of the convertible bonds held by the Group. In case where the Group disposes of the convertible bonds pursuant to such placement rights or chooses to retain the convertible bonds after an offer has been so procured, the Group would account to Cosmopolitan 70% of the profit arising from the placement of such convertible bonds. The attributable fair value gain on the Group's investment in these convertible bonds, based on the market price of the shares of Cosmopolitan as at 30th June, 2007, has been reflected in the results for the period under review.

Further in June 2007, the Group completed the agreement for the sale of the entire equity interest in the wholly-owned subsidiary that beneficially owns the various parcels of land in Sharp Island, Sai Kung, New Territories, which were formerly held by the Group for future development purposes, at a consideration of HK\$50 million. The profit derived from this disposal has also been reflected in the results for the period under review.

The Group has a 30% interest in the joint development project at Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East. This development project entails primarily residential accommodation comprising luxury apartments together with ancillary retail areas, having total gross floor area of about 913,000 square feet, and complemented with recreational and car parking facilities. Site formation works have been completed and the piling works are in progress. As the supply of luxury apartments in Hong Kong within the next few years, particularly on the south side of the Hong Kong island, is relatively limited, the luxury residential apartments in this project are anticipated to be well received and in great demand.

The ground floor shops and all the office floors in the commercial building at 211 Johnston Road, Wanchai, which are retained as investment properties, have virtually been fully leased and are yielding increasing rental income.

The People's Republic of China

The development project in the Central Business District of Beijing, the People's Republic of China, is 59% owned by an associate which, in turn, is 50% each held by Regal and the Group. Due to the time required to secure the development rights to the Phase II land site included within the project and to resolve relocation and compensation arrangements with existing occupiers on the land sites, the overall development timetable has been delayed. It is expected that a more accurate projection of the development timetable for this project should be finalised in the near future.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group's construction and building related businesses on the whole are progressing steadily and the Group's construction arm, Chatwin Engineering Limited, has secured additional construction contracts, both in the private and public sectors.

OTHER INVESTMENTS

Subsequent to the half year end date, the Group completed a share swap agreement with an independent third party, pursuant to which the Group acquired from that party 180 million existing issued shares of Cosmopolitan, representing approximately 11.3% of the issued share capital of Cosmopolitan, for a total consideration of HK\$126 million. The consideration was settled by the Company issuing to that party 336 million new shares, which was equivalent to an issue price of HK\$0.375 per share.

The Cosmopolitan group is engaged in, among others, property business and is working on a number of proposed large scale property development projects in the PRC. The Directors believe that, through the investment in Cosmopolitan, the Group will be provided with opportunities to indirectly invest in and capitalise on the growing potential of the PRC real estate market as well as participating directly in some selective property development projects to be undertaken by the Cosmopolitan group.

The investment in Regal represented the most significant investment of the Group and the Group has always intended to maintain a strategic controlling interest in Regal. In order to allow the Group to hedge against potential dilution in its shareholding interest in Regal that may result from the conversions of convertible securities issued by the Regal group, in April 2007, the Group acquired from independent third party vendors certain convertible bonds of the Regal group which were convertible into 500 million new ordinary shares of Regal. The total consideration of HK\$360 million was settled as to HK\$60 million in cash and the balance of HK\$300 million by way of promissory notes. Further information on this transaction was contained in the Discloseable Transaction circular dated 18th May, 2007 despatched to shareholders.

All the convertible bonds issued by the Regal group, including those acquired by the Group, have since been fully converted and the Group has also exercised its entire holding of the share warrants of Regal, which expired in July 2007, into new ordinary shares of Regal. As at the date of this report, the Group held approximately 44.6% shareholding interest in the enlarged issued ordinary share capital of Regal.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

The 2007 financial year is a very fruitful year for Regal. The successful implementation of the separate listing of Regal REIT on the Main Board of The Stock Exchange of Hong Kong Limited in March 2007 marked a very important step for the Regal group in its overall business development. Through this spin-off process, substantial profits and significant new funds have been derived, establishing for Regal a solid platform for its continuing growth.

For the six months ended 30th June, 2007, Regal achieved an unaudited consolidated profit attributable to ordinary shareholders of HK\$2,496.2 million, which represented an increase of more than 7 times over the comparative profit of HK\$310.8 million attained in 2006.

Following the completion of the spin-off transactions, the operating structure of the Regal group in respect of its hotel businesses has changed. Summarily, the five Regal Hotels in Hong Kong are now directly owned by Regal REIT but the Regal group continues to be the operator and manager of these hotel properties under the lease arrangements and hotel management agreements with Regal REIT. Regal Portfolio Management Limited, a wholly-owned subsidiary of the Regal group, also acts as the asset manager of Regal REIT.

For the period from 11th December, 2006 (the date of establishment of Regal REIT) to 30th June, 2007, Regal REIT attained a profit of HK\$2,165.0 million, which included the gain of HK\$2,044.4 million that arose from its acquisition of the five Regal Hotels in Hong Kong from the Regal group at a discount to their market valuations. The board of the REIT Manager has also resolved to make a distribution of HK\$0.057 per unit to unitholders for the period from the listing date of Regal REIT of 30th March, 2007 to 30th June, 2007.

