City e-Solutions Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code:557)

2011

Interim financial report for the six months ended 30 June 2011

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CITY E-SOLUTIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

RESULTS

The Directors of City e-Solutions Limited (the "Company") announce the following interim unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 together with comparative figures.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2011 - unaudited

		Six months ended 30 June	
	Note	**2011**	**2010**
		HK$'000	*HK$'000*
Continuing operations			
Turnover	3	49,490	47,881
Cost of sales		(15,309)	(3,231)
Gross profit		34,181	44,650
Other net income/(losses)	4	132	(25,778)
Administrative expenses	5	(44,777)	(24,415)
Finance cost		(1,032)	-
Loss from operations before taxation		(11,496)	(5,543)
Income tax	6	789	2,858
Loss from continuing operations		(10,707)	(2,685)
Discontinued operations			
Profit from discontinued operations, net of tax	7	9,002	2,334
Loss for the period	9	(1,705)	(351)
Attributable to:			
Equity shareholders of the Company		(1,429)	199
Non-controlling interests		(276)	(550)
Loss for the period		(1,705)	(351)
Earnings per share		**HK cents**	**HK cents**
Basic (losses)/earnings per share	10	(0.37)	0.05
Continuing operations		**HK cents**	**HK cents**
Basic losses per share	10	(2.73)	(0.56)

The notes on pages 7 to 18 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2011 - unaudited

	Six months ended 30 June	
	2011	**2010**
	HK$'000	*HK$'000*
Loss for the period	(1,705)	(351)
Other comprehensive income for the period (after taxation and reclassification adjustments):		
Exchange differences on translation of financial statements of foreign operations	869	1,122
Total comprehensive income for the period	(836)	771
Attributable to:		
Equity shareholders of the Company	(564)	1,174
Non-controlling interests	(272)	(403)
Total comprehensive income for the period	(836)	771

The notes on pages 7 to 18 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011 - UNAUDITED

	Note	At 30 June 2011 *HK$'000*	At 31 December 2010 *HK$'000*
Non-current assets			
Property, plant and equipment		85,065	36,912
Intangible assets		3,426	3,953
Goodwill		1,625	1,625
Deferred tax assets		21,378	20,337
Total non-current assets		111,494	62,827
Current assets			
Trading securities		107,692	119,614
Trade and other receivables	11	47,038	18,379
Current tax recoverable		318	299
Cash and cash equivalents	12	403,300	460,438
		558,348	598,730
Current liabilities			
Trade and other payables	13	(28,802)	(26,916)
Interest-bearing loans		(562)	(558)
Provision for taxation		(1)	(97)
		(29,365)	(27,571)
Net current assets		528,983	571,159
Total assets less current liabilities		640,477	633,986
Non-current liabilities			
Interest-bearing loans		(30,627)	(23,300)
NET ASSETS		**609,850**	**610,686**
CAPITAL AND RESERVES			
Share capital		382,450	382,450
Reserves		192,869	193,433
Total equity attributable to equity shareholders of the Company		575,319	575,883
Non-controlling interests		34,531	34,803
TOTAL EQUITY		**609,850**	**610,686**

The notes on pages 7 to 18 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2011 - unaudited

	Attributable to equity shareholders of the Company						
	Share Capital *HK$'000*	Capital Redemption Reserve *HK$'000*	Exchange Reserve *HK$'000*	Revenue Reserves *HK$'000*	Total *HK$'000*	Non-Controlling Interests *HK$'000*	Total Equity *HK$'000*
Balance at 1 January 2010	382,450	676	1,073	181,619	565,818	36,263	602,081
Changes in equity for the six months ended 30 June 2010:							
Profit for the year	-	-	-	199	199	(550)	(351)
Other comprehensive income							
Foreign currency translation differences - foreign operations	-	-	975	-	975	147	1,122
Total comprehensive income for the period	-	-	975	199	1,174	(403)	771
Balance at 30 June 2010	382,450	676	2,048	181,818	566,992	35,860	602,852
Balance at 1 January 2011	382,450	676	2,144	190,613	575,883	34,803	610,686
Changes in equity for the six months ended 30 June 2011:							
Loss for the year	-	-	-	(1,429)	(1,429)	(276)	(1,705)
Other comprehensive income							
Foreign currency translation differences - foreign operations	-	-	865	-	865	4	869
Total comprehensive income for the period	-	-	865	(1,429)	(564)	(272)	(836)
Balance at 30 June 2011	382,450	676	3,009	189,184	575,319	34,531	609,850

