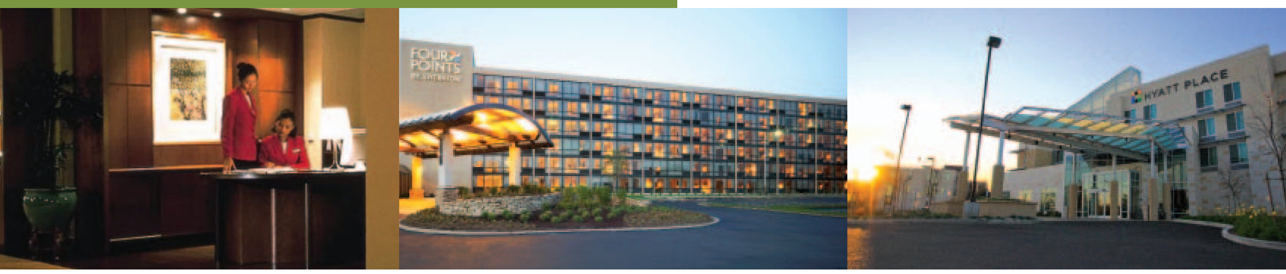
City e-Solutions Limited

(Stock Code: 557)



ANNUAL REPORT 2011

CONTENTS

2	Chairman's Statement
4	Financial Statistics Summary
6	Financial Highlights
7	Corporate Information
8	Products and Services
10	Financial Review
13	Corporate Governance Report
18	Directors' Report
31	Independent Auditors' Report
32	Consolidated Income Statement
33	Statements of Financial Position
34	Consolidated Statement of Comprehensive Income
35	Consolidated Statement of Changes in Equity
36	Consolidated Cash Flow Statement
38	Notes to the Financial Statements

MISSION STATEMENT

To invest in businesses with high growth potential so as to increase shareholder value

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Group's results for the financial year ended 31 December 2011 ("FY2011").

The Group recorded an improvement in revenue to HK$109.3 million, an increase of HK$25.6 million or 30.6% from HK$83.7 million in the previous corresponding year. However, the Group reported a net loss attributable to the equity shareholders of the Company of HK$31.2 million as compared with a net profit attributable to the equity shareholders of the Company of HK$9.0 million in the previous corresponding year, largely due to the unrealised valuation losses from the Group's securities holding as at 31 December 2011.

The Group's Hospitality segment recorded a significant growth in revenue to HK$105.4 million, an increase of HK$57.0 million or 117.7% from HK$48.4 million in the previous corresponding year. Consequently, a small loss of HK$2.1 million was incurred in FY2011 by the Group's Hospitality segment as compared with a loss of HK$20.3 million reported in the previous corresponding year.

The revenue from the Hospitality segment was boosted by the addition of new hotel management contracts by the Group's hotel management arm, Richfield Hospitality, as well as additional revenue contribution from the Group's jointly controlled entities ("JCE") which own the two acquired hotels in the U.S.. During the year under review, Richfield recorded a management fee of HK$30.6 million as a result of securing 11 new contracts, up 58.5% as compared with HK$19.3 million in the previous corresponding year. Currently, Richfield operates 25 hotels in the U.S. representing in excess of 4,600 rooms.

The Group, via a JCE, owns the 279-room Crowne Plaza Syracuse Hotel, New York, U.S., which was acquired in July 2010 for US$35,842 per key including acquisition-related expenses. The hotel contributed full year revenue of HK$36.2 million as compared with HK$14.4 million recorded for 2010 due to the partial consolidation since the acquisition was only completed in July that year. A small pre-tax loss of HK$1.8 million was reported by the JCE as compared with a loss of HK$8.7 million incurred in the previous corresponding year due mainly to the write off of the acquisition-related costs incurred by the JCE.

Through the other JCE, the Group owns the Sheraton Chapel Hill Hotel, North Carolina, U.S., which was acquired in March 2011. The Sheraton Chapel Hill Hotel 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 (approximately HK$93.6 million), representing US$71,600 (approximately HK$558,480) per key. The JCE which owns this hotel contributed HK$18.0 million in revenue for the year under review, though it incurred a pre-tax loss of HK$2.8 million (approximately US$0.4 million) mainly due to the write off of the acquisition-related costs incurred.

The volatile securities market and the absence of the one-off dividend income amounting to HK$31.5 million from one of the Group's trading securities which was reported in the previous corresponding year had negatively impacted the Investment Holding segment, which recorded a loss of HK$39.6 million for the year under review as compared with a profit of HK$15.0 million in the previous corresponding year. However, the Group recorded a profit from its discontinued operation of HK$9.0 million arising from the receipt of the last instalment payment of the deferred consideration from the disposal of its 50% equity interest in MindChamps on 23 March 2009.

For the year ended 31 December 2011, the Group recorded a net realised and unrealised foreign exchange gain of HK$9.3 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 valuation losses of HK$41.3 million from the Group's securities holding as at 31 December 2011. Overall, a total net realised and unrealised loss of HK$32.0 million was recorded for the year under review as compared with a total net realised and unrealised loss of HK$7.7 million reported in the previous corresponding year. While the global market in the first quarter of 2012 has continued to be volatile, fortunately the Group's securities and currencies have fared well and moved in a favorable direction.

Basic losses per share for the year under review were HK8.17 cents, calculated on the weighted average number of 382,449,524 ordinary shares in issue during the year. The Group's Net Tangible Assets per share decreased slightly to HK$1.41 as at 31 December 2011, down from HK$1.49 as at 31 December 2010. The Board is not proposing a final dividend for the year under review.

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 revaluation of foreign currency cash deposits.

On behalf of the Board of Directors, I would like to thank our customers, business partners, shareholders, management and staff for their continued support during this past year.

KWEK LENG BENG
Chairman
27 February 2012

FINANCIAL STATISTICS SUMMARY

Consolidated Income Statement

	The Group				
	2011	**2010**	**2009**	**2008**	**2007**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Continuing Operations					
Turnover	**109,336**	83,686	65,270	75,539	82,561
(Loss)/Profit before taxation	**(41,766)**	(5,267)	51,417	(89,659)	17,470
Income tax	**1,419**	7,302	(119)	(6,014)	(3,547)
(Loss)/Profit for continuing operations	**(40,347)**	2,035	51,298	(95,673)	13,923
Discontinued operations					
Profit/(Loss) from discontinued operations, net of tax	**9,002**	5,477	5,105	(43,005)	2,284
(Loss)/Profit for the year	**(31,345)**	7,512	56,403	(138,678)	16,207
Attributable to:					
Equity shareholders of the Company	**(31,231)**	8,994	55,865	(138,991)	14,091
Non-controlling interests	**(114)**	(1,482)	538	313	2,116
(Loss)/Profit for the year	**(31,345)**	7,512	56,403	(138,678)	16,207
Dividends payable to equity shareholders of the Company attributable to the year:					
Final dividend proposed after balance sheet date	**—**	—	—	—	11,494
Earnings per share					
Basic (losses)/earnings per share (HK cents)	**(8.17)**	2.35	14.61	(36.32)	3.68
Continuing operations					
Basic (losses)/earnings per share (HK cents)	**(10.52)**	0.92	13.28	(25.08)	3.08

FINANCIAL STATISTICS SUMMARY

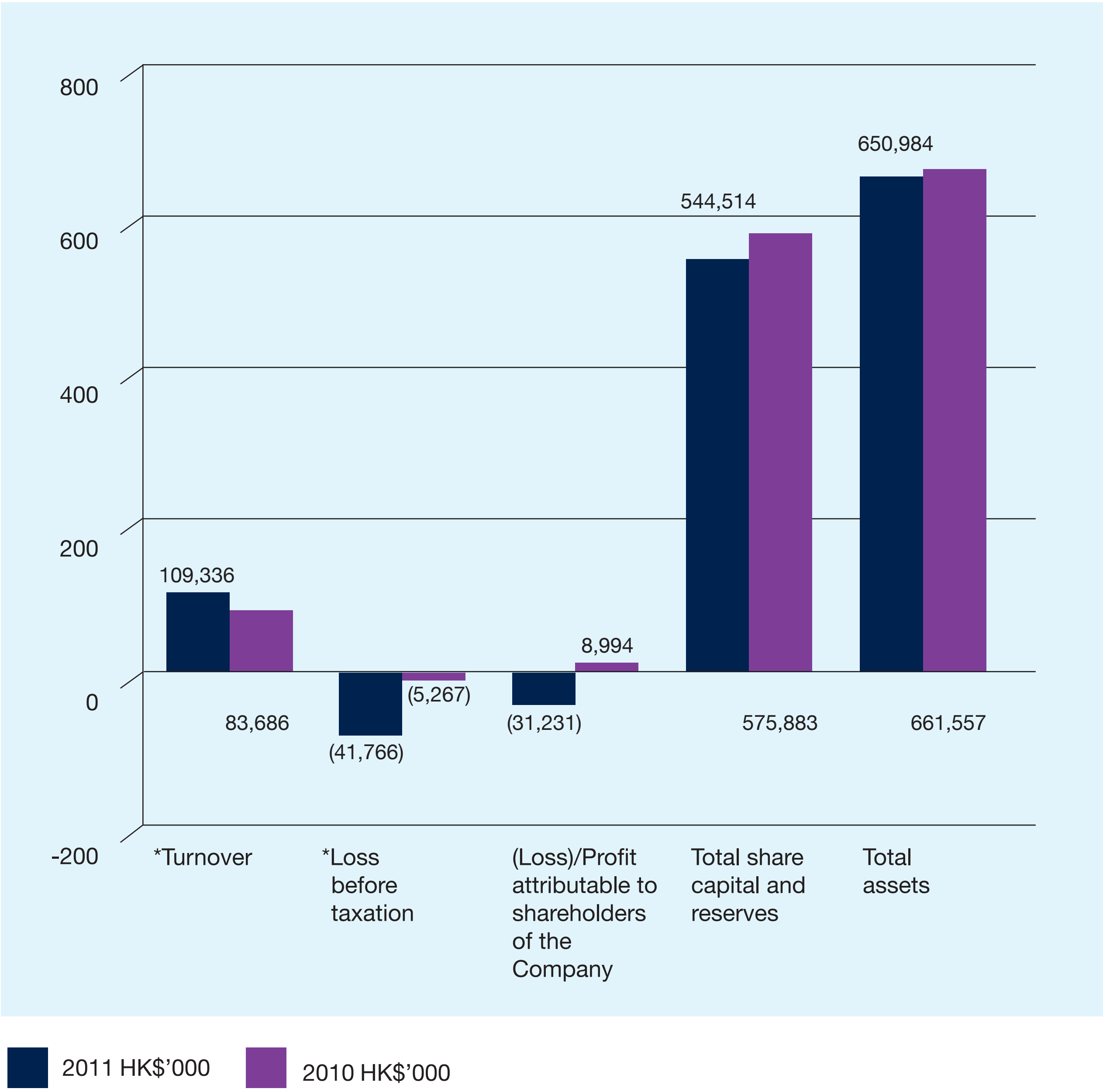
Statements of Financial Position

	The Group				
	2011 HK$'000	**2010 HK$'000**	**2009 HK$'000**	**2008 HK$'000**	**2007 HK$'000**
Property, plant and equipment	**90,775***	36,912	2,472	7,612	7,626
Intangible Assets	**2,564**	3,953	103	3,651	39,032
Goodwill	**2,232**	1,625	—	—	—
Interest in an associate	**—**	—	—	30,039	10,045
Deferred tax assets	**21,928**	20,337	12,814	12,940	17,906
Current Assets	**533,485**	598,730	607,699	538,204	674,114
Total Assets	**650,984**	**661,557**	**623,088**	**592,446**	**748,723**
Current Liabilities	**(34,350)**	(27,571)	(21,007)	(47,224)	(50,509)
Total Assets less Current Liabilities	**616,634**	**633,986**	**602,081**	**545,222**	**698,214**
Interest-bearing loans	**(37,439)**	(23,300)	—	—	—
Net Assets	**579,195**	**610,686**	**602,081**	**545,222**	**698,214**
Capital and Reserves					
Share Capital	**382,450**	382,450	382,450	382,450	383,126
Reserves	**162,064**	193,433	183,368	127,044	279,428
Total Equity Attributable to Equity Shareholders of the Company	**544,514**	**575,883**	**565,818**	**509,494**	**662,554**
Non-controlling interests	**34,681**	34,803	36,263	35,728	35,660
Total Equity	**579,195**	**610,686**	**602,081**	**545,222**	**698,214**

* **Major Properties**

Hotels	Tenure	Site Area (sq. Metres)	Number of Rooms	Effective Group Interest (%)
Crowne Plaza Syracuse Hotel 701 East Genesee Street Syracuse, New York, U.S.	Fee Simple	4,925.25	279	43
Sheraton Chapel Hill Hotel 1 Europa Drive Chapel Hill, North Carolina, U.S.	Fee Simple	20,072.45	168	43

FINANCIAL HIGHLIGHTS



	2011	2010
Net tangible assets per share (HK$)	$ 1.41	$ 1.49
*(Losses)/Earnings per share (HK cents)	(10.52)	0.92