Hotels

During the period under review, market fundamentals in the travel and tourism sector in Hong Kong continued to be strong. Overall for the five Regal Hotels, the combined average room occupancy level was about 81%, reflecting an increase of about 1.5% as compared with the first half of 2006, while the combined average room rate was enhanced by about 3.7%.

The Asset Enhancement Programme at the Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel as well as those rooms at the Regal Riverside Hotel that are scheduled for completion within this year have all been substantially completed and by the fourth quarter this year, an aggregate of 194 new hotel rooms will be ready for letting. As part of the agreement for the sale of the five Regal Hotels in Hong Kong to Regal REIT, the Regal group has undertaken to complete the Asset Enhancement Programme at its own cost. The negotiation on the land premium for the lease modification to permit the construction of 3 additional storeys on top of the existing building structure at the Regal Riverside Hotel, which will provide additionally 274 new hotel rooms, has recently been concluded and the requisite construction works will soon commence.

Properties

Over 20 houses in Regalia Bay, the luxury residential development in Stanley, Hong Kong have been leased at progressively increased rental rates. The Regal group will continue to lease out the unsold houses unless the price offered by prospective purchasers is attractive. The Regal group is discussing with its joint venture partner for a division of the available houses between the two shareholders and based on the proposed arrangement being discussed, it is expected that the Regal group will have an allocation of 36 available houses with total gross area of about 166,000 square feet.

Other Investments

In January 2007, the Regal group entered into a letter of intent with Cosmopolitan to participate in a large scale development project in Shenyang City, Liaoning Province, which is the subject of an overall development cooperation framework agreement between the Cosmopolitan group and the Shenyang Menrong Economic District. Further in May 2007, the Regal group subscribed for convertible bonds issued by the Cosmopolitan group in a principal amount of HK\$102.5 million, which are convertible into 500 million new shares of Cosmopolitan at an initial conversion price of HK\$0.205 per share. Through the investment in the Cosmopolitan group, the Regal group will be provided with opportunities to directly participate in the hotel and hospitality-related portions planned within certain of the proposed large scale development projects that are being worked on by the Cosmopolitan group, and indirectly to share in the profit potentials of such projects as would be enhanced by the Regal group's presence and contribution.

OUTLOOK

As the latter half of the year is traditionally the higher season, with the fourth quarter being the strongest for the hotel industry in Hong Kong, the five Regal Hotels are expected to achieve better performance than that attained in the first half year.

Following the spin-off of Regal REIT, the Regal group is staging its expansion plans in the hotel business sector in two directions, to be undertaken in parallel and on a complementary basis. Regal REIT will focus on the acquisition of hotel and hospitality-related properties and has the mission to build up its existing portfolio and to become a pre-eminent owner of four and five star hotels in Greater China. On the other front, the Regal group will primarily target on the expansion of the hotel management network as well as the acquisition and development of new hotel and hospitality-related projects, which in appropriate cases may potentially serve as an incubator for future acquisitions by Regal REIT.

The Regal group presently holds a substantial amount of cash resources and is free of any bank debt, and it is in a ready position to embark on its planned expansion programme.

Over the past months, the Regal group has been actively reviewing a vast number of proposals for the acquisition and/or joint venture of hotel projects in China. Some of these proposals have been identified as possible targets and certain of which are at a relatively more advanced stage of negotiation.

The directors of Regal are confident that as the Regal group maintains a very strong financial position, it is now ready for dynamic network expansion and well-poised to take advantage of any attractive investment or other opportunities that may become available in the near future, which can serve to enhance long-term value to shareholders.

While the problems over the subprime loans in the United States have triggered off some adverse repercussions in the international financial and capital markets over the recent period, the scope and extent of such effects are yet to be ascertained. However, the Group remains optimistic of the outlook of the real estate market in Mainland China and is actively reviewing various acquisition proposals on potential development projects in this regard.

The Group is well-prepared for long-term growth and, in the meanwhile, is also considering proposals with a view to strengthening the Group's asset and capital base, in preparation for its planned business expansion ahead.

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 27th August, 2007

INTERIM DIVIDEND

In view of the satisfactory results achieved, the Directors have declared the payment of an interim dividend of HK0.18 cent per ordinary share for the financial year ending 31st December, 2007 (2006 – HK0.15 cent), absorbing a total amount of approximately HK\$13.6 million (2006 – HK\$10.8 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 21st September, 2007.

The Register of Ordinary Shareholders will be closed from Wednesday, 19th September, 2007 to Friday, 21st September, 2007, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the interim dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:00 p.m. on Tuesday, 18th September, 2007. The relevant dividend warrants are expected to be despatched on or about 11th October, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

The Group's significant investments during the period principally constitute its interests in Regal Hotels International Holdings Limited ("Regal"), the listed associate of the Company. The significant investments of Regal following the spin-off of the Regal Real Estate Investment Trust ("Regal REIT") on 30th March, 2007 comprised its interests in the operation and management of the five Regal Hotels in Hong Kong, the investment in Regal REIT (which now directly owns the five Regal Hotels in Hong Kong), the asset management of Regal REIT, the interest in the jointly controlled Regalia Bay development and other investment businesses. The performance of Regal and its hotel operations during the period under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance as well as the progress and prospects on the Regalia Bay development are contained in the sections above headed "Business Review" and "Outlook" respectively.