The notes on pages 7 to 18 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2011 - unaudited

	Note	**Six months ended 30 June** **2011** *HK$'000*	**2010** *HK$'000*
Net cash used in operating activities		(32,608)	(6,758)
Net cash (used in)/generated from investing activities		(39,094)	2,766
Net cash generated from financing activities		6,294	-
Net decrease in cash and cash equivalents		(65,408)	(3,992)
Cash and cash equivalents at 1 January		460,438	489,219
Effect of foreign exchange rate changes		8,270	(3,795)
Cash and cash equivalents at 30 June	12	403,300	481,432

The notes on pages 7 to 18 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 8 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG LLP in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Federation of Accountants. KPMG LLP's independent review report to the Board of Directors is included on page 19. In addition, this interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 February 2011.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain revised Hong Kong Financial Reporting Standards ("HKFRS") and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Revised HKAS 24, *Related parties disclosure*
- Improvements to HKFRSs (2010)

None of the above changes have a material impact on the current or comparative periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by products and services. The Group has identified the following two reportable segments based on the information that is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment:

- Investment holding: This segment relates to investments in listed equity and unlisted marketable equity mutual funds held as trading securities. Currently, the Group's equity investment portfolio includes equity securities listed on the London Stock Exchange, NASDAQ Stock Market and The Philippine Stock Exchange, Inc. and investment portfolio in the United States and Hong Kong.

- Hospitality: This segment primarily derives the revenue from the provision of hotel management, hotel reservation, and revenue management services, risk management services and procurement services to the hospitality industry as well as owning and managing hotels. Currently, the Group's activities in this regard are carried out in the United States.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, goodwill and current assets with the exception of deferred tax assets and current tax recoverable. Segments liabilities include bank borrowings and trade and other payables with the exception of provision for taxation.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expense arising from the activities of the Group's jointly controlled entities.

The measure used for reporting segment profit is "profit from operations". In addition to receiving segment information concerning profit from operations, management is provided with segment information concerning revenue, interest income, depreciation and amortisation, unrealised foreign exchange gain/loss, unrealised gain/loss on trading securities and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments for the period is set out below:

	Investment Holding Six months		Hospitality Six months		Total Six months	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	1,124	32,120	47,395	15,222	48,519	47,342
Interest income	422	361	549	178	971	539
Reportable segment revenue	1,546	32,481	47,944	15,400	49,490	47,881
Reportable segment (loss)/profit	(8,775)	2,244	(2,721)	(7,787)	(11,496)	(5,543)
Depreciation and amortisation	320	459	2,012	233	2,332	692
Net realised and unrealised (losses)/gains on trading securities	(15,210)	(18,051)	1,288	(282)	(13,922)	(18,333)
Net realised and unrealised foreign exchange gains/(losses)	10,281	(7,781)	-	-	10,281	(7,781)
Additions to non-current assets segment	-	-	9,124	105	9,124	105
Reportable segment assets	490,837	557,148	157,309	83,773	648,146	640,921
Reportable segment liabilities	6,262	8,820	53,729	41,954	59,991	50,774

As a result of a change to the structure of the Group, investment property segment is no longer reportable and the following balances had been included in the investment holding segment:

	Six months 2011 *HK$'000*	**Six months 2010** *HK$'000*
Interest income	1	3
Reportable segment loss	(22)	(20)

	At 30 June 2011 *HK$'000*	**At 31 December 2010** *HK$'000*
Reportable segment assets	3,440	3,286
Reportable segment liabilities	70	66