* These figures represent the results from continuing operations

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Kwek Leng Beng (Chairman and Managing Director)
Kwek Leng Joo
Gan Khai Choon
Lawrence Yip Wai Lam

NON-EXECUTIVE DIRECTOR
Chan Bernard Charnwut

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. Lo Ka Shui
Lee Jackson @ Li Chik Sin
Teoh Teik Kee

AUDIT COMMITTEE
Teoh Teik Kee
Lee Jackson @ Li Chik Sin
Chan Bernard Charnwut

REMUNERATION COMMITTEE
Teoh Teik Kee
Lee Jackson @ Li Chik Sin
Gan Khai Choon

NOMINATION COMMITTEE
Dr. Lo Ka Shui
Teoh Teik Kee
Lee Jackson @ Li Chik Sin
Chan Bernard Charnwut
Gan Khai Choon

CHIEF EXECUTIVE OFFICER
Sherman Kwek Eik Tse

COMPANY SECRETARY
Wan Ho Yan

AUDITORS
KPMG LLP
Public Accountants and Certified Public Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

PRINCIPAL BANKER
The Hongkong & Shanghai Banking Corporation Limited

REGISTRARS
Principal Registrar
Computershare Hong Kong Investor Services Limited

Branch Registrar
Maples and Calder,
Cayman Islands

PRINCIPAL OFFICE
2803, 28th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

SINGAPORE BRANCH
36 Robinson Road
#04-01 City House
Singapore 068877

BUSINESS ADDRESS
390 Havelock Road
#02-01 King's Centre
Singapore 169662

REGISTERED OFFICE
C/o Maples and Calder
P.O. Box 309, Grand Cayman
Cayman Islands
British West Indies

LEGAL ADVISORS
Hong Kong
Iu, Lai & Li Solicitors & Notaries

Cayman Islands
Maples & Calder,
Attorneys-at-Law

PRODUCTS AND SERVICES

SWAN Holdings Limited Group ("SWAN")

SWAN, a subsidiary of the Company, provides integrated solutions to the hospitality industry. SWAN can help hoteliers manage their properties in a more effective, competitive and cost efficient manner. The SWAN team offers a host of value-added services and expertise in all facets of hotel operation through its four business divisions: Richfield, Sceptre, Shield and Source.

Richfield Hospitality Services (Hotel Management)

Richfield is an established independent hotel management company. For over three decades, Richfield has successfully managed and skillfully developed a wide range of hotel assets. Richfield has managed properties of all complexities including premier resorts, full service hotels and limited service properties. Richfield operates 25 hotels in the U.S. representing in excess of 4,600 rooms under brand names from the leading hotel franchise companies including Hilton, Starwood, Intercontinental, Marriott, Hyatt and Choice. Richfield also operates several independent (non-brand affiliated) properties.

Every client's property benefits from the combined 145 years of experience and industry expertise of Richfield's senior management. Each assignment begins by determining the needs of the owner. Richfield reviews the property's prior performance, identifies opportunities and assesses challenges. Richfield then tailors the appropriate solution to deliver immediate and visible improvement in the performance of the property.

With Richfield resources, processes, systems, and technologies, the results consistently exceed clients' expectations, generating increased profitability to the owner and an upgraded and enhanced experience for each guest. For the past 30 years, Richfield has revitalized over 250 properties, ranging from independent, boutique hotels to large, city centre properties and under virtually every industry brand. Richfield achieves superior operating results through intense focus on its strong commitment to guests, employees and owners.

Services offered by Richfield cover all aspects of hotel management including:

- Annual Business Planning
- Operations Improvement
- Sales & Marketing Consultancy
- Revenue and Channel Management
- Management of Franchise Affiliation
- Human Resources Management
- Accounting and Budgeting
- Asset Management Services

Consistent efforts to grow client relationships and maximize the profitability of the hotels have culminated in the successful positioning of Richfield as a fundamental component of SWAN.

Sceptre Hospitality Resources (Reservation Distribution)

Sceptre is the hospitality industry's leading expert for reservations connectivity, online channel-marketing and revenue/channel-management services. By increasing exposure of its client hotels throughout the various electronic channels such as the global distribution systems (GDS), the Internet and property direct sources,

PRODUCTS AND SERVICES

as well as optimising its vast channel-marketing reach, Sceptre helps hotels to increase revenues and create greater brand awareness while improving asset value for owners and operators. Sceptre's e-distribution power and expertise is unsurpassed, utilising state-of-the-art reservations technology and offering a strong commitment to customer service and support.

At Sceptre, we distinguish ourselves from our competitors by providing:

- **Hospitality Experts.** Our staff of professionals has an extensive industry background and can fully appreciate the needs of clients.
- **Customer Service.** We provide focused support of each client to ensure maximum production from the various channels.
- **Monthly Account Analysis.** Each month, we analyse and review the performance of individual hotels to ensure that revenue objectives are met.
- **Affordable Pricing.** With transaction-fixed pricing, the client will enjoy low costs without compromising support.
- **Flexibility.** Our electronic distribution channel can quickly address changes, meeting the needs of the most unique and discerning client.
- **Personalised Attention.** Each client is assigned a Strategic Distribution Manager, who caters to their unique needs.

For over twenty years, Sceptre continues to exceed clients' expectations. The current list of services spans five suites, each focused on maximizing revenues for hotels:

1. Reservations Technology and Connectivity
2. Revenue Management Services
3. Interactive Marketing & eCommerce Services
4. Property-Level Sales & Marketing Expertise
5. Online-based Operations Enhancers

Sceptre's expert assistance can greatly enhance its clients' abilities to achieve significant increases in reservations derived through the various electronic distribution channels.

Shield (Risk Management)

Shield provides risk management services to hotels. Recognising the unique risk profile of the hotel industry, Shield advises hotel management teams on how to lower its overall cost of insurance through pro-active programmes to mitigate risks at their hotels.

Source (Purchasing and Procurement)

Source delivers purchasing and procurement services to hotels with a focus on delivering lower operating expenses to hotels. Source offers hoteliers significant cost savings through its extensive number of national account agreements which are organised to support specific areas of need such as Food and Beverage, Rooms Operations, Engineering and Energy, Administrative, Furnishings, and Fixtures and Equipment.

FINANCIAL REVIEW

GROUP PERFORMANCE

As reported in the Chairman's statement, the Group reported a higher revenue in the financial year ended 31 December 2011 ("FY2011") of HK$109.3 million, up by HK$25.6 million or 30.6%, as compared with HK$83.7 million in the previous corresponding year ("FY2010"). However, the Group reported a net loss attributable to the equity shareholders of the Company of HK$31.2 million as compared with a net profit attributable to the equity shareholders of the Company of HK$9.0 million in FY2010, largely due to the unrealised valuation losses from the Group's securities holding as at 31 December 2011.

In FY2011, the Group's continuing operations comprise Investment Holding and Hospitality segments. The discontinued operation which related to the Education segment had recorded a profit of HK$9.0 million (FY2010: HK$5.5 million) arising from the receipt of the last instalment payment of the deferred consideration from the disposal of its 50% equity interest in MindChamps Holdings Pte. Ltd. on 23 March 2009.

The analysis of the Group's revenue and profit and loss from operations by business segments are set out in the notes to the financial statements.

INVESTMENT HOLDING

The Group's profit for FY2011 was negatively impacted by the unrealised valuation losses of HK$41.3 million from the Group's securities holding as at 31 December 2011, however, was partially offsetted by the Group's net realised and unrealised foreign exchange gain of HK$9.3 million arising mainly from the Sterling Pound denominated trading security and cash deposit. Overall, a total net realised and unrealised losses of HK$32.0 million was recorded in FY2011 as compared with a total net realised and unrealised losses of HK$7.7 million reported in FY2010.

Further, lower dividend income was recorded in FY2011 due mainly to the absence of an one-off dividend income of HK$31.5 million from one of the Group's trading securities as reported in FY2010.

Overall, the Investment Holding segment recorded a loss of HK$39.6 million for FY2011 as compared with a profit of HK$15.0 million in FY2010.

HOSPITALITY

The Group's Hospitality segment recorded a significant growth in revenue to HK$105.4 million, an increase of HK$57.0 million or 117.7% from HK$48.4 million in FY2010. Consequently, a small loss of HK$2.1 million was incurred in FY2011 by the Group's Hospitality segment as compared with a loss of HK$20.3 million reported in FY2010.

The Group's Hospitality segment, through jointly controlled entities ("JCE"), owns 2 hotels in the U.S., the 279-room Crowne Plaza Syracuse Hotel, New York, and a 168-room hotel, Sheraton Chapel Hill Hotel, North Carolina, which were acquired in July 2010 and March 2011 respectively.

At the JCE level, the total combined revenues and pre-tax losses in FY2011 amounted to HK$54.2 million and HK$4.6 million respectively as compared with a revenue and pre-tax losses of HK$14.4 million and HK$8.7 million respectively as reported for the partial year operation in FY2010 by the jointly controlled entity which owns the Crowne Plaza Syracuse Hotel. The losses at the JCE level can be attributable mainly to the write off of the acquisition-related costs and interest expenses incurred by the JCE. The Crowne Plaza Syracuse Hotel has completed a major refurbishment at approximately US$5.0 million (approximately HK$38.7 million) in September 2011. These hotels are expected to contribute favourably to the Group's results in the current year.

The Group's hotel management arm, Richfield Hospitality has performed well in FY2011 as a result of securing new hotel management contracts with higher management fees to replace contracts which were terminated following Richfield Hospitality's strategic focus on larger full service properties. Currently, Richfield Hospitality operates 25 hotels in the U.S. representing in excess of 4,600 rooms. Whilst, higher management fee of HK$30.6 million was recorded in FY2011, up 58.5% as compared with HK$19.3 million in FY2010, the management arm had incurred higher payroll expenses mainly to acquire these new hotel management contracts.

FINANCIAL POSITION

As at 31 December 2011, the Group's total assets stood at HK$651.0 million, decreased from HK$661.6 million as at 31 December 2010. The Group's net tangible asset per share decreased slightly to HK$1.41 as at 31 December 2011, down from HK$1.49 as at 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.

CASH FLOW AND BORROWINGS

For the year under review, cash used in operations amounted to HK$31.4 million. The Group received cash dividend income of HK$0.3 million, interest income of HK$2.4 million and paid tax amounting to HK$0.3 million. Consequently, net cash used in operating activities amounted to HK$28.9 million.

On the investing and financing activities, the Group's share of the acquisition cost in the jointly controlled entity ("JCE") was HK$43.4 million. The Group paid HK$17.5 million for the purchase of property, plant and equipment arising mainly from the renovation of the Crowne Plaza Syracuse Hotel, New York which was financed from the Group's share of the bank loans amounting to HK$14.3 million (approximately US$1.8 million). The total bank interest incurred in FY2011 amounted to HK$2.4 million.

Overall, there was a decrease of HK$68.2 million in net cash used which together with a favourable exchange translation gain of HK$7.4 million resulted in a total Group's cash and cash equivalents of HK$399.7 million as at 31 December 2011, down from HK$460.4 million as at 31 December 2010.

Taking into account of the Group's bank borrowings of HK$38.0 million as at 31 December 2011, the Group's was in a net cash position amounting to HK$361.7 million as at 31 December 2011. Hence, the Group's gearing is zero, which is expressed as a percentage of current and non-current loans and borrowings less cash and cash equivalents over total equity attributable to equity shareholders of the Company.

As at 31 December 2011, the Group's bank borrowings, denominated in U.S. Dollars and fixed at 7.5% p.a., amounted to HK$38.0 million (2010: HK$23.8 million), of which HK$0.6 million was current, as included in the portion of long-term borrowing repayable within a period of

FINANCIAL REVIEW

one year and HK$37.4 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$29.6 million. In addition, as at 31 December 2011, the Group has fully complied with certain financial covenants agreed with the financial institutions.

TREASURY ACTIVITIES

Majority of the Group's cash is held in United States Dollar, Sterling Pound, and Chinese Renminbi 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 31 December 2011, the Group had a total of 56 employees including Directors but excluding the employees from the Hotels, up from 47 headcounts as at the end of the last financial year ended 31 December 2010. There were 184 (2010: 134) employees from the Hotels as at 31 December 2011. The total Group's staff costs comprising salaries, wages and other benefits was HK$51.8 million as compared with HK$36.5 million in year 2010. The increase in payroll costs can be attributed mainly to the Hotel employees from the Sheraton Chapel Hill Hotel acquired in March 2011 along with additional headcounts to service the continued growth for the Hospitality segment.

The Group has a competitive wage and benefits package which are critical to maintaining a level of consistent and quality services.

(a) Corporate governance practices

The Directors and management are committed to maintaining high standards of corporate governance, in line with the principles set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") – "Code on Corporate Governance Practices" ("Appendix 14"). As good corporate governance, it is the intention of the Company to publish the Group's financial results quarterly.

A "***Continuous Disclosure Obligation Procedures***" (the "Procedures") dealing with the Company's obligations for continuous disclosure under the Listing Rules was adopted by the Company and an Executive Director, Mr. Lawrence Yip Wai Lam ("Mr. Yip"), had been appointed as the Designated Director to be responsible for the Procedures. In his role as Designated Director, Mr. Yip will consult with the Chairman of the Board, the Chief Executive Officer and members of the executive management team, including the Company's legal advisors, with regards the Company's discharge of its continuous disclosure obligations.