A detailed review of the other business operations and outlook of the Group is also contained in the sections headed "Business Review" and "Outlook" above.

Cash Flow and Capital Structure

Net cash inflow from operating activities during the period under review amounted to HK\$45.2 million (2006 - outflow of HK\$3.8 million). Net interest receipt for the period amounted to HK\$0.2 million (2006 - payment of HK\$1.8 million).

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

Assets Value

In order to more fairly reflect the Group's underlying net asset value, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on a proforma basis that the Group's interest in Regal is adjusted to reflect its attributable share of Regal's proforma net assets as adjusted for Regal's interest in Regal REIT to reflect the share of the underlying net assets attributable to Regal based on Regal REIT's reported net assets attributable to its unitholders as at 30th June, 2007:

Statement of Proforma Net Assets

	30th June, 2007 (Unaudited) HK\$'million
Non-current assets	
Interests in Regal	5,349.8
Interests in other associates	625.8
Other non-current assets	539.1
	<hr/>
Total non-current assets	6,514.7
Net current liabilities	(397.8)
	<hr/>
Total assets less current liabilities	6,116.9
Non-current liabilities	(58.7)
Minority interests	(0.2)
	<hr/>
Proforma net assets attributable to equity holders of the parent	6,058.0
	<hr/> <hr/>
Proforma net asset value per ordinary share	HK\$0.84
	<hr/> <hr/>

Borrowings

As at 30th June, 2007, the Group's gross borrowings net of cash and bank balances amounted to HK\$406.5 million (31st December, 2006 - HK\$112.1 million). Gearing ratio based on total assets of HK\$5,410.7 million (31st December, 2006 - HK\$3,958.0 million) was 7.5% (31st December, 2006 - 2.8%).

Details of the Group's pledge of assets is shown in note 13 to the condensed consolidated financial statements.

Information in relation to the maturity profile of the borrowings of the Group as of 30th June, 2007 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2006 (the "2006 Annual Report").

Material Acquisitions or Disposals of Subsidiaries or Associates

As previously disclosed in the Company's 2006 Annual Report, in March 2007, the Group completed the disposal of its entire equity interest in a wholly-owned subsidiary indirectly holding a property held for sale. Further in June 2007, the Group completed another agreement for the disposal of its entire equity interest in a wholly-owned subsidiary indirectly holding a property held for future development. Details of such transactions are disclosed in the section above headed "Business Review".

Save as otherwise disclosed in the sections above headed "Business Review" and "Outlook", the Group has no immediate plan for material investments or capital assets.

Funding and Treasury Policy

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

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

Remuneration Policy

The Group, together with the Regal group, employ approximately 1,990 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

		Six months ended 30th June, 2007 (Unaudited)	Six months ended 30th June, 2006 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2	221.0	86.1
Cost of sales		(170.5)	(75.9)
Gross profit		50.5	10.2
Other income and gains	3	114.0	5.8
Fair value gain upon reclassification of a property held for sale to an investment property		–	70.3
Administrative expenses		(14.1)	(12.8)
Other operating expenses, net	4	(71.3)	(0.6)
OPERATING PROFIT	2	79.1	72.9
Finance costs	6	(8.8)	(4.6)
Share of profits and losses of associates		1,130.7	141.3
PROFIT BEFORE TAX		1,201.0	209.6
Tax	7	(0.9)	(0.5)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS		1,200.1	209.1
Attributable to:			
Equity holders of the parent		1,200.1	209.1
Minority interests		–	–
		1,200.1	209.1
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		HK16.65 cents	HK2.90 cents
Diluted		HK14.93 cents	HK2.63 cents
DIVIDEND PER ORDINARY SHARE	9	HK0.18 cent	HK0.15 cent

Condensed Consolidated Balance Sheet

		30th June, 2007 (Unaudited)	31st December, 2006 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		3.6	4.0
Investment properties		350.3	350.3
Property held for future development		–	26.7
Interests in associates		4,341.7	2,980.6
Available-for-sale equity investments		32.0	34.7
Financial asset at fair value through profit or loss		141.3	–
Loans receivable		11.9	14.3
Total non-current assets		4,880.8	3,410.6
CURRENT ASSETS			
Financial assets at fair value through profit or loss		–	19.1
Properties held for sale		6.0	38.7
Inventories		8.5	6.9
Debtors, deposits and prepayments	10	125.0	87.0
Time deposits		127.1	129.3
Cash and bank balances		13.9	17.0
		280.5	298.0
Asset of a disposal group classified as held for sale		249.4	249.4
Total current assets		529.9	547.4
CURRENT LIABILITIES			
Creditors and accruals	11	(106.6)	(98.0)
Tax payable		(3.7)	(2.8)
Promissory notes payable		(300.0)	–
Interest bearing bank and other borrowings		(197.5)	(10.3)
Deposits received		(221.0)	(220.3)
		(828.8)	(331.4)
Liability directly associated with the asset of a disposal group classified as held for sale		(98.9)	(98.9)
Total current liabilities		(927.7)	(430.3)
NET CURRENT ASSETS/(LIABILITIES)		(397.8)	117.1
TOTAL ASSETS LESS CURRENT LIABILITIES		4,483.0	3,527.7