(b) Reconciliations of reportable segment assets and liabilities

	At 30 June 2011 *HK$'000*	**At 31 December 2010** *HK$'000*
Assets		
Reportable segment assets	648,146	640,921
Deferred tax assets	21,378	20,337
Current tax recoverable	318	299
Consolidated total assets	669,842	661,557
Liabilities		
Reportable segment liabilities	59,991	50,774
Provision for taxation	1	97
Consolidated total liabilities	59,992	50,871

4. OTHER NET INCOME/(LOSSES)

	Six months ended 30 June	
	2011	**2010**
	HK$'000	*HK$'000*
Net realised and unrealised foreign exchange gains/(losses)	10,281	(7,781)
Net realised and unrealised losses on trading securities	(13,922)	(18,333)
Gain arising from legal settlement	3,879	-
Others	(106)	336
	132	(25,778)

5. ADMINISTRATIVE EXPENSES

Administrative expenses comprise mainly expenses incurred by the Group's hospitality segment which includes the acquisition-related costs and expenses incurred by the 2 hotels owned by the Group's jointly controlled entities.

6. INCOME TAX

	Six months ended 30 June	
	2011	**2010**
	HK$'000	*HK$'000*
Current tax - Overseas		
Provision for the period	248	70
Under-provision in respect of prior years	2	34
	250	104
Deferred tax		
Origination and reversal of temporary differences	(1,039)	(684)
Recognition of deferred tax assets	-	(2,278)
	(1,039)	(2,962)
Income tax expense from continuing operations	(789)	(2,858)

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2010: 16.5%) of the estimated assessable profits for the period ended 30 June 2011. Taxation for overseas subsidiaries has been provided on estimated assessable profits at the rates of taxation ruling in the relevant countries.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands. The tax concession was renewed for a further period of twenty years from 2 June 2009.

As at 30 June 2011, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK$4.1 million (31 December 2010: HK$4.1 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. The tax losses do not expire under the current tax legislations.

7. DISCONTINUED OPERATIONS

In March 2011, a gain of HK$9.0 million (S$1.46 million) was recorded by the Group following the receipt of the final installment payment of the deferred consideration arising from the disposal of the Group's 50% shareholding interest in MindChamps Holdings Pte. Ltd. ("MindChamps") on 23 March 2009.

The earnings per share for discontinued operation is 2.35 HK cents (30 June 2010: 0.61 HK cents) (note 10).

8. DIVIDENDS

a) *Dividends attributable to the interim period*

The Directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2011 (2010: HK$Nil).

b) *Dividends attributable to the previous financial year, approved and paid during the interim period*

There were no dividends attributable to the previous financial year, approved and paid during the interim period of 2011 and 2010.

9. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2011	**2010**
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	1,474	659
Amortisation of intangible assets	858	33
Dividends and interest income	(2,095)	(32,659)
Gain on disposal of investment in a jointly controlled entity	(9,002)	(2,334)

10. EARNINGS PER SHARE

a) *Basic (losses)/earnings per share*

The calculation of basic (losses)/earnings per share is based on losses attributable to ordinary equity shareholders of the Company of HK$1.4 million (six months ended 30 June 2010: Profit of HK$0.2 million) and the weighted average number of ordinary shares of 382,449,524 (2010: 382,449,524) in issue during the period.

For the period ended 30 June 2011, (losses)/earnings per share for continuing and discontinued operations have been calculated using the loss relating to continuing operations of HK$10.4 million (2010: Loss of HK$2.1 million) and the profit relating to discontinued operations of HK$9.0 million (2010: Profit of HK$2.3 million).

b) *Diluted earnings per share*

Diluted earnings per share are not applicable as there are no dilutive potential ordinary shares during the period.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis:

	At 30 June 2011 *HK$'000*	At 31 December 2010 *HK$'000*
Current or less than 1 month overdue	7,908	4,603
1 to 3 months overdue	1,330	616
3 to 12 months overdue	609	909
Total trade receivables, less impairment losses	9,847	6,128
Other receivables and deposits	8,441	6,065
Amount owing by a jointly controlled entity	23,272	-
Amounts owing by affiliated companies	948	830
Loans and receivables	42,508	13,023
Prepayments	4,530	5,356
	47,038	18,379

Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from its customers.