In the opinion of the Directors, save as disclosed below, the Company has complied with Appendix 14 throughout the year under review.

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.

(b) Directors' securities transactions

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 year under review.

(c) Board of Directors

The Board currently comprises 8 Directors, of which 4 are executive Directors, 1 is a non-executive Director and 3 are independent non-executive Directors. The members of the Board are as follows:

Executive Directors
Mr. Kwek Leng Beng (Chairman and Managing Director)
Mr. Kwek Leng Joo
Mr. Gan Khai Choon
Mr. Lawrence Yip Wai Lam

Non-executive Director
Mr. Chan Bernard Charnwut

Independent non-executive Directors
Dr. Lo Ka Shui
Mr. Lee Jackson @ Li Chik Sin
Mr. Teoh Teik Kee

(c) Board of Directors (cont'd)

The biographical details of the Directors and Senior Management are set out in the Directors section of the Directors' Report.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of Senior Management. These functions are either carried out directly by the Board or through committees established by the Board.

A ***"Schedule of Matters Reserved for Decision by Board"*** (the "Schedule") has been adopted by the Company. The Board shall review the items in the Schedule on a periodic basis to ensure that they remain appropriate to the needs of the Group. The Directors, individually or as a group, are entitled to take independent professional advice, at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant it. A ***"Guidelines for Seeking Independent Professional Advice"*** has been adopted by the Board.

The Company conducts regular scheduled Board meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The attendance of individual Directors at Board, Audit Committee, Remuneration Committee and Nomination Committee meetings in 2011, as well as the frequency of such meetings, is set out below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Kwek Leng Beng	4/4			
Mr. Kwek Leng Joo	4/4			
Mr. Gan Khai Choon	4/4		1/1	1/1
Mr. Lawrence Yip Wai Lam	4/4			
Non-executive Director				
Mr. Chan Bernard Charnwut	3/4	3/4		1/1
Independent non-executive Directors				
Dr. Lo Ka Shui	4/4			1/1
Mr. Lee Jackson @ Li Chik Sin	4/4	4/4	1/1	1/1
Mr. Teoh Teik Kee	4/4	4/4	1/1	1/1

(d) Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Kwek Leng Beng while the Chief Executive Officer ("CEO") is Mr. Sherman Kwek Eik Tse. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the workings of the Board, by ensuring its effective function, while the CEO bears executive responsibility for the Company's business, including management of the Company's day-to-day operations and implementation of key policies, procedures and business strategies approved by the Board.

(e) Non-executive Director

The non-executive Director and independent non-executive Directors were appointed for a specific term of 3 years, subject to retirement by rotation at annual general meeting and being eligible to offer themselves for re-election.

(f) Remuneration Committee ("RC")

The RC was established in May 2005 and comprises 2 independent non-executive Directors and 1 executive Director. The members of the RC are as follows:

Mr. Teoh Teik Kee	Chairman (Independent non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent non-executive)
Mr. Gan Khai Choon	Member (Executive)

The primary objective of the RC is to consider management recommendation, and determine the framework or broad policy for remuneration for the Directors and the senior key executives, including the CEO. No Director or any of his associates may be involved in any decisions as to his own remuneration.

The duties of the RC also include:

(a) To review and recommend the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and

(b) To consider the annual performance bonus for executive Directors, Senior Management, and the general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendation to the Board.

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes bonus and share option grants), taking into account other factors, the individual performance, the performance of the Company and industry practices.

(g) Nomination Committee ("NC")

The NC was established in August 2005 and comprises 3 independent non-executive Directors, 1 non-executive Director and 1 executive Director. The members of the NC are as follows:

Dr. Lo Ka Shui	Chairman (Independent non-executive)
Mr. Teoh Teik Kee	Member (Independent non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent non-executive)
Mr. Chan Bernard Charnwut	Member (Non-executive)
Mr. Gan Khai Choon	Member (Executive)

The duties of the NC include:

(a) To review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any proposed changes;

(g) Nomination Committee ("NC") (cont'd)

(b) To identify individuals suitably qualified to become Board members and select, or make recommendations to the Board on the selection of, individuals nominated for directorships;

(c) To assess the independence of Directors, having regard to the requirements under the Listing Rules; and

(d) To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular, the Chairman and the CEO.

(h) Auditors' remuneration

The Group's external auditors are KPMG LLP, Singapore ("KPMG"). During the year under review, the Group has engaged KPMG (including any entity that is under common control, ownership or management with KPMG or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of KPMG nationally or internationally) to provide the following services and their respective fees charged are set out as below:

Type of services	Fees charged 2011 HK$'000	2010 HK$'000
Audit fee for the Group	**1,670**	1,297
Taxation services	**86**	82
Others	**565**	562
Total	**2,321**	1,941

(i) Audit Committee ("AC")

The Company has an AC which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The AC comprises 2 independent non-executive Directors and 1 non-executive Director of the Company. The members of the AC are as follows:

Mr. Teoh Teik Kee	Chairman (Independent non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent non-executive)
Mr. Chan Bernard Charnwut	Member (Non-executive)

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Company's financial reporting process and material internal controls, including financial, operational, compliance and risk management controls. Other duties within its written terms of reference include:

(a) To review with management and, where appropriate, with the external auditors of the quarterly, half-year and annual financial statements before submission to the Board to ensure their completeness, accuracy and fairness;

(b) To review, on an annual basis, of the scope and results of the audit and the independence and objectivity of the external auditors; and

(c) To review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

(i) Audit Committee (“AC”) (cont’d)

In 2011, the AC held 4 meetings in February 2011, May 2011, August 2011 and November 2011. In the meeting held in February 2011, the Annual Report and Audited Financial Statements for the year ended 31 December 2010 were reviewed together with the external auditors. In the May 2011 meeting, the Unaudited Financial Results for the 3 months ended 31 March 2011 were reviewed. In the August 2011 meeting, the Interim Financial Report for the 6 months ended 30 June 2011 was reviewed. In the November 2011 meeting, the Unaudited Financial Results for the 9 months ended 30 September 2011 were reviewed. The adequacy of internal control was also scheduled to be discussed in these meetings. The AC concluded that there were no major issues which the AC considered that the Board should be informed after the AC meetings.

(j) Financial reporting

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

To the best knowledge of the Directors, there is no uncertainty relating to events or conditions that may cast significantly doubt upon the Company’s ability to continue as a going concern.

(k) Internal control

The Board is responsible for the Group’s system of internal controls and for reviewing its effectiveness. During the year under review, the Board has through the AC reviewed the effectiveness of the Group’s system of internal controls, including financial, operational and compliance controls and risk management functions.

Internal Audit was carried out on a systematic rotational basis based on the risk assessments of the operation and controls, and reports were presented to the AC at least twice every year on significant findings on internal control system.

DIRECTORS' REPORT

for the year ended 31 December 2011

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL PLACE OF BUSINESS

City e-Solutions Limited (the "Company") is a company incorporated in the Cayman Islands and domiciled in Hong Kong. Its registered office is at P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies and principal place of business at Room 2803, 28th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise those of investment holding and the provision of consultancy services.

The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 13 to the financial statements.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 32 to 89.

TRANSFER TO RESERVES

Loss attributable to shareholders, before dividends, of HK$31,345,000 (2010: Profit of HK$7,512,000) have been transferred to reserves. Other movements in reserves are set out in the Consolidated Statement of Changes in Equity.

The Directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2011 (2010: Nil). No interim dividend was paid for the year ended 31 December 2011 (2010: Nil).

CHARITABLE DONATIONS

During the year, no charitable contributions (2010: Nil) were made by the Group.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 14 to the financial statements.

SHARE CAPITAL

The Company did not issue any shares during the financial year.

The Company has a share option scheme (the "2005 Scheme") which was adopted on 27 April 2005 ("Adoption Date") whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including Directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Under the 2005 Scheme, the maximum number of shares that may be granted by the Directors shall not exceed 10% of the share capital of the Company in issue at the Adoption Date unless the Company obtains a fresh approval from its Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding options and yet to be exercised under the 2005 Scheme and any other option scheme(s) of the Company shall not in aggregate exceed 30% of the Shares in issue from time to time. The subscription price of shares under the 2005 Scheme shall not be less than the highest of: (i) the official closing price of the Shares as stated in daily quotations sheet of The Stock Exchange of Hong Kong Limited ("The Stock Exchange") on the Offer Date; (ii) the average of the official closing price of the Shares as stated in daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the Offer Date; and (iii) the nominal value of a Share. The Executive Share Option Scheme (the "1997 Scheme") adopted by the Company on 11 June 1997 was terminated upon the 2005 Scheme becoming effective.

Throughout the financial year, no share option was granted and outstanding.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the turnover attributable to the Group's five largest customers combined was below 30% (2010: below 30%) of the Group's turnover and the largest customer, included therein accounted for approximately 10% (2010: 4%). The percentage of purchases attributable to the Group's five largest suppliers combined was about 26% (2010: 51%) and the largest supplier included therein accounted for approximately 16% (2010: 40%).

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIRECTORS' REPORT

for the year ended 31 December 2011

DIRECTORS

The Directors of the Company during the financial year were as follows:

Executive Directors
Mr. Kwek Leng Beng (Chairman and Managing Director)
Mr. Kwek Leng Joo
Mr. Gan Khai Choon
Mr. Lawrence Yip Wai Lam

Non-executive Director
Mr. Chan Bernard Charnwut

Independent non-executive Directors
Dr. Lo Ka Shui
Mr. Lee Jackson @ Li Chik Sin
Mr. Teoh Teik Kee

In accordance with Article 116 of the Articles of Association of the Company, one third of the present Directors will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT
Mr. Kwek Leng Beng, *aged 71*
Chairman and Managing Director

Mr. Kwek Leng Beng has been the Chairman and Managing Director of the Company since 1989.

He is the Executive Chairman of the Hong Leong Group of Companies Singapore, and also City Developments Limited. He is also Chairman and Managing Director of Hong Leong Finance Limited. He is the Chairman of Millennium & Copthorne Hotels plc and Hong Leong Asia Ltd.

Mr. Kwek has extensive experience in the finance business, having grown from day one with the original Hong Leong Finance Limited which has since merged its finance business with Singapore Finance Limited (now known as Hong Leong Finance Limited). He also has vast experience in the real estate business, the hotel industry as well as the trading and manufacturing business.

Mr. Kwek's achievements have also captured the attention of the academic institutions. He was conferred Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, U.S.), where students have an opportunity to pursue career education in business, hospitality, culinary arts or technology; and Honorary Doctorate from Oxford Brookes University (UK) whose citation traced how Mr. Kwek, who joined the family business in the early 1960s, had gone on to establish an international reputation for his leadership of the Hong Leong Group, as well as an active supporter of higher education in Singapore.

Mr. Kwek also serves as a member of the INSEAD East Asia Council. France-based INSEAD is one of the world's leading and largest graduate business schools which brings together people, cultures and ideas from around the world.

Mr. Kwek holds a law degree, LL.B. (London) and is also a fellow of The Institute of Chartered Secretaries and Administrators.

Mr. Kwek Leng Beng is the brother of Mr. Kwek Leng Joo, brother-in-law of Mr. Gan Khai Choon, and father of Mr. Sherman Kwek Eik Tse.

Mr. Kwek Leng Joo, *aged 58*
Executive Director

Mr. Kwek Leng Joo was appointed an Executive Director of the Company in 1989. He is the Managing Director of City Developments Limited with extensive experience in property development and investment. Within the Hong Leong Group, he holds directorships in a number of its listed companies, including Hong Leong Finance Limited.

Mr. Kwek contributes actively to the business community in Singapore through several public appointments including as Honorary President of the Singapore Chinese Chamber of Commerce and Industry and Chairman of the Board of Trustees of National Youth Achievement Award Council. He is also a member of the Board of Trustees of Nanyang Technological University and Board of Governors of S. Rajaratnam School of International Studies.

Mr. Kwek 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. Kwek holds a diploma in Financial Management.

Mr. Kwek Leng Joo is the brother of Mr. Kwek Leng Beng, brother-in-law of Mr. Gan Khai Choon and uncle of Mr. Sherman Kwek Eik Tse.

Mr. Gan Khai Choon, *aged 65*
Executive Director

Mr. Gan Khai Choon was appointed an Executive Director of the Company in 1989. On 22 April 2009, he was appointed as a member of the Remuneration Committee and Nomination Committee of the Company. He is also Managing Director of Hong Leong International (Hong Kong) Limited. Apart from being an Executive Director of the Company, Mr. Gan also holds a number of directorships in other members of the Group. He is also a Director of China Yuchai International Limited. He is also an independent non-executive Director of Safety Godown Company Limited and Chairman of its Audit Committee. Mr. Gan was appointed Chairman of HL Global Enterprises Limited in September 2007. He has more than 37 years of experience in banking, real estate investment and development. He has been responsible for overseeing the development of the Grand Hyatt Taipei and other international projects for the Hong Leong Group of companies. Mr. Gan has a Bachelor of Arts degree (Honours) in Economics from the University of Malaya.