Condensed Consolidated Balance Sheet (Cont'd)

	30th June, 2007 (Unaudited)	31st December, 2006 (Audited)
	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES	4,483.0	3,527.7
NON-CURRENT LIABILITIES		
Interest bearing bank borrowings	(50.0)	(248.1)
Deferred tax liabilities	(8.7)	(8.7)
Total non-current liabilities	(58.7)	(256.8)
Net assets	4,424.3	3,270.9
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	72.1	72.1
Reserves	4,338.4	3,177.0
Dividends	13.6	21.6
	4,424.1	3,270.7
Minority interests	0.2	0.2
Total equity	4,424.3	3,270.9

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

	Attributable to equity holders of the parent													
	Issued capital (Unaudited)	Share premium account (Unaudited)	Share bonds of the listed associate (Unaudited)	Share option reserve (Unaudited)	Special reserve (Unaudited)	Assets revaluation reserve (Unaudited)	Investments revaluation reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Dividends (Unaudited)	Total (Unaudited)	Minority interests (Unaudited)	Total equity (Unaudited)	
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	
At 1st January, 2006	72.1	522.1	9.8	4.2	689.6	693.8	98.8	13.3	0.6	952.1	14.4	3,070.8	0.2	3,071.0
Changes in fair value of available-for-sale equity investments	-	-	-	-	-	-	20.3	-	-	-	-	20.3	-	20.3
Total income and expense recognised directly in equity	-	-	-	-	-	-	20.3	-	-	-	-	20.3	-	20.3
Profit for the period	-	-	-	-	-	-	-	-	-	209.1	-	209.1	-	209.1
Total income and expense for the period	-	-	-	-	-	-	20.3	-	-	209.1	-	229.4	-	229.4
Release on deemed disposal of interests in the listed associate	-	-	-	-	-	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Final 2005 dividend declared	-	-	-	-	-	-	-	-	-	(14.4)	-	(14.4)	-	(14.4)
Equity-settled share option arrangements	-	-	-	1.5	-	-	-	-	-	-	-	1.5	-	1.5
Share of the listed associate	-	-	-	3.3	-	-	-	-	-	(10.8)	-	3.3	-	3.3
2006 Interim dividend	-	-	-	-	-	-	-	-	-	10.8	-	-	-	-
At 30th June, 2006	72.1	522.1	9.8	9.0	689.6	693.8	119.1	13.2	0.6	1,150.4	10.8	3,290.5	0.2	3,290.7

Condensed Consolidated Cash Flow Statement

	Six months ended 30th June, 2007 (Unaudited)	Six months ended 30th June, 2006 (Unaudited)
	HK\$'million	HK\$'million
Net cash inflow/(outflow) from operating activities	45.2	(3.8)
Net cash inflow/(outflow) from investing activities	(11.8)	21.5
Net cash inflow/(outflow) from financing activities	(38.7)	30.6
Net increase/(decrease) in cash and cash equivalents	(5.3)	48.3
Cash and cash equivalents at beginning of period	146.3	94.0
Cash and cash equivalents at end of period	141.0	142.3
Analysis of balances of cash and cash equivalents		
Cash and bank balances	13.9	12.4
Non-pledged time deposits with original maturity of less than three months when acquired	127.1	129.9
	141.0	142.3

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st December, 2006, except for the adoption of the following Hong Kong Financial Reporting Standards ("HKFRSs") mandatory for annual periods beginning on or after 1st January, 2007.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements.

2. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

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.

(a) Business segments

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

GROUP

	Property development and investment		Construction and building related businesses		Hotel ownership/operation and management		Securities investment		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2007	Six months ended 30th June, 2006	Six months ended 30th June, 2007	Six months ended 30th June, 2006	Six months ended 30th June, 2007	Six months ended 30th June, 2006	Six months ended 30th June, 2007	Six months ended 30th June, 2006	Six months ended 30th June, 2007	Six months ended 30th June, 2006	Six months ended 30th June, 2007	Six months ended 30th June, 2006	Six months ended 30th June, 2007	Six months ended 30th June, 2006
	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m
Segment revenue:														
Sales to external customers	77.5	6.0	124.8	49.8	-	-	18.7	30.3	-	-	-	221.0	86.1	-
Intersegment sales	-	-	-	1.0	-	-	-	-	-	-	(1.0)	-	-	-
Total	77.5	6.0	124.8	50.8	-	-	18.7	30.3	-	-	(1.0)	221.0	86.1	-
Segment results	65.7	72.7	7.4	4.1	-	-	84.9	2.9	0.8	1.1	(0.9)	157.9	80.8	-
Interest income and unallocated non-operating and corporate gains												3.9	3.9	
Unallocated non-operating and corporate expenses												(82.7)	(11.8)	
Operating profit												79.1	72.9	
Finance costs												(8.8)	(4.6)	
Share of profits and losses of associates	(0.3)	(0.6)	(0.2)	-	1,131.2	141.9	-	-	-	-	-	1,130.7	141.3	
Profit before tax												1,201.0	209.6	
Tax												(0.9)	(0.5)	
Profit for the period before allocation between equity holders of the parent and minority interests												1,200.1	209.1	
Attributable to:												1,200.1	209.1	
Equity holders of the parent												-	-	
Minority interests												1,200.1	209.1	