12. CASH AND CASH EQUIVALENTS

	At 30 June 2011 *HK$'000*	At 31 December 2010 *HK$'000*
Deposits with banks and other financial institutions	369,455	392,801
Cash at bank and in hand	33,845	67,637
	403,300	460,438

13. TRADE AND OTHER PAYABLES

	At 30 June 2011 HK$'000	At 31 December 2010 HK$'000
Trade payables	6,039	291
Other payables and accrued charges	22,727	26,446
Amounts owing to affiliated companies	36	179
	28,802	26,916

Trade and other payables have the following ageing analysis as of the reporting date:

	At 30 June 2011 HK$'000	At 31 December 2010 HK$'000
Due within 1 month or on demand	11,413	17,161
Due after 1 month but within 3 months	10,877	6,040
Due after 3 months but within 12 months	6,512	3,715
	28,802	26,916

14. ACQUISITION OF JOINTLY CONTROLLED ENTITY

On 22 March 2011, the Group, through SWAN USA Inc ("SWAN"), a direct wholly owned subsidiary of SWAN Holdings Limited and Shelbourne Falcon Investors, LP ("Shelbourne") entered into a Joint Venture ("JV") agreement for the formation and operation of RSF Carolina Partners, LLC ("RSFC") with SWAN and Shelbourne each having a 50% participating interest in RSFC.

RSFC acts as a sole member to 2 companies, Richfield Carolina Hotels Partners, LLC ("RCHP") and RCHP-Financing LLP ("RCHP-Financing") whereby the principal activities for the 2 companies are acquiring and overseeing the operation of a hotel and securing a loan from a local commercial bank, respectively.

On the same day of its incorporation, RSFC acquired Sheraton Chapel Hill ("Hotel") located in Chapel Hill, North Carolina, USA. The purchase price (excluding external legal fees and due diligence expenses) of the Hotel is US$10.6 million (about HK$81.9 million). The consideration was paid in cash financed through internal funding.

The Group recognised its interest in RSFC using proportionate consolidation by combining its share of each of the assets, liabilities, income and expenses of RSFC with the similar items on line by line basis.

The effect of the acquisition is set out below on a provisional basis pending completion of an independent valuation:

	HK$'000
Leasehold building	40,604
Intangible asset - Franchise fees	330
Total identifiable net assets - Group's 50% share	40,934

For the period under review, the Group has contributed a total of US$3 million (HK$23 million) capital contributions under the JV agreement.

The Group's share of the financial results of the jointly controlled entity is as follows:

	HK$'000
Turnover	6,728
Expenses	(8,537)
	(1,809)

15. COMMITMENTS

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases payable as follows:

	At 30 June 2011	**At 31 December 2010**
	HK$'000	*HK$'000*
Within 1 year	1,691	1,594
After 1 year within 5 years	9,192	9,497
	10,883	11,091

The above leases run for an initial period between one to three years. One of the leases includes an option to renew the lease on expiry. The leases do not include contingent rental.

16. MATERIAL RELATED PARTY TRANSACTIONS

During the period, there were the following material related party transactions:

	Six months ended 30 June	
	2011	**2010**
	HK$'000	HK$'000
Dividend income received from related company	1,214	566
Income received from provision of hospitality and other related services to related companies	1,908	1,027
Rental received from a related company	-	140
Accounting fee paid to a related company	(74)	(67)

INDEPENDENT REVIEW REPORT

To the Board of Directors of City e-Solutions Limited

INTRODUCTION

We have reviewed the interim financial report set out on pages 2 to 18 which comprises the consolidated statement of financial position of City e-Solutions Limited as of 30 June 2011 and the related consolidated income statement, statement of comprehensive income, statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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 International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim financial report consists of making enquiries, 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 International 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 accompanying interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting.*

KPMG LLP
Certified Public Accountants

16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
8 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded an improvement in revenue to HK$49.5 million, an increase of HK$1.6 million or 3.3% from HK$47.9 million in the previous corresponding period. However, the Group reported a net loss attributable to the equity shareholders of the Company of HK$1.4 million as compared with a net profit attributable to the equity shareholders of the Company of HK$0.2 million in the previous corresponding period.