Mr. Gan Khai Choon is the brother-in-law of Messrs. Kwek Leng Beng and Kwek Leng Joo and uncle of Mr. Sherman Kwek Eik Tse.

Mr. Lawrence Yip Wai Lam, *aged 56*
Executive Director

Mr. Lawrence Yip was appointed an Executive Director of the Company in December 1998. Apart from being an Executive Director of the Company, Mr. Yip also holds a number of directorships in other members of the Group. Mr. Yip is also a Director of eMpire Investments Limited. He was formerly the General Manager (Finance & Administration) of the Company. He has over 10 years of experience in the Treasury Division of several banks. Prior to joining the Group in April 1990, Mr. Yip held the position of Regional Treasurer with a bank in Singapore.

Mr. Chan Bernard Charnwut, *aged 47*
Non-executive Director

Mr. Chan Bernard Charnwut has been a Director of the Company since 1989 and was appointed a member of the Audit Committee on 18 January 2000. Previously an independent non-executive Director of the Company, he was re-designated as a non-executive Director of the Company with effect from 30 September 2004. In 2005, he was appointed a member of the Nomination Committee of the Company. Mr. Chan is a Deputy to the National People's Congress and a former member of both Hong Kong's Executive and Legislative Councils. He sits on a number of bodies, including as the Chairman of the Council of Lingnan University, the Council for Sustainable Development, the Advisory Committee on Revitalisation of Historic Buildings, the Antiquities Advisory Board, the Hong Kong-Thailand Business Council, the Vice Chairperson of the Hong Kong Council of Social Service and the deputy Chairman of the Oxfam Hong Kong. He is also an Advisor to Bangkok Bank Public Company Limited, Hong Kong Branch. Mr. Chan retired as an independent non-executive Director of Kingboard Laminates Holdings Ltd. with effect from 4 May 2011.

A graduate of Pomona College in California, he is the President of Asia Insurance Co Ltd. Mr. Chan is also an Executive Director and the President of Asia Financial Holdings Limited and an independent non-executive Director of Yau Lee Holdings Limited, Chen Hsong Holdings Limited, China Resources Enterprise Ltd. and a non-executive Director of New Heritage Holdings Limited.

*** Dr. Lo Ka Shui**, *aged 65*
Director

Dr. Lo Ka Shui was appointed to the Board of the Company in 1989. In 2005, he was appointed Chairman of the Nomination Committee of the Company. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in internal Medicine and Cardiology. He has more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited and the non-executive Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is also a non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an independent non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. Dr. Lo is a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, the Chairman of The Chamber of Hong Kong Listed Companies and with effect from 1 February 2012 was appointed as a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. He was an independent non-executive Director of Melco International Development Limited from 10 September 2004 until 22 June 2010. Dr. Lo retired as a Board Member of the Hong Kong Airport Authority with effect from 31 May 2011.

*** Mr. Lee Jackson @ Li Chik Sin**, *aged 79*
Director

Mr. Lee Jackson was appointed a non-executive Director and Chairman of the Audit Committee of the Company in December 1998. In 2005, he was appointed a member of the Remuneration Committee and the Nomination Committee of the Company. On 22 April 2009, he stepped down as the Chairman of the Audit Committee of the Company and remains as a member of the Audit Committee. He also sits on the Board of Hong Fok Corporation Limited. He was an independent non-executive Director of Metro Holdings Limited from July 1983 to 23 July 2009. He was formerly a partner of an international firm of Chartered Accountants and is a member of The Australian Institute of Chartered Accountants.

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

*** Mr. Teoh Teik Kee**, *aged 52*
Director

Mr. Teoh Teik Kee was appointed an independent non-executive Director and a member of the Audit Committee of the Company on 30 September 2004. In 2005, he was appointed Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. On 22 April 2009, he was appointed Chairman of the Audit Committee of the Company. Mr. Teoh is a lead independent Director of Luzhou Bio-Chem Technology Limited and was also a lead independent Director of Great Group Holdings Limited prior to his re-designation as a non independent non-executive Director with effect from 15 August 2011. From 19 November 2004 to 26 February 2010, he was an Executive Director of ecoWise Holdings Limited.

Mr. Teoh is a Chartered Accountant by training, and worked from 1986 to 1990 with KPMG Peat Marwick McLintock in London and with PricewaterhouseCoopers in Singapore. He has extensive experience in investment banking and corporate financial advisory services when he was with the DBS Bank Group from 1993 to 2001.

Mr. Teoh graduated from Aston University, Birmingham, United Kingdom with a Bachelor of Science (Honours) Degree in Managerial and Administrative Studies, and is a member of the Institute of Chartered Accountants in England and Wales. He also has a diploma in Corporate Treasury Management awarded by the Association of Corporate Treasurers in the United Kingdom.

** Independent non-executive Director*

The non-executive Directors are subject to the same terms of appointment as the other Directors of the Company. Fees payable to non-executive Directors are approved by the Board at the end of each financial year.

Senior Management
Mr. Sherman Kwek Eik Tse, *aged 35*
Chief Executive Officer

Mr. Sherman Kwek Eik Tse was appointed as the Chief Executive Officer of the Company on 1 November 2008.

In his most recent role before joining the Company, Mr. Kwek was the Chief Operating Officer of Thakral Corporation Ltd ("Thakral Corp"). At Thakral Corp, he was responsible for running the day-to-day operations and assisting the Board of Directors in setting a strategic direction for the company.

Before joining Thakral Corp, Mr. Kwek was a Director of RECAP Investments Limited, a wholly-owned subsidiary of Real Estate Capital Asia Partners, LP., a real estate private equity fund. He assisted the fund in completing deals in Korea and Thailand as well as sourcing for deals in China. Prior to that, he spent several years in New York, starting out as a financial analyst in Telligent Capital, a technology venture capital firm, before progressing on to the Investment Banking Division of Credit Suisse First Boston. Subsequently, he held a hotel management and property development role at the U.S. division of Millennium & Copthorne Hotels plc, where he assisted the regional president in overseeing 20 hotels throughout the U.S. as well as managing several condominium conversion projects.

Mr. Kwek is also concurrently the Chief Executive Officer of CDL China Limited, a wholly-owned subsidiary of City Developments Limited, and was appointed to this position on 11 August 2010.

As of 12 August 2010, Mr. Kwek ceased to act as the Executive Director of HL Global Enterprises Limited ("HLGE") and has been re-designated as a non-executive Director of HLGE.

Mr. Kwek has experience in the areas of finance, mergers and acquisitions, real estate, information technology and hotel management. He graduated from Boston University with a Bachelor of Science in Business Administration, majoring in Finance and Marketing with a minor in Psychology.

Mr. Sherman Kwek Eik Tse is the son of Mr. Kwek Leng Beng, the nephew of Messrs. Kwek Leng Joo and Gan Khai Choon.

Mr. Man Mang Wo, Derek, *aged 56*
Chief Financial Officer

Mr. Man Mang Wo, Derek joined the Group in 1996 and was appointed Chief Financial Officer of the Company with effect from 1 April 2004. Mr. Man is a member of the Certified General Accountants Association of Canada, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. He also holds a Bachelor of Business Administration (Honours) Degree from a UK university and a Master of Professional Accounting Degree from The Hong Kong Polytechnic University. He has over 30 years of experience in the accounting and finance field.

Mr. Johnathan Sze, *aged 33*
Senior Vice President, Investments

Mr. Johnathan Sze joined the Company in March 2010 as Senior Vice President, Investments. Mr. Sze has over ten years of experience in real estate finance and investment including acquisition of land, income producing properties, collateralised debt and equity securities, as well as publicly listed companies. Most recently, he has been leading the effort on the Company's hospitality investments and expansion. Prior to joining the Company, he was an Executive Director at RECAP Investments Limited where he sourced and executed property investments throughout North Asia with a focus on China, Korea, and Japan. He had also been an associate at Westbrook Partners LLC, a multi-billion real estate private equity fund headquartered in New York, where he participated in a number of transactions in the United States and Japan. Mr. Sze began his career as an analyst at Deutsche Bank's real estate investment banking group in New York. He attended Cornell University and graduated with a Bachelor of Architecture with Honours.

Mr. Greg Mount, *aged 51*
President

Mr. Greg Mount joined Richfield Hospitality, Inc. ("Richfield"), a subsidiary of the Company, as its President in November 2009 bringing extensive experience in the hospitality industry spanning more than 26 years. Mr. Mount's comprehensive background in hotel management, operations, acquisitions and development, sales and marketing, and revenue management is instrumental to his role in spearheading the growth of Richfield. Mr. Mount's experience includes hospitality leadership positions at Sage Hospitality, Starwood Hotels & Resorts, Interstate Hotels & Resorts and Marriott International. He holds a Bachelor of Science Degree in Hotel, Restaurant and Tourism from LaSalle University and has received significant industry recognition throughout his career.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

(a) As at 31 December 2011, the interests of the Directors and Chief Executive Officer 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

The Company

Name of Director	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

Name of Director	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

Name of Director	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.

Name of Director	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		
Sherman Kwek Eik Tse	personal	1,174

Millennium & Copthorne Hotels Plc **Name of Director**	**Nature of Interest**	**Number of Ordinary Shares of 30 pence each**
Lawrence Yip Wai Lam	personal	9,759

Millennium & Copthorne Hotels New Zealand Limited **Name of Director**	**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 Director was awarded Performance Share Awards 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
	28/11/2011	19,301	28/11/2014

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 31 December 2011, none of the Directors and the Chief Executive Officer 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 31 December 2011, the following persons 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.), LLC	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 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 31 December 2011.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries, fellow subsidiaries or holding companies was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO ACQUIRE SHARES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, fellow subsidiaries or holding companies a party to any arrangements to enable any Director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed herein, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

CONNECTED TRANSACTIONS

Provision of Property Management Services

Property Management Services are provided by the Group to Owners of Hotels, being indirect wholly-owned subsidiaries of Millennium & Copthorne Hotels plc ("M&C"). M&C is a subsidiary of the City Developments Limited, a controlling shareholder of the Company. Details of the transactions were set out in the press announcement dated 8 January 2007 as renewed by the press announcement dated 6 January 2010. The cap amount for Property Management Services is HK$4.0 million for each of the three financial years ending 31 December 2012.

The total revenue generated from the provision of Property Management Services for the year ended 31 December 2011 amounted to HK$1.5 million (2010: HK$1.9 million).

The independent non-executive Directors have reviewed the Property Management Services Transactions for the year under review and confirmed that the said transactions were conducted:

(i) in the ordinary and usual course of its business;

(ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available from independent third parties; and

(iii) in accordance with the management agreements.

The auditors have indicated in writing that based on the agreed-upon procedures:

(i) The transactions have been approved by the Directors;

(ii) Management has confirmed that they consider the transactions have been entered into in accordance with the terms of the Management Agreements;

(iii) Where there are signed agreements or written acknowledgements, the auditors have obtained, on a sample basis, signed agreements/written acknowledgements of the service and related fee charges; and

(iv) The total revenue received by the Group in relation to the Property Management Services Transactions for the relevant financial year has not exceeded HK$4.0 million.

As the above procedures do not constitute either an audit or a review made in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, the auditors did not express any assurance on the connected transactions for the year ended 31 December 2011.

Other Related Party Transactions

Other related party transactions are set out in note 28 to the financial statements, which either fall under the definition of "Continuing Connected Transactions" in Chapter 14A of the Listing Rules and are exempted under the Listing Rules or does not fall into the definition of "connected transaction" or "continuing connected transaction".

SERVICE CONTRACTS OF DIRECTORS

None of the Directors has a service contract with the Company or its subsidiaries.