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

GROUP

	Hong Kong		Mainland China		Eliminations		Consolidated	
	Six months ended 30th June, 2007 (Unaudited) HK\$'m	2006 (Unaudited) HK\$'m						
Segment revenue:								
Sales to external customers	220.9	86.0	0.1	0.1	-	-	221.0	86.1

3. Other Income and Gains

Other income and gains represent the following items:

	Six months ended 30th June, 2007 (Unaudited)	Six months ended 30th June, 2006 (Unaudited)
	HK\$'million	HK\$'million
Interest income	3.9	3.5
Fair value gains on financial assets at fair value through profit or loss	85.3	0.3
Gain on disposal of subsidiaries	23.2	–
Gain on deemed disposal of interests in the listed associate	–	1.4
Others	1.6	0.6
	<u>114.0</u>	<u>5.8</u>

4. Other Operating Expenses, net

Other operating expenses, net, include the following major items:

	Six months ended 30th June, 2007 (Unaudited)	Six months ended 30th June, 2006 (Unaudited)
	HK\$'million	HK\$'million
Depreciation	0.7	0.6
Loss on deemed disposal of interests in the listed associate	69.9	–
	<u>70.6</u>	<u>0.6</u>

5. An analysis of profit on sale of investments or properties of the Group is as follows:

	Six months ended 30th June, 2007 (Unaudited)	Six months ended 30th June, 2006 (Unaudited)
	HK\$'million	HK\$'million
Profit on disposal of listed investments	0.3	2.5
Profit on sale of properties	37.1	–
	<u>37.4</u>	<u>2.5</u>

6. Finance Costs

	Six months ended 30th June, 2007 (Unaudited)	Six months ended 30th June, 2006 (Unaudited)
	HK\$'million	HK\$'million
Interest in respect of:		
Bank loans wholly repayable within five years	5.6	4.1
Other loans and promissory notes, wholly repayable within five years	3.2	0.5
Total finance costs	8.8	4.6

7. Tax

	Six months ended 30th June, 2007 (Unaudited)	Six months ended 30th June, 2006 (Unaudited)
	HK\$'million	HK\$'million
Current - Hong Kong		
Provision for tax in respect of profits for the period	0.9	0.4
Current - Overseas		
Underprovision in prior periods	–	0.1
Total tax charge for the period	0.9	0.5

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2006 - 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

The share of tax charge attributable to associates amounting to HK\$5.5 million (2006 - tax credit of HK\$1.5 million) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

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

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$1,200.1 million (2006 - HK\$209.1 million) and on the weighted average of 7,208.5 million (2006 - 7,208.5 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2007 is based on the profit for the period attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the earnings of Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company, and its subsidiaries (the "RHIHL Group") of HK\$109.0 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 the period. The weighted average number of ordinary shares used in the calculation is the aggregate of the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 101.4 million that would be issued at no consideration assuming all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the period. The exercise price of the share options of RHIHL outstanding during the period is higher than the average market price of the ordinary shares of RHIHL and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2006 was based on the profit for that period attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the RHIHL Group's earnings of HK\$18.3 million assuming all outstanding convertible bonds (including optional convertible bonds) of the RHIHL Group 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 period. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue during that period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 39.4 million that would be issued at no consideration assuming all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of that period. The conversion of the outstanding convertible preference shares of RHIHL was anti-dilutive for that period and was not included in the calculation of diluted earnings per ordinary share. In addition, the exercise price of the share options of RHIHL outstanding during that period was higher than the average market price of the ordinary shares of RHIHL and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

9. Dividend

The Directors have declared the payment of an interim dividend of HK0.18 cent per ordinary share for the financial year ending 31st December, 2007 (2006 - HK0.15 cent), absorbing a total amount of approximately HK\$13.6 million (2006 - HK\$10.8 million).

10. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$38.4 million (31st December, 2006 - HK\$18.4 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	30th June, 2007 (Unaudited)	31st December, 2006 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	37.9	18.3
Between 4 to 6 months	0.1	0.1
Between 7 to 12 months	0.4	–
	<u>38.4</u>	<u>18.4</u>

Credit Terms

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

Included in the balances are amounts due from the Group's listed associate, a jointly controlled entity of the listed associate and a related company of HK\$25.6 million (31st December, 2006 - HK\$8.5 million), HK\$0.6 million (31st December, 2006 - HK\$2.0 million) and HK\$8.3 million (31st December, 2006 - HK\$8.3 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

The balance at 31st December, 2006 also included a loan receivable of HK\$37.0 million which was secured, bore interest at 1% per month and was fully repaid during the current period.