For the period under review, the Group recorded a net realised and unrealised translation exchange gain of HK$10.3 million arising mainly from the Sterling Pound denominated trading security and cash deposit. However, the Group's profit was negatively impacted by the net unrealised loss of HK$13.9 million as a result of the revaluation of the Group's trading securities to fair value as at 30 June 2011. Consequently, a total net realised and unrealised loss of HK$3.6 million was recorded for the period under review as compared with a total net realised and unrealised loss of HK$26.1 million reported in the previous corresponding period. The negative impact of a total net realised and unrealised loss of HK$26.1 million reported in the previous corresponding period was reduced by a dividend income of HK$32.1 million received in the previous corresponding period.

The Group's Investment segment recorded lower dividend and interest income of HK$1.5 million for the period under review, down by HK$31.0 million, as compared with HK$32.5 million in the previous corresponding period.

While the Group's Hospitality segment recorded higher operating revenue of HK$47.4 million, up by HK$32.2 million or 211.4%, as compared with HK$15.2 million in the previous corresponding period. This was due to the additional revenue of HK$17.1 million contributed by the Group's jointly controlled entity ("JCE") which owns the Crowne Plaza Syracuse Hotel, New York, USA, since 19 July 2010, and HK$6.7 million contributed by a newly-established JCE, which acquired the Sheraton Chapel Hill Hotel on 22 March 2011. The Sheraton Chapel Hill Hotel, North Carolina, USA, is a full service hotel with 168 rooms and 17,000 square feet of meeting space which was acquired at a purchase price (including acquisition-related expenses) of US$12.0 million (about HK$93.6 million), representing US$71,600 (about HK$558,480) per key. Further, the Group's U.S. hotel management arm, Richfield, had recorded a higher management fee of HK$14.3 million as compared with HK$8.1 million reported in previous corresponding period as a result of securing 3 new contracts. An overall lower loss of HK$2.7 million was incurred by the Group's Hospitality segment as compared with HK$7.8 million reported in the previous corresponding period.

The Crowne Plaza Syracuse Hotel is expected to complete the major refurbishment by September 2011. For the period under review, the JCE which owns this hotel recorded a pre-tax profit before interest and depreciation and amortisation (EBITDA) of HK$1.7 million (approx. US$0.2 million). A small pre-tax profit was recorded after accounting for the bank interest expense of HK$1.0 million and depreciation charge of HK$0.7 million incurred during the period under review.

While the newly-established JCE which owns the Sheraton Chapel Hill Hotel had incurred a pre-tax loss of HK$1.8 million (approx. US$0.2 million) mainly due to the write off of the acquisition-related costs incurred by the newly-established JCE in accordance with the Group's accounting policy.

The Group recorded a profit from discontinued operations of HK$9.0 million (S$1.46 million) with the settlement of the final instalment payment in March 2011 in respect of the deferred consideration from the disposal of 50% equity interest in MindChamps.

Financial Position, Cash Flow and Borrowings

As at 30 June 2011, the Group's total assets stood at HK$669.8 million, up from HK$661.6 million as at 31 December 2010. The Group's net tangible assets per share remained the same at HK$1.49 as at 30 June 2011 and 31 December 2010.

The Group reports its results in Hong Kong dollars and it is the objective of the Group to preserve its value in terms of Hong Kong dollars.

For the period under review, the net cash used for operating activities amounted to HK$32.6 million. The cash outflow to investing activities amounted to HK$39.1 million was mainly due to acquisition of the new jointly controlled entity.