PRE-EMPTIVE RIGHTS

Under present Cayman Islands laws and the Articles of Association of the Company, no pre-emptive rights are imposed which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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 year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the date of this annual report, the Directors confirm that the Company has maintained the amount of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

EMPLOYEE RETIREMENT BENEFIT

Details of the Group's employee retirement benefits are shown in note 30 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

AUDITORS

KPMG LLP retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

KWEK LENG BENG
Chairman

27 February 2012

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of City e-Solutions Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of City e-Solutions Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 32 to 89, which comprise the consolidated and Company statements of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG LLP
Public Accountants and Certified Public Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

27 February 2012

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

	Note	The Group 2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	3	**109,336**	83,686
Cost of sales		**(33,901)**	(13,560)
Gross profit		**75,435**	70,126
Other net losses	4	**(28,275)**	(7,474)
Administrative expenses		**(86,533)**	(67,198)
Finance cost	5	**(2,393)**	(721)
Loss from operations before taxation		**(41,766)**	(5,267)
Income tax	6	**1,419**	7,302
(Loss)/Profit from continuing operations		**(40,347)**	2,035
Discontinued operations			
Profit from discontinued operations, net of tax	7	**9,002**	5,477
(Loss)/Profit for the year	5	**(31,345)**	7,512
Attributable to:			
Equity shareholders of the Company	10	**(31,231)**	8,994
Non-controlling interests		**(114)**	(1,482)
(Loss)/Profit for the year		**(31,345)**	7,512
		HK cents	**HK cents**
Earnings per share			
Basic (losses)/earnings per share	12	**(8.17)**	2.35
Continuing operations			
Basic (losses)/earnings per share	12	**(10.52)**	0.92

The notes on pages 38 to 89 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2011

	Note	The Group 2011 HK$'000	The Group 2010 HK$'000	The Company 2011 HK$'000	The Company 2010 HK$'000
Non-current assets					
Property, plant and equipment	14	**90,775**	36,912	**210**	799
Intangible assets	15	**2,564**	3,953	**–**	–
Goodwill	16	**2,232**	1,625	**–**	–
Interests in subsidiaries	17	**–**	–	**220,859**	220,859
Deferred tax assets	19	**21,928**	20,337	**–**	–
Total non-current assets		**117,499**	62,827	**221,069**	221,658
Current assets					
Trading securities	20	**79,900**	119,614	**74,784**	113,239
Trade and other receivables	21	**53,547**	18,379	**844**	2,379
Current tax recoverable	6c	**357**	299	**–**	–
Cash and cash equivalents	22	**399,681**	460,438	**279,790**	267,874
		533,485	598,730	**355,418**	383,492
Current liabilities					
Trade and other payables	23	**(33,788)**	(26,916)	**(26,647)**	(19,024)
Interest-bearing loans	25	**(562)**	(558)	**–**	–
Provision for taxation	6c	**–**	(97)	**–**	(97)
		(34,350)	(27,571)	**(26,647)**	(19,121)
Net current assets		**499,135**	571,159	**328,771**	364,371
Total assets less current liabilities		**616,634**	633,986	**549,840**	586,029
Non-current liabilities					
Interest-bearing loans	25	**(37,439)**	(23,300)	**–**	–
NET ASSETS		**579,195**	**610,686**	**549,840**	**586,029**
CAPITAL AND RESERVES	24				
Share capital		**382,450**	382,450	**382,450**	382,450
Reserves		**162,064**	193,433	**167,390**	203,579
Total equity attributable to equity shareholders of the Company		**544,514**	575,883	**549,840**	586,029
Non-controlling interests		**34,681**	34,803	**–**	–
TOTAL EQUITY		**579,195**	**610,686**	**549,840**	**586,029**

Approved and authorised for issue by the board of directors on 27 February 2012.

....

Kwek Leng Beng
Chairman

....

Gan Khai Choon
Director

The notes on pages 38 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Note	The Group 2011 HK$'000	The Group 2010 HK$'000
(Loss)/Profit for the year		**(31,345)**	7,512
Other comprehensive income for the year (after taxation):	11		
Exchange differences on translation of financial statements of foreign operations		**(146)**	1,093
Total comprehensive income for the year		**(31,491)**	8,605
Attributable to:			
Equity shareholders of the Company		**(31,369)**	10,065
Non-controlling interests		**(122)**	(1,460)
Total comprehensive income for the year		**(31,491)**	8,605

The notes on pages 38 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Attributable to equity shareholders of the Group						
	Share Capital	Capital Redemption Reserve	Exchange Reserve	Revenue Reserves	Total	Non-Controlling Interests	Total Equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2010	382,450	676	1,073	181,619	565,818	36,263	602,081
Changes in equity for 2010:							
Profit for the year	–	–	–	8,994	8,994	(1,482)	7,512
Other comprehensive income							
Exchange differences on translation of financial statements of foreign operations	–	–	1,071	–	1,071	22	1,093
Total comprehensive income for the year	–	–	1,071	8,994	10,065	(1,460)	8,605
Balance at 31 December 2010	382,450	676	2,144	190,613	575,883	34,803	610,686
Balance at 1 January 2011	382,450	676	2,144	190,613	575,883	34,803	610,686
Changes in equity for 2011:							
Loss for the year	–	–	–	(31,231)	(31,231)	(114)	(31,345)
Other comprehensive income							
Exchange differences on translation of financial statements of foreign operations	–	–	(138)	–	(138)	(8)	(146)
Total comprehensive income for the year	–	–	(138)	(31,231)	(31,369)	(122)	(31,491)
Balance at 31 December 2011	382,450	676	2,006	159,382	544,514	34,681	579,195

The notes on pages 38 to 89 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011

	Note	The Group 2011 HK$'000	2010 HK$'000
Operating activities			
(Loss)/Profit for the year		**(31,345)**	7,512
Income tax	6	**(1,419)**	(7,302)
(Loss)/Profit before income tax		**(32,764)**	210
Adjustments for:			
Amortisation of intangible assets	5	**1,987**	1,507
Depreciation of property, plant and equipment	5	**4,630**	1,823
Dividend income	3	**(1,467)**	(34,241)
Gain on disposal of discontinued operations	7	**(9,002)**	(5,477)
Loss/(Gain) on disposal of property, plant and equipment	4	**109**	(222)
Interest income	3	**(2,497)**	(1,041)
Interest expenses	5	**2,393**	721
Net realised and unrealised foreign exchange (gains)/losses	4	**(9,317)**	3,174
Net realised and unrealised losses on trading securities	4	**41,340**	4,549
		28,176	(29,207)
Operating loss before changes in working capital		**(4,588)**	(28,997)
Changes in working capital			
Trade and other receivables		**(34,753)**	(30)
Trade and other payables		**7,958**	6,789
Cash used in operations		**(31,383)**	(22,238)
Interest received		**2,443**	1,044
Dividend received		**343**	9,450
Tax paid – overseas tax		**(335)**	(908)
Net cash used in operating activities		**(28,932)**	(12,652)

The notes on pages 38 to 89 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011

	Note	The Group 2011 HK$'000	2010 HK$'000
Investing activities			
Acquisition of interest in jointly controlled entity, net of cash acquired		**(43,447)**	(38,780)
Disposal of discontinued operations, net of cash disposed of	7	**9,002**	5,477
Payment for purchase of property, plant and equipment		**(17,460)**	(4,775)
Proceeds from disposal of property, plant and equipment		**1**	537
Proceeds from sale of trading securities		**903**	834
Net cash used in investing activities		**(51,001)**	(36,707)
Financing activities			
Interest paid		**(2,393)**	(721)
Proceeds from loans		**14,337**	23,858
Repayment of loans		**(194)**	–
Net cash generated from financing activities		**11,750**	23,137
Net decrease in cash and cash equivalents		**(68,183)**	(26,222)
Cash and cash equivalents at 1 January		**460,438**	489,219
Effect of foreign exchange rate changes		**7,426**	(2,559)
Cash and cash equivalents at 31 December	22	**399,681**	460,438

Significant non-cash transaction

During the financial year, the Group received scrip dividends of HK$1,124,000 (2010: HK$32,402,000) from its investments in equity securities.

The notes on pages 38 to 89 form part of these financial statements.

These notes form an integral part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as trading securities (see note 1(f)); and
- derivative financial instruments (see note 1(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainties are discussed in note 32.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Subsidiaries and Non-Controlling Interest

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(m) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Jointly Controlled Entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

The Group recognises its interest in the jointly controlled entity using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with similar items on a line by line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Jointly Controlled Entities (cont'd)

An investment in a jointly controlled entity is proportionately consolidated into the consolidated financial statements from the date that joint control commences until the date on which the Group ceases to have joint control over the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in jointly controlled entities are stated at cost less impairment losses (see note 1(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other Investments in Debt and Equity Securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and jointly controlled entities are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Other Investments in Debt and Equity Securities (cont'd)

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(r)(iv) and (v).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative Financial Instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(h) Property, Plant and Equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Building	-	2.6%
Plant, machinery and equipment (comprising principally furniture and fixtures and office equipment)	-	6% to 33.33%
Motor vehicles	-	20%

No depreciation is provided on freehold land.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible Assets (Other Than Goodwill)

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)).

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where appropriate. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Intangible Assets (Other Than Goodwill) (cont'd)

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Profit from advance bookings	2 years
- Tax benefits	5 years
- Trade name	1 year
- Trademarks	15 years
- Franchise application	10 years

Both the period and method of amortisation are reviewed annually.

(j) Leased Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of Assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries and jointly controlled entities, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.
- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of Assets (cont'd)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversal of impairment losses

  In respect of other assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of Assets (cont'd)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(k)).

(m) Trade and Other Payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Employee Benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Employee Benefits (cont'd)

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Income Tax (cont'd)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Company believes that certain positions may not be fully sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(r) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) Hotel management revenue

Revenue arising from hotel management services, reservation distribution and payroll services is recognised when the relevant services are delivered.

(ii) Hotel operations

Revenue from hotel operations is recognised on an accrual basis, upon rendering of the relevant services.

(iii) Insurance and risk management revenue

Revenue arising from insurance and risk management services, where the Group acts as an agent and does not assume underwriting risk, is recognised based on the net amount retained or the amount billed to the customer less the amount paid to suppliers.

For risk management services where the Company acts as an agent and does not assume any underwriting risk, revenue is recorded as the net amount earned as fees rather than the gross amount of insurance premiums and related costs.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Revenue Recognition (cont'd)

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Sale of properties

Revenue arising from sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risk and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under forward sales deposits and instalments received.

(s) Translation of Foreign Currencies

(i) Foreign currency transactions

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(ii) Translation of foreign currencies

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Translation of Foreign Currencies (cont'd)

(iii) Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

(t) Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss realised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(u) Related Parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (for an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Related Parties (cont'd)

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment Reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

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

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in notes 26 and 27 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3. TURNOVER

The principal activities of the Company comprise those of investment holding and the provision of consultancy services.

Turnover of the Group comprises revenue from hospitality related services, dividend income and interest income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Continuing operations		
Investment holding	**1,467**	34,241
Hospitality	**105,372**	48,404
	106,839	82,645
Interest income	**2,497**	1,041
	109,336	83,686

Included in turnover (continuing operations) above is:

Dividend income:		
- listed securities	**1,467**	887
- unlisted securities	**–**	33,354
	1,467	34,241
Interest income:		
- cash deposits	**2,497**	1,041

Further details regarding the Group's principal activities are disclosed in note 17 to these financial statements.

4. OTHER NET LOSSES

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Net realised and unrealised losses on trading securities	**(41,340)**	(4,549)
Net realised and unrealised foreign exchange gains/(losses)	**9,317**	(3,174)
Gain arising from legal settlement	**3,879**	–
(Loss)/Gain on disposal of property, plant and equipment	**(109)**	222
Others	**(22)**	27
	(28,275)	(7,474)

5. (LOSS)/PROFIT FOR THE YEAR

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

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Finance cost		
Interest on bank borrowings	**2,393**	721
Staff costs		
Salaries, wages and other benefits	**51,811**	36,503
Other items		
Amortisation of intangible assets	**1,987**	1,507
Auditors' remuneration		
- audit services	**1,670**	1,297
- tax services	**86**	82
- other services	**565**	562
Depreciation of property, plant and equipment	**4,630**	1,823
Gain on disposal of discontinued operation	**(9,002)**	(5,477)
Impairment losses on trade receivables	**95**	1,733
Operating lease charges – rental of properties	**1,459**	1,174

6. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Current tax - Overseas		
Provision for the year	**187**	180
(Over)/Under provision in respect of prior years	**(7)**	34
	180	214
Deferred tax		
Origination and reversal of temporary differences	**(1,071)**	(7,516)
Over provision in respect of prior years	**(528)**	–
	(1,599)	(7,516)
Income tax expense from continuing operations	**(1,419)**	(7,302)

The provision for Hong Kong Profits Tax for 2011 is calculated at the rate of 16.5% (2010: 16.5%) of the estimated assessable profits for the year. No provision has been made for Hong Kong Profits Tax, as the Group did not earn any income subject to Hong Kong Profits Tax during the year. 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 31 December 2011, the Group had 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.

6. INCOME TAX (cont'd)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 HK$'000	2010 HK$'000
(Loss)/Profit for the year	**(31,345)**	7,512
Income tax	**(1,419)**	(7,302)
(Loss)/Profit before income tax	**(32,764)**	210
Income tax using Hong Kong tax rates	**(5,406)**	35
Tax effect of non-taxable income	**(3,259)**	(7,791)
Tax effect of non-deductible expenses	**9,059**	4,110
Effect of tax rates in foreign jurisdictions	**(1,279)**	(3,700)
Current year's deferred tax assets not recognised	**1**	10
(Over)/Under provision in respect of prior years	**(535)**	34
Actual tax expense	**(1,419)**	(7,302)

(c) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Provisional overseas tax paid	**357**	299	**–**	–
Provision for overseas tax for the year	**(187)**	(180)	**–**	(2)
Provisional overseas tax paid	**187**	83	**–**	–
	–	(97)	**–**	(2)
Balance of overseas tax provision relating to prior years	**–**	–	**–**	(95)
	–	(97)	**–**	(97)

7. DISCONTINUED OPERATIONS

In March 2011, a gain of HK$9,002,000 (S$1,465,000) was recorded by the Group following the receipt of the final instalment payment of the deferred consideration arising from the disposal of the Group's 50% shareholding interest in MindChamps Holdings Pte. Ltd. on 23 March 2009.