11. Creditors and Accruals

Included in the balance is an amount of HK\$17.6 million (31st December, 2006 - HK\$7.5 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	30th June, 2007 (Unaudited)	31st December, 2006 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	17.3	7.4
Between 4 to 6 months	0.3	0.1
	<u>17.6</u>	<u>7.5</u>

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, a fellow subsidiary and related companies of HK\$8.1 million (31st December, 2006 - HK\$8.1 million), HK\$0.5 million (31st December, 2006 - HK\$1.0 million) and HK\$5.9 million (31st December, 2006 - HK\$4.2 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

12. Related Party Transactions

- (a) Transactions with related parties

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

	Six months ended 30th June, 2007 (Unaudited)	Six months ended 30th June, 2006 (Unaudited)
	HK\$'million	HK\$'million
The listed ultimate holding company:		
Management fees	2.9	2.8
The listed associate:		
Gross construction fee income	69.2	3.1
Gross development consultancy fee income	3.7	-
Gross income in respect of security systems and products and other software	0.1	0.2
A jointly controlled entity of the listed associate:		
Gross construction fee income	0.8	0.4
A related company:		
Advertising and promotion fees (including cost reimbursements)	0.1	0.2

The nature and terms of these related party transactions were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2006.

(b) Outstanding balances with related parties

	30th June, 2007 (Unaudited)	31st December, 2006 (Audited)
	HK\$'million	HK\$'million
Due from associates	253.4	230.7
Due from a jointly controlled entity of the listed associate	0.6	2.0
Due from a related company	8.3	8.3
Due to a fellow subsidiary	(0.5)	(1.0)
Due to the listed associate	(10.6)	(10.6)
Due to related companies	(5.9)	(4.2)
Loans to associates	156.4	156.4
	<u> </u>	<u> </u>

(c) Compensation of key management personnel of the Group

	Six months ended 30th June, 2007 (Unaudited)	Six months ended 30th June, 2006 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	2.8	2.1
Share-based payments	1.4	1.3
	<u> </u>	<u> </u>
Total compensation paid to key management personnel	4.2	3.4
	<u> </u>	<u> </u>

13. Pledge of Assets

At 30th June, 2007, certain of the Group's investment property and available-for-sale equity investments with a total carrying value of HK\$350.8 million and certain ordinary shares in the listed associate were pledged to secure general banking facilities granted to the Group.

At 31st December, 2006, certain of the Group's investment properties, properties held for sale and available-for-sale equity investments with a total carrying value of HK\$400.2 million and certain ordinary shares in the listed associate were pledged to secure general banking facilities granted to the Group.

14. Operating Lease Arrangements

(a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from 2 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 30th June, 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2007 (Unaudited)	31st December, 2006 (Audited)
	HK\$'million	HK\$'million
Within one year	8.5	6.8
In the second to fifth years, inclusive	4.1	3.1
	<u>12.6</u>	<u>9.9</u>

(b) As lessee

The Group leases certain office property, area and machinery under operating lease arrangements. Leases for the office property and area are negotiated for terms ranging from 1 to 2 years, and those for the machinery are for terms ranging from 13 to 18 months.

At 30th June, 2007, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	30th June, 2007 (Unaudited)	31st December, 2006 (Audited)
	HK\$'million	HK\$'million
Within one year	2.7	1.7
In the second to fifth years, inclusive	0.3	1.0
	<u>3.0</u>	<u>2.7</u>

15. Post Balance Sheet Event

Subsequent to the balance sheet date, in July 2007, the Group completed a share swap agreement with an independent third party to acquire from that party 180.0 million existing issued shares in Cosmopolitan International Holdings Limited for a total consideration of HK\$126.0 million which was settled by the Company issuing to that party 336.0 million new ordinary shares.

16. Share Options

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

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

Offer date**	Name or category of participant	Number of ordinary shares under share options*			Vesting/Exercise periods of share options	Exercise price of share options* HK\$
		At 1st January, 2007	Vested during the period	At 30th June, 2007		
Directors						
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	–	72,000,000	72,000,000	Note	0.22
	Unvested:	180,000,000***	(72,000,000)	108,000,000		
25th July, 2005	Mr. Donald Fan Tung					
	Unvested:	20,000,000	–	20,000,000	Note	0.22
25th July, 2005	Mr. Jimmy Lo Chun To					
	Unvested:	20,000,000	–	20,000,000	Note	0.22
25th July, 2005	Miss Lo Po Man [†]					
	Unvested:	10,000,000	–	10,000,000	Note	0.22
25th July, 2005	Mr. Kenneth Ng Kwai Kai					
	Unvested:	20,000,000	–	20,000,000	Note	0.22
25th July, 2005	Mr. Kenneth Wong Po Man [†]					
	Unvested:	10,000,000	–	10,000,000	Note	0.22
Other Employees						
25th July, 2005	Employees, in aggregate					
	Unvested:	17,000,000	–	17,000,000	Note	0.22
Total						
	Vested:	–	72,000,000	72,000,000		
	Unvested:	277,000,000	(72,000,000)	205,000,000		

- * 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 deemed the date of grant of the share options unless the grant of the share options is otherwise declined or lapsed.
- *** In excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date.
- # Appointed as Directors of the Company on 11th January, 2007.