Overall, there was a decrease of HK$65.4 million in net cash which together with a favourable exchange translation gain of HK$8.3 million resulted in the total Group's cash and cash equivalents of HK$403.3 million as at 30 June 2011, down from HK$460.4 million as at 31 December 2010. Taking into account of the Group's bank borrowings of HK$31.1 million, the Group was in a net cash position amounting to HK$372.2 million as at 30 June 2011.

As at 30 June 2011, the Group's bank borrowings amounted to HK$31.2 million (2010: HK$23.8 million), of which HK$0.6 million was current, as recorded in the portion of short-term borrowing repayable within a period of one year, and HK$30.6 million was non-current and will be repayable within a period of more than one year but not exceeding five years. The bank loans of the Group are secured over the freehold land and building with a carrying amount of HK$42.4 million. In addition, as at 30 June 2011, the Group has fully complied with the financial covenants agreed with the financial institutions.

Treasury Activities

Majority of the Group's cash is held in United States dollar, Sterling Pound, Chinese Renminbi and Singapore dollar cash deposits. It is the Group's view to maximise returns to shareholders and hence a portion of its portfolio is held in various currencies. We will closely monitor the Group's exposure to currency movement and take the appropriate action when necessary.

Directors and Employees

As at 30 June 2011, the Group had a total of 50 employees excluding employees from the JCE which owned the two hotels ("the Hotels"), up from 47 as at the end of the last financial year ended 31 December 2010. There were 180 employees from the Hotels as at 30 June 2011.

The total payroll costs including the Hotels was HK$25.8 million as compared with HK$14.0 million in the previous corresponding period. The increase in payroll costs can be attributed mainly to additional employees from the Hotels.

PROSPECTS

The Group continues to hold some trading securities while its cash reserves are in a basket of currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value readjustments of the Group's trading securities and unrealised gains or losses on the revaluation of foreign currency cash deposits.

AUDIT COMMITTEE

The members of the Audit Committee of the Company comprise 2 independent non-executive Directors and 1 non-executive Director of the Company. It has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2011.

CORPORATE GOVERNANCE

In the opinion of the Directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the period.

Under the code provision E.1.2, the Chairman of the Board should attend the annual general meeting. However, for the annual general meeting held on 14 April 2011, our Chairman was unable to attend the meeting as he had to attend to an urgent matter. He appointed Mr. Gan Khai Choon to chair the meeting on his behalf.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules ("Model Code"). All Directors have confirmed that they have complied with the Model Code throughout the period under review.

CHANGES IN DIRECTORS' INFORMATION

Mr. Kwek Leng Joo retired as a non-executive Director of Millennium & Copthorne Hotels plc with effect from 6 May 2011 and ceased to be a Director of Council for Third Age Ltd. with effect from 27 May 2011.

Mr. Chan Bernard Charnwut retired as an independent non-executive Director of Kingboard Laminates Holdings Ltd. with effect from 4 May 2011.

Dr. Lo Ka Shui ceased to be a Board Member of the Hong Kong Airport Authority with effect from 31 May 2011.

Mr Lee Jackson retired as an independent non-executive Director of Hong Leong Finance Limited with effect from 21 April 2011.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

DIRECTORS' INTERESTS IN SHARES

(a) As at 30 June 2011, the interests of the Directors and Chief Executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Stock Exchange") pursuant to the Model Code were as follows:-

Name of Director

The Company	**Nature of Interest**	**Number of Ordinary Shares of HK$1.00 each**
Kwek Leng Beng	personal	3,286,980
Kwek Leng Joo	personal	1,436,000
Gan Khai Choon	personal	1,041,100
Lawrence Yip Wai Lam	personal	520,550
Chan Bernard Charnwut	personal	53,850

City Developments Limited	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	397,226
Kwek Leng Joo	personal	65,461
Gan Khai Choon	personal	100,000
	family	25,000

City Developments Limited	Nature of Interest	Number of Preference Shares
Kwek Leng Beng	personal	144,445
Kwek Leng Joo	personal	100,000
Gan Khai Choon	personal	49,925
	family	25,738