The earnings per share for discontinued operation is HK2.35 cents (2010: HK1.43 cents) (see note 12).

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2011				
Executive Directors				
Kwek Leng Beng	375	–	–	375
Kwek Leng Joo	100	–	–	100
Gan Khai Choon	100	–	–	100
Lawrence Yip Wai Lam	50	–	–	50
Non-Executive Director				
Chan Bernard Charnwut	194	–	–	194
Independent Non-Executive Directors				
Dr. Lo Ka Shui	100	–	–	100
Lee Jackson @ Li Chik Sin	194	–	–	194
Teoh Teik Kee	288	–	–	288
	1,401	–	–	1,401
2010				
Executive Directors				
Kwek Leng Beng	375	–	–	375
Kwek Leng Joo	100	–	–	100
Gan Khai Choon	100	–	–	100
Lawrence Yip Wai Lam	50	113	–	163
Non-Executive Director				
Chan Bernard Charnwut	194	–	–	194
Independent Non-Executive Directors				
Dr. Lo Ka Shui	100	–	–	100
Lee Jackson @ Li Chik Sin	194	–	–	194
Teoh Teik Kee	288	–	–	288
	1,401	113	–	1,514

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2010: one) of which is a director whose emolument is disclosed in note 8. The aggregate of the emoluments in respect of the other four (2010: four) individuals are as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Salaries and other emoluments	**5,584**	5,369
Discretionary bonuses	**2,172**	2,106
	7,756	7,475

The emoluments of the four (2010: four) individuals with the highest emoluments are within the following band:

	2011 Number of individuals	2010 Number of individuals
HK$Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**2**	1
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**–**	2
HK$3,000,001 – HK$3,500,000	**1**	–

10. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$36,189,000 (2010: Profit of HK$11,997,000) which has been dealt with in the financial statements of the Company.

11. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	The Group					
	2011			2010		
	Before tax amount	Tax (expenses)/ benefit	Net of tax amount	Before tax amount	Tax (expenses)/ benefit	Net of tax amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Exchange differences on translation of financial statements of foreign operations	**(146)**	**–**	**(146)**	1,093	–	1,093

12. EARNINGS PER SHARE

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

The calculation of basic (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$31,231,000 (2010: Profit of HK$8,994,000) and on the weighted average of 382,449,524 ordinary shares (2010: 382,449,524 shares) in issue during the year, calculated as follows:

	The Group	
	2011	**2010**
	'000	**'000**
Weighted average number of ordinary shares at 1 January and 31 December	**382,450**	382,450

For the year ended 31 December 2011, earnings per share for continuing and discontinued operations have been calculated using the loss relating to continuing operations of HK$40,233,000 (2010: Profit of HK$3,517,000) and the profit relating to discontinued operations of HK$9,002,000 (2010: HK$5,477,000).

(b) *Diluted earnings per share*

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

13. 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 investments and unlisted marketable equitable 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 Philippines Stock Exchange, Inc. and investment portfolio in United States and Hong Kong.

- Hospitality : This segment primarily derives the revenue from the provision of hotel management, hotel reservation, revenue management services, risk management services, and procurement services to the hospitality industry as well as owning and managing a hotel. 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 financial statements 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 most 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. Segment liabilities include bank borrowings and trade and other payables.

13. SEGMENT REPORTING (cont'd)

(a) Segment results, assets and liabilities (cont'd)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the 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 expenses 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, impairment losses, 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.

(b) Information about reportable segments

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 segment for the years ended 31 December 2011 and 2010 is set out below:

	Investment Holding		Hospitality		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue from external customers	**1,467**	34,241	**105,372**	48,404	**106,839**	82,645
Interest income	**645**	854	**1,852**	187	**2,497**	1,041
Reportable segment revenue	**2,112**	35,095	**107,224**	48,591	**109,336**	83,686
Reportable segment (loss)/profit	**(39,637)**	14,994	**(2,129)**	(20,261)	**(41,766)**	(5,267)
Depreciation and amortisation	**589**	739	**6,028**	2,591	**6,617**	3,330
Unrealised losses/(gains) on trading securities	**40,605**	5,477	**735**	(928)	**41,340**	4,549
Unrealised foreign exchange (gains)/losses	**(9,317)**	5,908	**–**	–	**(9,317)**	5,908
Additions to non-current assets	**–**	–	**17,460**	4,775	**17,460**	4,775
Reportable segment assets	**459,496**	557,148	**169,203**	83,773	**628,699**	640,921
Reportable segment liabilities	**7,464**	8,820	**64,325**	41,954	**71,789**	50,774

13. SEGMENT REPORTING (cont'd)

(b) Information about reportable segments (cont'd)

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:

	2011 HK$'000	2010 HK$'000
Interest income	**2**	5
Reportable segment loss	**(42)**	(28)
Reportable segment assets	**168**	3,286
Reportable segment liabilities	**55**	66

(c) Reconciliations of reportable segment assets and liabilities

	2011 HK$'000	2010 HK$'000
Assets		
Reportable segment assets	**628,699**	640,921
Deferred tax assets	**21,928**	20,337
Current tax recoverable	**357**	299
Consolidated total assets	**650,984**	661,557
Liabilities		
Reportable segment liabilities	**71,789**	50,774
Provision for taxation	**–**	97
Consolidated total liabilities	**71,789**	50,871

(d) Geographical segments

The Group's investing activities are mainly carried out in Hong Kong. Hospitality activities are carried out by the subsidiaries based in United States.

In presenting information on the basis of geographical segments, segment revenue in relation to investment holding is based on the geographical location of investments and segment revenue in relation to hospitality is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

13. SEGMENT REPORTING (cont'd)

(e) Geographical information

31 December 2011

	Revenues HK$'000	Non-current assets HK$'000
Hong Kong	2,110	6
United States	107,226	95,361
Singapore	–	204
	109,336	95,571

31 December 2010

	Revenues HK$'000	Non-current assets HK$'000
Hong Kong	34,636	70
United States	49,045	41,691
Singapore	5	729
	83,686	42,490

(f) Major customer

Revenues from one customer of the Group's hospitality segments represents approximately HK$10,908,000 (2010: HK$3,447,000) of the Group's total revenues from continuing operations.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building	Plant, Machinery and Equipment	Motor Vehicles	Capital Work in Progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
The Group						
Cost						
At 1 January 2010	–	–	6,455	5,314	–	11,769
Exchange adjustments	–	2	3	–	–	5
Additions	–	–	170	–	4,605	4,775
Additions through acquisition of interest in a jointly controlled entity	3,490	27,146	1,163	–	–	31,799
Disposals	–	–	–	(1,622)	–	(1,622)
At 31 December 2010	3,490	27,148	7,791	3,692	4,605	46,726
At 1 January 2011	3,490	27,148	7,791	3,692	4,605	46,726
Exchange adjustments	–	(12)	(7)	–	–	(19)
Additions	–	–	17,130	–	–	17,130
Additions through acquisition of interest in a jointly controlled entity	5,040	33,419	3,024	–	–	41,483
Disposals	–	–	(1,154)	–	–	(1,154)
Reclassification	–	–	4,605	–	(4,605)	–
At 31 December 2011	8,530	60,555	31,389	3,692	–	104,166

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold Land HK$'000	Building HK$'000	Plant, Machinery and Equipment HK$'000	Motor Vehicles HK$'000	Capital Work in Progress HK$'000	Total HK$'000
The Group						
Accumulated depreciation and impairment losses						
At 1 January 2010	–	–	5,812	3,485	–	9,297
Exchange adjustments	–	–	1	–	–	1
Depreciation for the year	–	397	701	725	–	1,823
Disposals	–	–	–	(1,307)	–	(1,307)
At 31 December 2010	–	397	6,514	2,903	–	9,814
At 1 January 2011	–	397	6,514	2,903	–	9,814
Exchange adjustments	–	(1)	(8)	–	–	(9)
Depreciation for the year	–	1,292	2,753	585	–	4,630
Disposals	–	–	(1,044)	–	–	(1,044)
At 31 December 2011	–	1,688	8,215	3,488	–	13,391
Net book value						
At 31 December 2010	3,490	26,751	1,277	789	4,605	36,912
At 31 December 2011	8,530	58,867	23,174	204	–	90,775

Freehold land acquired through acquisition of interest in a jointly controlled entity is situated outside Hong Kong and is being held for own use.

At 31 December 2011, properties of the Group with a carrying amount of HK$29,598,000 (2010: HK$30,241,000) are pledged as security to secure bank loans (see note 25) and properties of the Group with a carrying amount of HK$40,909,000 (2010: HK$Nil) are pledged as security to secure the amount advanced to the jointly controlled entity (see note 21).

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Plant, Machinery and Equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
The Company			
Cost			
At 1 January 2010	2,967	5,314	8,281
Disposals	–	(1,622)	(1,622)
At 31 December 2010, 1 January 2011 and 31 December 2011	2,967	3,692	6,659
Accumulated depreciation			
At 1 January 2010	2,943	3,485	6,428
Charge for the year	14	725	739
Disposals	–	(1,307)	(1,307)
At 31 December 2010	2,957	2,903	5,860
At 1 January 2011	2,957	2,903	5,860
Charge for the year	4	585	589
At 31 December 2011	2,961	3,488	6,449
Net book value			
At 31 December 2010	10	789	799
At 31 December 2011	6	204	210

15. INTANGIBLE ASSETS

The Group	Profits from advance bookings	Tax benefits	Trade name	Trademarks	Franchise application	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 January 2010	–	–	–	1,055	–	1,055
Exchange adjustments	–	–	–	4	–	4
Additions through acquisition of interest in a jointly controlled entity	780	4,153	423	–	–	5,356
At 31 December 2010	780	4,153	423	1,059	–	6,415
At 1 January 2011	780	4,153	423	1,059	–	6,415
Exchange adjustments	–	–	–	(4)	–	(4)
Additions	–	–	–	–	330	330
Additions through acquisition of interest in a jointly controlled entity	271	–	–	–	–	271
At 31 December 2011	1,051	4,153	423	1,055	330	7,012
Accumulated amortisation and impairment losses						
At 1 January 2010	–	–	–	952	–	952
Exchange adjustments	–	–	–	3	–	3
Charge for the year	640	411	390	66	–	1,507
At 31 December 2010	640	411	390	1,021	–	2,462
At 1 January 2011	640	411	390	1,021	–	2,462
Exchange adjustments	–	–	–	(1)	–	(1)
Charge for the year	388	1,570	–	2	27	1,987
At 31 December 2011	1,028	1,981	390	1,022	27	4,448
Net book value						
At 31 December 2010	140	3,742	33	38	–	3,953
At 31 December 2011	23	2,172	33	33	303	2,564

In 2011, the amortisation charge for the Group's trademark and the Group's share of the jointly controlled entity's profits from advance booking, tax benefits, franchise application and trade name are included in "administrative expenses" in the consolidated financial statements.

15. INTANGIBLE ASSETS (cont'd)

In March 2011, intangible assets with carrying amount of HK$271,000 had been recorded arising from the acquisition of a hotel by the Group's jointly controlled entity (see note 18). The intangible assets includes:

	HK$'000
Profits from advance bookings	271

The profit from advance bookings relates to the benefits from advance bookings, memberships, and agreements transferred with the purchase of a hotel property.

16. GOODWILL

	HK$'000
At 1 January 2010	–
Acquisition of interest in a jointly controlled entity	1,625
At 31 December 2010	1,625
Adjustment arising from revision of purchase price allocation	(1,086)
Acquisition of interest in a jointly controlled entity	1,693
At 31 December 2011	2,232

In July 2010, the Group, through its 50% jointly controlled entity, RSF Syracuse Partners, LLC acquired the Crowne Plaza Syracuse Hotel (formerly known as Renaissance Syracuse Hotel) (the "Hotel") located in Syracuse, New York, U.S.. In year 2010, the Group has allocated the purchase consideration to the respective assets acquired based on a provisional basis. The goodwill determined based on provisional basis was HK$1,625,000. During the year 2011, the Group has reviewed the value allocated to the respective assets acquired and reduced the goodwill to HK$539,000.

In March 2011, the Group through its 50% jointly controlled entity, RSF Carolina Partner, LLC acquired the Sheraton Chapel Hill Hotel, located in Chapel Hill, North Carolina, U.S.. A goodwill with a carrying amount of HK$1,693,000 had been recorded (see note 18).

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to hotel operations of the Crowne Plaza Syracuse Hotel and Sheraton Chapel Hill Hotel which is included in the hospitality segment.

(a) As at the reporting date, the Group has determined the recoverable amount of the hotel operations of Crowne Plaza Syracuse Hotel based on value in use calculation. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent budgets and forecasts approved by the management covering 5 years and discount rate of 13%. Cash flows beyond these periods are extrapolated using the estimated terminal growth rates of 10%. The key assumptions are those relating to expected changes in average room rates and occupancy and direct costs. The terminal growth rate used does not exceed management's expectation of the long term average growth rate of the hotel industry and country in which the hotel operates.

16. GOODWILL (cont'd)

Impairment testing for cash-generating unit containing goodwill (cont'd)

(b) As at the reporting date, the Group has determined the recoverable amount of the hotel operations of Sheraton Chapel Hill Hotel based on fair value less cost to sell.