Note:

Vesting/Exercise periods of share options:

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

OTHER INFORMATION

Directors' Interests in Share Capital

As at 30th June, 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

	Name of Director	Class of Shares Held	Number of Shares Held			Total (Approximate percentage of the Issued Shares as at 30th June, 2007)
			Personal Interests	Family/ Other Interests	Corporate Interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	124,242,765	-	4,126,974,001 (Note c(i))	4,251,216,766
		(ii) unissued	180,000,000 (Note c(ii))	-	-	180,000,000
	Total (i) & (ii):					4,431,216,766 (61.47%)
	Mr. Donald Fan Tung	Ordinary (i) issued	2,718	-	-	2,718
		(ii) unissued	20,000,000 (Note d)	-	-	20,000,000
	Total (i) & (ii):					20,002,718 (0.28%)
	Mr. Jimmy Lo Chun To	Ordinary (i) issued	284,000	-	-	284,000
		(ii) unissued	20,000,000 (Note d)	-	-	20,000,000
	Total (i) & (ii):					20,284,000 (0.28%)
	Miss Lo Po Man	Ordinary (unissued)	10,000,000 (Note e)	-	-	10,000,000 (0.14%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	20,000,000 (Note d)	-	-	20,000,000 (0.28%)

	Name of Director	Class of Shares Held	Number of Shares Held			Total (Approximate percentage of the Issued Shares as at 30th June, 2007)
			Personal Interests	Family/ Other Interests	Corporate Interests	
1. The Company	Mr. Ng Siu Chan	Ordinary (issued)	-	536,500	-	536,500 (0.0074%)
	Mr. Kenneth Wong Po Man	Ordinary (i) issued (ii) unissued	2,000 10,000,000 (note e)	- -	- -	2,000 10,000,000
					Total (i) & (ii):	10,002,000 (0.14%)
	Name of Associated Corporation					
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (i) issued (ii) unissued	294,516,903 408,903,380 (Notes a(i) & (iii))	- -	11,664,822,186 (Note a(ii)) 2,332,964,436 (Note a(iv))	11,959,339,089 2,741,867,816
					Total (i) & (ii):	14,701,206,905 (68.45%)
	Mr. Jimmy Lo Chun To	Ordinary (i) issued (ii) unissued	1,659,800 331,960 (Note b(i))	- -	- -	1,659,800 331,960
					Total (i) & (ii):	1,991,760 (0.009%)
	Miss Lo Po Man	Ordinary (i) issued (ii) unissued	740,437 148,087 (Note b(ii))	- -	- -	740,437 148,087
					Total (i) & (ii):	888,524 (0.004%)
	Mr. Ng Siu Chan	Ordinary (i) issued (ii) unissued	- -	23,221,800 4,644,360 (Note b(iii))	- -	23,221,800 4,644,360
					Total (i) & (ii):	27,866,160 (0.13%)
	Mr. Kenneth Wong Po Man	Ordinary (i) issued (ii) unissued	2,000 400 (Note b(iv))	- -	- -	2,000 400
					Total (i) & (ii):	2,400 (0.000%)

Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total (Approximate percentage of the Issued Shares as at 30th June, 2007)
			Personal Interests	Family/ Other Interests	Corporate Interests	
3. Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (i) issued	220,000	-	4,702,561,610 (Note f(i))	4,702,781,610
		(ii) unissued	200,022,000 (Notes f(iii) & (v))	-	69,805,453 (Note f(ii) to (iv))	269,827,453
					Total (i) & (ii):	4,972,609,063 (47.32%)
		Preference (issued)	-	-	3,440 (Note e(iv))	3,440 (20.54%)
	Mr. Donald Fan Tung	Ordinary (unissued)	20,000,000 (Note g)	-	-	20,000,000 (0.19%)
	Mr. Jimmy Lo Chun To	Ordinary (unissued)	15,000,000 (Note h)	-	-	15,000,000 (0.14%)
	Miss Lo Po Man	Ordinary (i) issued	3,000,000	2,691,690	-	5,691,690
		(ii) unissued	30,000,000 (Note i)	-	-	30,000,000
					Total (i) & (ii):	35,691,690 (0.34%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	20,000,000 (Note g)	-	-	20,000,000 (0.19%)
Mr. Kenneth Wong Po Man	Ordinary (i) issued	2,000	-	-	2,000	
	(ii) unissued	200 (Note j)	-	-	200	
				Total (i) & (ii):	2,200 (0.000%)	
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	1,000 (Note k)	1,000 (100%)

Notes:

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

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

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	55.68
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited ("Grand Modern")	Century Digital Holdings Limited	100.00

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

- (ii) The interests in 350,000,000 unissued ordinary shares of CCIHL were held through the interests in the options granted under the share option scheme of CCIHL named as "The Century City International Holdings Limited Share Option Scheme", entitling the holder thereof to subscribe for a total of 350,000,000 new ordinary shares of CCIHL at an exercise price of HK\$0.12 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 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

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

- (iii) The interests in 58,903,380 unissued ordinary shares of CCIHL related to the interests in the warrants of CCIHL (the "2011 Warrants") carrying subscription rights in an aggregate amount of HK\$5,890,338.00, which are exercisable during the period from 18th April, 2006 to 11th January, 2011 to subscribe for a total of 58,903,380 new ordinary shares of CCIHL at an initial subscription price of HK\$0.10 per ordinary share (subject to adjustment).