Hong Leong Investment Holdings Pte. Ltd.	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	2,320
Kwek Leng Joo	personal	1,290
Gan Khai Choon	family	247

Name of Chief Executive Officer

Hong Leong Investment Holdings Pte. Ltd.	Nature of Interest	Number of Ordinary Shares
Sherman Kwek Eik Tse	personal	1,174

Name of Director

Millennium & Copthorne plc	Nature of Interest	Number of Ordinary Shares of 30 pence each
Lawrence Yip Wai Lam	personal	9,759

Millennium & Copthorne Hotels New Zealand Limited	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	3,000,000

Note: Millennium & Copthorne Hotels New Zealand Limited is an indirect subsidiary of Millennium & Copthorne Hotels plc, a subsidiary of City Developments Limited. City Developments Limited is the holding company of the Company. The Directors of the Company consider Hong Leong Investment Holdings Pte. Ltd. to be the Company's ultimate holding company.

(b) Pursuant to Millennium & Copthorne Hotels Long Term Incentive Plan (the "LTIP") approved by shareholders of Millennium & Copthorne Hotels plc ("M&C") on 4 May 2006, certain Directors were awarded Performance Share Award of ordinary shares of 30 pence each as follows:

Name of Director	Date Awarded	Number of Performance Shares	Vesting Date
Lawrence Yip Wai Lam	30/03/2009	42,322	30/03/2012
	16/09/2010	13,933	16/09/2013

Note: Under the terms of the LTIP, M&C is permitted to make both Performance Share Awards and Deferred Share Bonus Awards to an employee (including an executive director) of M&C or its subsidiaries.

(c) Save as disclosed herein, as at 30 June 2011, none of the Directors and the chief executive of the Company or their associates were interested or had any short position in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the following corporations were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Number of Shares Held	*Notes*	Percentage Holding in the Company
eMpire Investments Limited	190,523,819		49.82%
City Developments Limited	200,854,743	(1)	52.52%
Hong Leong Holdings Limited	21,356,085		5.58%
Hong Leong Investment Holdings Pte. Ltd.	230,866,817	(2)	60.37%
Davos Investment Holdings Private Limited	230,866,817	(3)	60.37%
Kwek Leng Kee	230,866,817	(4)	60.37%
Arnhold and S Bleichroeder Advisors, LLC	38,022,000		9.94%
Farallon Capital Offshore Investors, Inc.	35,232,850	(5)	9.21%
Aberdeen Asset Management Asia Ltd	23,052,000		6.03%
Aberdeen Asset Management plc and its Associates (together "The AAM Group") on behalf of accounts managed by The AAM Group	23,052,000	(6)	6.03%
Noonday G.P.(U.S.), L.L.C.	22,321,306		5.84%

Notes:

1. Of the 200,854,743 shares beneficially owned by wholly-owned subsidiaries of City Developments Limited ("CDL") representing approximately 52.52% of the issued share capital of the Company, 190,523,819 shares are held by eMpire Investments Limited.

2. The interests of CDL and Hong Leong Holdings Limited in 200,854,743 shares and 21,356,085 shares respectively, are included in the aggregate number of shares disclosed.

3. The deemed interest of Hong Leong Investment Holdings Pte. Ltd. in 230,866,817 shares, representing approximately 60.37% of the issued share capital of the Company, is included in the aggregate number of shares disclosed.

4. Mr Kwek Leng Kee is deemed to have an interest in the 230,866,817 shares in which Davos Investment Holdings Private Limited ("Davos") is deemed to have an interest in, by virtue of his entitlement to exercise or control the exercise of one-third or more of the voting power at general meetings of Davos.

5. Farallon Capital Offshore Investors, Inc. is interested in these shares in its capacity as the beneficial owner.

6. Aberdeen Asset Management plc is interested in these shares in its capacity as the investment manager and includes shares in which wholly owned controlled corporations of Aberdeen Asset Management plc are interested.

Save as stated above, no person or corporation was interested in or had a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2011.

By Order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 8 August 2011