The Group estimates that the fair value less cost to sell approximates the consideration paid to acquire the Sheraton Chapel Hill Hotel as the recent acquisition was an arm's length transaction. There were no significant events that have occurred since acquisition date that could have an adverse effect on the fair value of the Sheraton Chapel Hill Hotel. Accordingly, no impairment loss was required for the year ended 31 December 2011.

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2011	**2010**
	HK$'000	**HK$'000**
Unlisted shares, at cost	**263,129**	263,129
Less: Impairment loss	**(42,270)**	(42,270)
	220,859	220,859

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company Name/ Principal Activities	Place of Incorporation and Operation	Particulars of Issued and Paid Up Capital	Proportion of Ownership Interest: Group's Effective Interest %	Held by Company %	Held by Subsidiary %
Principal direct and indirect subsidiaries					
SWAN Holdings Limited (Investment holding)	Bermuda	33,345,333 shares of US$1 each	85	85	–
SWAN USA, Inc. (Holding company)	United States of America	100 common stocks of US$0.01 each	85	–	100
Richfield Hospitality Inc. (Investment holding and provision of hospitality related services)	United States of America	100 common stocks of US$1,000.01 each	85	–	100
Sceptre Hospitality Resources Inc. (Provision of reservation system services)	United States of America	100 common stocks of US$0.01 each	85	–	100

18. INTEREST IN JOINTLY CONTROLLED ENTITIES

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.

Name of Jointly Controlled Entity/ Principal Activities	Form of Business Structure	Place of Incorporation and Operation	Issued and Paid up Capital	Proportion of Ownership Interest: Group's Effective Interest	Proportion of Ownership Interest: Held by Subsidiary
			US$	%	%
RSF Syracuse Partners, LLC (Provision of hospitality related services)	Incorporated	USA	6,911,000	43	50
RSF Carolina Partners, LLC (Provision of hospitality related services)	Incorporated	USA	6,034,000	43	50

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 two 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, U.S.. The purchase price of the Hotel is US$11,207,000 (approximately HK$86,894,000). 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 a line by line basis.

The effect of the acquisition is set out below:

	HK$'000
Freehold land	5,040
Building	33,419
Furniture, fittings and equipment	3,024
Intangible assets – profit from advance booking	271
Total identifiable net assets – Group's 50% of share	41,754
Consideration paid, satisfied in cash	(43,447)
Goodwill	1,693

The goodwill is attributable mainly to the skills and technical talent of the Hotel's assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

For the year under review, the Group has contributed a total of US$3,017,000 (HK$23,432,000) capital contribution under the JV agreement.

18. INTEREST IN JOINTLY CONTROLLED ENTITIES (cont'd)

The Group incurred acquisition-related costs of HK$6,203,000 related to legal fees, franchise fee charges, due diligence expenses, brokers fees, consulting fees and other associated expenses.

The Group's share of net assets and financial results of the jointly controlled entities is as follows:

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Non-current assets	**93,165**	41,242
Current assets	**5,845**	3,405
Non-current liabilities	**(60,700)**	(23,300)
Current liabilities	**(5,181)**	(2,624)
Net assets	**33,129**	18,723
Turnover	**54,203**	14,424
Expenses	**(53,548)**	(22,311)
Profit/(Loss) for the year	**655**	(7,887)

19. DEFERRED TAX ASSETS

(a) Deferred tax assets recognised:

The Group

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses	Deductible temporary differences	Total
	HK$'000	**HK$'000**	**HK$'000**
Deferred tax arising from:			
At 1 January 2010	9,729	3,085	12,814
Credited to profit or loss	3,537	3,979	7,516
Exchange adjustments	5	2	7
At 31 December 2010	13,271	7,066	20,337

19. DEFERRED TAX ASSETS (cont'd)

(a) Deferred tax assets recognised (cont'd):

	Tax losses	Deductible temporary differences	Total
	HK$'000	HK$'000	HK$'000
Deferred tax arising from:			
At 1 January 2011	13,271	7,066	20,337
Credited/(Charged) to profit or loss	6,719	(5,120)	1,599
Exchange adjustments	(8)	–	(8)
At 31 December 2011	19,982	1,946	21,928

(b) Deferred tax assets not recognised:

The following temporary differences have not been recognised:

	The Group	
	2011	2010
	HK$'000	HK$'000
Tax losses	**4,064**	4,055

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The tax losses do not expire under the respective countries' tax legislations.

20. TRADING SECURITIES

	The Group		The Company	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Equity securities (at market value)				
- Listed outside Hong Kong				
- fellow subsidiaries	**58,370**	81,080	**58,370**	81,080
- non-related company	**8,008**	20,081	**8,008**	20,081
Other securities (at market value)				
- Unlisted	**13,522**	18,453	**8,406**	12,078
	79,900	119,614	**74,784**	113,239

Included in trading securities is an amount of HK$5,116,000 (2010: HK$6,375,000) relating to investment securities held in respect of the Group's defined contribution plan (see note 30).

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Trade receivables	**15,091**	6,387	**–**	–
Less: Allowance for doubtful debts (note 21(b))	**(95)**	(259)	**–**	–
	14,996	6,128	**–**	–
Other receivables and deposits	**6,243**	6,065	**59**	1,875
Amounts owing by subsidiaries	**–**	–	**513**	218
Amounts owing by a jointly controlled entity	**23,261**	–	**–**	–
Amounts owing by affiliated companies	**478**	830	**–**	–
Loans and receivables	**44,978**	13,023	**572**	2,093
Prepayments	**8,569**	5,356	**272**	286
	53,547	18,379	**844**	2,379

All trade and other receivables are expected to be recovered within one year. The amounts owing by subsidiaries and affiliated companies are unsecured, interest-free and repayable on demand.

The amount owing by a jointly controlled entity is secured, interest-bearing and repayable on demand (see note 14).

Affiliated companies comprise subsidiaries of the holding company.

(a) Ageing analysis

The ageing analysis of trade receivables (net of impairment losses) is as follows:

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Current or less than 1 month overdue	**9,735**	4,603
1 to 3 months overdue	**4,773**	616
3 to 12 months overdue	**488**	909
	14,996	6,128

The Group's credit policy is set out in note 27. Trade receivables are due within 1 month from the date of billing.

21. TRADE AND OTHER RECEIVABLES (cont'd)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
At 1 January	**259**	636
Impairment loss recognised	**95**	1,733
Allowance utilised	**(262)**	(2,114)
Exchange adjustments	**3**	4
At 31 December	**95**	259

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Neither past due nor impaired	**8,678**	3,565
Less than 1 month overdue	**3,332**	1,038
1 to 3 months overdue	**386**	616
3 to 12 months overdue	**520**	789
	4,238	2,443
	12,916	6,008

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to customers having a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Deposits with banks and other financial institutions	**366,155**	392,801	**262,339**	218,526
Cash at bank and in hand	**33,526**	67,637	**17,451**	49,348
	399,681	460,438	**279,790**	267,874

The weighted average effective interest rates per annum relating to cash and cash equivalents at the end of the reporting period for the Group and the Company are 0.363% (2010: 0.242%) and 0.347% (2010: 0.234%) respectively. Interest rates re-priced within twelve months.

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	**1,993**	291	**–**	–
Other payables and accrued charges	**22,377**	20,776	**7,257**	8,420
Deferred income	**9,265**	5,670	**–**	–
Amounts owing to affiliated companies	**153**	179	**153**	179
Amounts owing to subsidiary companies	**–**	–	**19,237**	10,425
	33,788	26,916	**26,647**	19,024

All of the trade and other payables are expected to be settled within one year. The amounts owing to affiliated and subsidiary companies are unsecured, interest-free and repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis as of the end of the reporting period:

	The Group		The Company	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Due within 1 month or on demand	**21,776**	17,161	**4,610**	6,279
Due 1 to 3 months	**2,861**	6,040	**19,390**	12,745
Due 3 to 12 months	**9,151**	3,715	**2,647**	–
	33,788	26,916	**26,647**	19,024

24. CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Share capital HK$'000	Capital redemption reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
Balance at 1 January 2010	382,450	676	190,906	574,032
Changes in equity for 2010:				
Profit for the year	–	–	11,997	11,997
Total comprehensive income for the year	–	–	11,997	11,997
Balance at 31 December 2010 and 1 January 2011	382,450	676	202,903	586,029
Changes in equity for 2011:				
Loss for the year	–	–	(36,189)	(36,189)
Total comprehensive income for the year	–	–	(36,189)	(36,189)
Balance at 31 December 2011	382,450	676	166,714	549,840

(b) Share capital

(i) Authorised and issued share capital

	The Company			
	2011		2010	
	No. of shares ('000)	HK$'000	No. of shares ('000)	HK$'000
Authorised:				
Ordinary shares of HK$1 each	2,720,615	2,720,615	2,720,615	2,720,615
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	382,450	382,450	382,450	382,450

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

24. CAPITAL AND RESERVES (cont'd)

(b) Share capital (cont'd)

(ii) Purchase of own shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

(iii) Share option scheme

The Share Option Scheme (the "2005 Scheme") for eligible persons, including employees (including the Executive Directors) and non-executive Directors of the Company and its associates, was adopted by the Company on 27 April 2005 ("Adoption Date"). Under the 2005 Scheme, the maximum number of shares that may be granted by the Directors shall not exceed 10% of the share capital of the Company in issue at the Adoption Date unless the Company obtains a fresh approval from its Shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options and yet to be exercised under the 2005 Scheme and any other option scheme(s) of the Company shall not in aggregate exceed 30% of the shares in issue from time to time. The subscription price of shares under the 2005 Scheme shall not be less than the highest of: (i) the official closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the Offer Date; (ii) the average of the official closing price of the Shares as stated in daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

Throughout the financial year, no share option was granted and outstanding.

(c) Nature and purpose of reserves

(i) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met. The reserve is dealt with in accordance with the accounting policy set out in note 1(s).

(d) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$166,714,000 (2010: HK$202,903,000).

24. CAPITAL AND RESERVES (cont'd)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of net debt-to-adjusted capital ratio. It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

25. INTEREST-BEARING LOANS

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Bank loans - secured	**38,001**	23,858
Within 1 year	**562**	558
Between 1 and 2 years	**614**	2,553
Between 2 and 5 years	**36,825**	20,747
	38,001	23,858

The Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(c). As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached.

Security

The bank loans of the Group are secured over the freehold land and building with a carrying amount of HK$29,598,000 (2010: HK$30,241,000) (see note 14).

Term and repayment schedule

The bank loans are repayable by August 2015 and bear interests fixed at 7.50% p.a. during the tenure of the loans.

26. FINANCIAL INSTRUMENTS BY CATEGORY

Set out below is an analysis of the Group's financial instruments:

	Note	Loan and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Liabilities at amortised cost HK$'000
Group				
2011				
Assets				
Trading securities	20	–	79,900	–
Trade and other receivables excluding prepayments	21	44,978	–	–
Cash and cash equivalents	22	399,681	–	–
		444,659	79,900	–
Liabilities				
Interest-bearing loans	25	–	–	38,001
Trade and other payables excluding deferred income	23	–	–	24,523
		–	–	62,524
2010				
Assets				
Trading securities	20	–	119,614	–
Trade and other receivables excluding prepayments	21	13,023	–	–
Cash and cash equivalents	22	460,438	–	–
		473,461	119,614	–
Liabilities				
Interest-bearing loans	25	–	–	23,858
Trade and other payables excluding deferred income	23	–	–	21,246
		–	–	45,104

26. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

	Note	Loan and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Liabilities at amortised cost HK$'000
Company				
2011				
Assets				
Trading securities	20	–	74,784	–
Trade and other receivables excluding prepayments	21	572	–	–
Cash and cash equivalents	22	279,790	–	–
		280,362	74,784	–
Liabilities				
Trade and other payables excluding deferred income	23	26,647	–	–
2010				
Assets				
Trading securities	20	–	113,239	–
Trade and other receivables excluding prepayments	21	2,093	–	–
Cash and cash equivalents	22	267,874	–	–
		269,967	113,239	–
Liabilities				
Trade and other payables excluding deferred income	23	19,024	–	–

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 1 month from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities and with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with counterparties with sound credit ratings and with whom the Group has a signed netting agreement. Given their high credit ratings, management does not expect any investment counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, 21% (2010: 0%) and 43% (2010: 27%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the hospitality business segment.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position after deducting any impairment allowance.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21.

(b) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 20).

The Group's listed equity investments are listed on the London Stock Exchange, NASDAQ Stock Market and The Philippines Stock Exchange, Inc.. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to other industry indicators, as well as the Group's liquidity needs.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(b) Equity price risk (cont'd)

At 31 December 2011, a 5% (2010: 5%) increase in the underlying equity prices of the equity investments listed on the London Stock Exchange at the end of the reporting period would decrease the Group's and the Company's loss after tax and increase the Group's and the Company's revenue reserve by approximately HK$2,844,000 (2010: increase the Group's and the Company's profit after tax and increase the Group's and the Company's revenue reserve by HK$4,004,000). There is no impact on the other components of consolidated equity for both years. The analysis assumes that all other variables remain constant.