- (iv) The interests in 2,332,964,436 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$233,296,443.60, which are exercisable to subscribe for a total of 2,332,964,436 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (b) (i) The interests in 331,960 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$33,196.00, which are exercisable to subscribe for a total of 331,960 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (ii) The interests in 148,087 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$14,808.70, which are exercisable to subscribe for a total of 148,087 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (iii) The interests in 4,644,360 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$309,060.00, which are exercisable to subscribe for a total of 4,644,360 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (iv) The interests in 400 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$40.00, which are exercisable to subscribe for a total of 40 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.
- (c) (i) The interests in 3,820,218,001 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 55.68% shareholding interests. The interests in 106,756,000 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

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

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

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

- (ii) The interests in 180,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"), entitling the holder thereof to subscribe for a total of 180,000,000 new ordinary shares of the Company at an exercise price of HK\$0.22 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 12th 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 the Company under vested options
12th May, 2007 to 11th May, 2011	72,000,000
12th May, 2008 to 11th May, 2011	36,000,000
12th May, 2009 to 11th May, 2011	36,000,000
12th May, 2010 to 11th May, 2011	36,000,000

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

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

- (e) The interests in 10,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 10,000,000 new ordinary shares of the Company at an exercise price of HK\$0.22 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 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	4,000,000
25th July, 2008 to 24th July, 2011	2,000,000
25th July, 2009 to 24th July, 2011	2,000,000
25th July, 2010 to 24th July, 2011	2,000,000

- (f) (i) The issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 53.0% shareholding interests.
- (ii) The interests in 69,805,453 unissued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 53.0% shareholding interests.
- (iii) The interests in 22,000 and 54,197,026 unissued ordinary shares of RHIHL related to the interests in the warrants of RHIHL (the "2007 Warrants") carrying subscription rights in an aggregate amount of HK\$13,554,756.50, which were exercisable during the period from 2nd February, 2005 to 26th July, 2007 to subscribe for a total of 54,219,026 new ordinary shares of RHIHL at an initial subscription price of HK\$0.25 per ordinary share (subject to adjustment). All the HK\$13,554,756.50 2007 Warrants were exercised before the expiry date of the subscription rights of 26th July, 2007.
- (iv) The interests in 15,608,427 unissued ordinary shares of RHIHL related to the interests in 3,440 convertible cumulative preference shares of RHIHL carrying rights to convert into 15,608,427 new ordinary shares of RHIHL, based on the conversion price of HK\$1.7037 per ordinary share and on a reference amount of US\$1,000 per preference share at the fixed exchange rate of HK\$7.730255 to US\$1.00, during the period from 5th December, 1993 to 5th December, 2008.

- (v) The interests in 200,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the share option scheme of RHIHL named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme"), entitling the holder thereof to subscribe for a total of 200,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 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 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

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

- (g) The interests in 20,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 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 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

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

- (h) The interests in 15,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 15,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 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 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

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

- (i) The interests in 30,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 30,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 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 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
25th July, 2007 to 24th July, 2011	12,000,000
25th July, 2008 to 24th July, 2011	6,000,000
25th July, 2009 to 24th July, 2011	6,000,000
25th July, 2010 to 24th July, 2011	6,000,000

- (j) The interests in 200 unissued ordinary shares of RHIHL related to the interests in the 2007 Warrants carrying subscription rights in an aggregate amount of HK\$50.00, which were exercisable to subscribe for a total of 200 new ordinary shares of RHIHL upon the terms as set out in note (f)(iii) above. The subscription rights of such 2007 Warrants expired on 26th July, 2007.
- (k) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 55.68% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2007, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code in the Listing Rules to be notified to the Company and the Stock Exchange.

Save as disclosed in note 16 to the condensed consolidated financial statements, during the period, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Paliburg Share Option Scheme and no option granted to such persons under the Paliburg Share Option Scheme has been cancelled and lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Paliburg Share Option Scheme with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants under the Paliburg Share Option Scheme.

Substantial Shareholders' Interests in Share Capital

As at 30th June, 2007, the following substantial shareholders (as defined in the Listing Rules) (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Approximate percentage of issued ordinary shares as at 30th June, 2007
CCIHL (Notes i and ii)	3,820,218,001	53.00%
Century City BVI Holdings Limited (Note ii)	3,820,218,001	53.00%
Almighty International Limited (Note ii)	1,909,853,045	26.49%
Cleerview Investments Limited (Note ii)	1,185,026,955	16.44%

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 55.68% shareholding interests in CCIHL and the interests in these ordinary shares of the Company held by CCIHL through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) These companies are wholly owned by CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

Save as disclosed herein, there is no person, as at 30th June, 2007, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO.

Corporate Governance

Code of Corporate Governance Practices

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2007, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Paliburg Code during the six months ended 30th June, 2007.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2007.

Review of Results

The Audit Committee of the Company currently comprises Mr. Wong Chi Keung (Chairman of the Committee), Mr. Ng Siu Chan and Hon Abraham Shek Lai Him, JP, all of whom are Independent Non-Executive Directors of the Company.

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2007, in conjunction with the external auditors. The review report of the external auditors is set out on page 40 of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the board of Directors of Paliburg Holdings Limited

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 12 to 29 which comprises the condensed consolidated balance sheet of Paliburg Holdings Limited as at 30th June, 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
27th August, 2007