A 5% (2010: 5%) decrease in the underlying equity prices of the equity investments listed on the London Stock Exchange at the end of the reporting period, with all other variables held constant, would have an equal but opposite effect on the Group's and the Company's loss after tax and revenue reserve.

At 31 December 2011, a 5% (2010: 5%) increase in the underlying equity prices of the equity investments listed on the NASDAQ Stock Market at the end of the reporting period would decrease the Group's and the Company's loss after tax and increase the Group's and the Company's revenue reserve by approximately HK$400,000 (2010: increase the Group's and the Company's profit after tax and increase the Group's and the Company's revenue reserve by HK$1,004,000).

A 5% (2010: 5%) decrease in the underlying equity prices of the equity investments listed on the NASDAQ Stock Market at the end of the reporting period, with all other variables held constant, would have an equal but opposite effect on the Group's and the Company's loss after tax and revenue reserve.

In respect of the Group's equity investment listed on The Philippines Stock Exchange, Inc., based on the historical trend analysis, management does not expect significant equity price movements on this investment and hence, any significant impact on the Group's and the Company's loss after tax, revenue reserve and other components of consolidated equity, assuming that all other variables remain constant.

The Group also holds investments in unlisted marketable equity mutual funds. Included in such investments is an amount of HK$5,116,000 (2010: HK$6,375,000) relating to investments held in respect of the Group's defined contribution plan. Any movement in the equity price would not have any impact on the Group's loss after tax as there would be an equal and opposite change in the staff costs (note 5) in response to the changes in the equity price. At 31 December 2011, a 5% (2010: 5%) increase in the net asset value of the remaining balance of the investments in unlisted marketable equity mutual funds at the end of the reporting period would decrease the Group's and the Company's loss after tax and increase the Group's and the Company's revenue reserve by approximately HK$420,000 (2010: increase the Group's and the Company's profit after tax and increase the Group's and the Company's revenue reserve by HK$604,000). There is no impact on the other components of consolidated equity for both years. The analysis assumes that all other variables remain constant.

A 5% (2010: 5%) decrease in the net asset value of the remaining balance in unlisted marketable equity mutual funds at the end of the reporting period, with all other variables held constant, would have had the equal but opposite effect on the Group's and the Company's loss after tax and revenue reserve.

The sensitivity analysis has been determined assuming that the reasonably possible changes in stock prices, net asset values or other risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock price, net asset value or the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2010.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

Except for the long-term bank loans, the total contractual undiscounted cash flows of the Group's and the Company's non-derivative financial liabilities are the same as their carrying amounts as their remaining contractual maturities are within one year.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's long-term non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount at 31 December
	HK$'000	HK$'000	HK$'000	HK$'000
The Group				
Non-derivative contractual liabilities				
2011				
Interest-bearing long-term loans	(3,422)	(46,239)	(49,661)	(38,001)
2010				
Interest-bearing long-term loans	(865)	(31,892)	(32,757)	(23,858)

(d) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The weighted average effective interest rates per annum relating to the borrowings at the end of the reporting period is 7.5% (2010: 7.5%). The weighted average effective interest rates per annum relating to cash and cash equivalents at the end of the reporting period is set out in note 22.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(e) Currency risk

The Group is exposed to foreign currency risk through deposits and withdrawals of fixed deposits and borrowings, sales and purchases of the trading securities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to these risks are Sterling Pound, Singapore Dollar, Philippine Peso, Renminbi and US Dollar.

When necessary, the Group uses forward exchange contracts to hedge its specific currency risks. However, forward exchange contracts that do not qualify for hedge accounting are accounted for as trading instruments. As at the reporting date, the Group had no outstanding forward exchange contracts.

(i) Recognised assets and liabilities

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level.

(ii) Exposure to foreign currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate to.

	2011					**2010**			
	Sterling Pound	**Singapore Dollar**	**Philippine Peso**	**Renminbi Rmb**	**US Dollar**	**Sterling Pound**	**Singapore Dollar**	**Philippine Peso**	**US Dollar**
	'000	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**
The Group									
Trading securities	**4,667**	**–**	**8,213**	**–**	**1,033**	6,699	–	5,549	2,589
Trade and other receivables	**–**	**6**	**–**	**–**	**–**	–	11	–	–
Cash and cash equivalents	**5,422**	**4,864**	**–**	**74,990**	**26,747**	10,375	3,671	–	14,630
Trade and other payables	**–**	**(430)**	**–**	**–**	**(10)**	–	(233)	–	(12)
Overall exposure arising from recognised assets and liabilities	**10,089**	**4,440**	**8,213**	**74,990**	**27,770**	17,074	3,449	5,549	17,207
The Company									
Trading securities	**4,667**	**–**	**8,213**	**–**	**1,033**	6,699	–	5,549	2,589
Trade and other receivables	**–**	**6**	**–**	**–**	**–**	–	11	–	–
Cash and cash equivalents	**5,422**	**4,836**	**–**	**74,990**	**10,900**	10,375	3,671	–	14,630
Trade and other payables	**–**	**(430)**	**–**	**–**	**(10)**	–	(233)	–	(12)
Overall exposure arising from recognised assets and liabilities	**10,089**	**4,412**	**8,213**	**74,990**	**11,923**	17,074	3,449	5,549	17,207

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(e) Currency risk (cont'd)

(iii) Sensitivity analysis

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's and the Company's exposure to currency risk for financial instruments in existence at that date.

A 10% (2010: 10%) strengthening of the following foreign currencies against the functional currency of each of the Group's entities at the end of the reporting period would impact the Group's and the Company's profit/loss after tax and revenue reserve by the amounts shown below. There is no impact on the other components of consolidated equity. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	Decrease in loss after tax and increase in revenue reserve	Increase in profit after tax and revenue reserve
	2011	**2010**
	HK$'000	**HK$'000**
The Group		
Sterling Pound	**12,298**	20,413
Singapore Dollar	**2,667**	2,069
Philippine Peso	**148**	99
Renminbi	**9,363**	–
US Dollar	**21,532**	13,347
The Company		
Sterling Pound	**12,298**	20,413
Singapore Dollar	**2,650**	2,069
Philippine Peso	**148**	99
Renminbi	**9,363**	–
US Dollar	**9,245**	13,347

A 10% (2010: 10%) weakening of the above currencies against the functional currency of each of the Group's entities at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables, in particular, interest rates, remain constant.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(e) Currency risk (cont'd)

(iii) Sensitivity analysis (cont'd)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent the effect of the Group's and the Company's loss after tax and revenue reserve measured in the respective foreign currencies, translated into Hong Kong dollar at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2010.

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
The Group				
2011				
Assets				
Equity securities held for trading:				
- Listed	66,378	–	–	66,378
- Unlisted	5,116*	–	8,406	13,522
	71,494	–	8,406	79,900

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values (cont'd)

(i) Financial instruments carried at fair value (cont'd)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
The Group				
2010				
Assets				
Equity securities held for trading:				
- Listed	101,161	–	–	101,161
- Unlisted	6,375*	–	12,078	18,453
	107,536	–	12,078	119,614
The Company				
2011				
Assets				
Equity securities held for trading:				
- Listed	66,378	–	–	66,378
- Unlisted	–	–	8,406	8,406
	66,378	–	8,406	74,784
2010				
Assets				
Equity securities held for trading:				
- Listed	101,161	–	–	101,161
- Unlisted	–	–	12,078	12,078
	101,161	–	12,078	113,239

* The unlisted equity securities relate to the Group's defined contribution plan. The plan invests in listed securities and hence the fair value of the plan follows the fair value of the underlying securities which can be measured using quoted price (unadjusted) in active markets.

During the year, there were no transfers between financial instruments in Level 1 and Level 2.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values (cont'd)

(i) Financial instruments carried at fair value (cont'd)

The movement in the Level 3 financial instruments measured at fair value is as follows:

	The Group and the Company Fair value through profit or loss equity securities	
	2011	**2010**
	HK$'000	**HK$'000**
At 1 January	**12,078**	36,738
Net unrealised losses recognised in profit or loss	**(3,672)**	(24,660)
At 31 December	**8,406**	12,078

The gains or losses for the period recognised in profit or loss of the unlisted equity securities is presented in "other net losses" in the consolidated income statement.

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values. For fair value measurement in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

		Effect on fair value	
	Fair value	**Favourable changes**	**Unfavourable changes**
	HK$'000	**HK$'000**	**HK$'000**
2011			
Financial assets at fair value through profit or loss			
Equity securities	8,406	45	(45)
2010			
Financial assets at fair value through profit or loss			
Equity securities	12,078	138	(138)

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated based on the recent fluctuation in the underlying equity prices of the equity investment.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values (cont'd)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's are financial instruments carried at cost or amortised cost is not materially different from their fair values as at 31 December 2011 and 2010 except as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000
The Group				
Fixed rates bank loans	**(38,001)**	**(39,513)**	(23,858)	(23,860)

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

Fair value of listed equity securities is based on quoted market prices of the listed equity securities at the end of the reporting period without any deduction for transaction costs. Included in unlisted equity securities is investment in a Fund. The fair value of the Fund is estimated based on the fair value of the securities that the Fund invested in which consist of listed and unlisted securities. The fair value of the listed securities is based on quoted market prices at the end of the reporting period without any deduction for transaction costs. The fair value of unlisted securities is determined based on inputs such as contractual agreements, current and projected operating performance, rounds of financing and third-party transactions, discounted cash flow analysis and market-based information, including comparable company transactions, trading multiples and changes in market outlook, among other factors.

(ii) Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(g) Estimation of fair values (cont'd)

(iii) Interest-bearing loans

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The interest rate used is as follows:

	The Group	
	2011	**2010**
Interest-bearing loans	**6.0%**	7.5%

28. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere, there were the following material related party transactions during the year:

	Transaction value for the year ended	
	2011	**2010**
	HK$'000	**HK$'000**
Dividend income received from fellow subsidiaries	**1,467**	887
Income received from provision of hospitality and other related services to subsidiary	**7,454**	2,273
Rental received from a fellow subsidiary	**–**	141
Accounting fee paid to a fellow subsidiary	**(149)**	(158)
Expenses paid to a fellow subsidiary	**–**	(352)

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Short-term employee benefits	**9,323**	9,133

Total remuneration is included in the administrative expenses.

29. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Contracted for	**14,337**	14,342

(b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases payable as follows:

	The Group	
	2011	**2010**
	HK$'000	**HK$'000**
Within 1 year	**2,791**	1,594
After 1 year but within 5 years	**10,212**	9,497
	13,003	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 any contingent rental.

30. EMPLOYEE RETIREMENT BENEFITS

In United States, the Group operates a defined contribution plan (the "Plan"). Under the Plan, employees may elect to contribute a percentage of their regular compensation to the Plan and to direct the distribution of these amounts among the Plan's investment options. The Group matches 50% of each employee's contributions up to a maximum of 3% of the employee's annual base compensation.

At the end of the reporting period, HK$5,116,000 (2010: HK$6,375,000) has been included in trading securities (see note 20).

31. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The immediate holding company at 31 December 2011 is City Developments Limited. The Directors consider the ultimate holding company at 31 December 2011 to be Hong Leong Investment Holdings Pte. Ltd.. Both companies are incorporated in the Republic of Singapore. The immediate holding company produces financial statements available for public use.

32. ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 16 contains information about the assumptions and the risk factors relating to impairment of intangible assets (including goodwill).

33. SUBSEQUENT EVENT

On 27 February 2012, the Group, through SWAN USA, Inc. ("SWAN"), a direct wholly-owned subsidiary of SWAN Holdings Limited and Whiteboard Labs, LLC ("WBL") entered into a Joint Venture Agreement ("JV") for the formation and operation of Sceptre Hospitality Resources, LLC ("SHR") with SWAN and WBL each having 51% and 49% in the equity interest in SHR respectively.

The Group will contribute US$1,300,000 (approximately HK$10,100,000) in exchange for the 51% equity interest in SHR. The Group has also agreed to advance to SHR an unsecured credit line of US$1,000,000 (approximately HK$7,800,000), to be drawn upon by SHR as needed for its working capital. The tenure of the unsecured credit line will be 3 years after the date of grant of the credit and will be charged at 1% plus ten year U.S. Treasury rate per annum.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9, *Financial instruments*	1 January 2013
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangement*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments and standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have significant impact on the Group's results of operations and financial position except for HKFRS 11, *Joint arrangement* and HKAS 28, *Investments in associates and joint ventures*. The adoption of these standards will change the Group's accounting for its interest in the jointly controlled entities. Currently, the Group recognises its interest in the jointly controlled entities using proportionate consolidation. With the adoption of these standards, the Group is required to recognise its interest in the jointly controlled entities using the equity method. The transition from proportionate consolidation to the equity method will affect most of the Group's financial statement line items, notably decreasing revenue, expenses, gross assets and gross liabilities. If the jointly controlled entities are profitable and taxable entities, the transition will also decrease the Group's profit before tax as the tax expenses of the jointly controlled entities no longer will be included in the tax line.

www.ceslimited.com