



City e-Solutions Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 557)

2015

**Interim financial report
for the six months ended 30 June 2015**

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2015 - unaudited

	Note	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Turnover	3	45,443	51,382
Cost of sales		<u>(9,627)</u>	<u>(9,153)</u>
Gross profit		35,816	42,229
Other net gains	4	527	9,486
Administrative expenses	5	<u>(49,078)</u>	<u>(51,510)</u>
(Loss)/Profit from operating activities		(12,735)	205
Finance costs	6	(760)	(783)
Share of (loss)/profit of a joint venture		(488)	147
Share of (loss)/profit of associates		<u>(775)</u>	<u>240</u>
Loss before taxation		(14,758)	(191)
Income tax credit	7	<u>4,158</u>	<u>1,357</u>
(Loss)/Profit for the period	8	<u><u>(10,600)</u></u>	<u><u>1,166</u></u>
Attributable to:			
Equity shareholders of the Company		(7,806)	57
Non-controlling interests		<u>(2,794)</u>	<u>1,109</u>
(Loss)/Profit for the period		<u><u>(10,600)</u></u>	<u><u>1,166</u></u>
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
Basic (losses)/earnings per share	9	<u><u>(2.04)</u></u>	<u><u>0.01</u></u>

The notes on pages 9 to 23 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2015 - unaudited

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period	(10,600)	1,166
Other comprehensive income for the period (after taxation):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(88)	(20)
Reclassification adjustment of exchange differences to profit or loss on striking-off of subsidiary	(2,779)	–
Exchange differences on monetary item forming net investment in a foreign operation	(14)	(16)
Total comprehensive income for the period	<u>(13,481)</u>	<u>1,130</u>
Attributable to:		
Equity shareholders of the Company	(10,668)	47
Non-controlling interests	(2,813)	1,083
Total comprehensive income for the period	<u>(13,481)</u>	<u>1,130</u>

The notes on pages 9 to 23 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015 - unaudited

	Note	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Non-current assets			
Property, plant and equipment		43,762	41,904
Intangible assets		9,520	10,873
Goodwill		8,938	8,942
Available-for-sale financial assets		33,002	33,016
Long term bank deposits		3,799	9,780
Interest in associates		7,683	8,880
Deferred tax assets		29,071	24,632
Total non-current assets		135,775	138,027
Current assets			
Trading securities		110,503	111,197
Trade and other receivables	11	24,004	30,274
Short term bank deposits		9,776	17,101
Current tax recoverable		1,775	4,630
Cash and cash equivalents	12	373,926	372,824
		<u>519,984</u>	<u>536,026</u>
Current liabilities			
Trade and other payables	13	(22,822)	(29,924)
Interest-bearing borrowings	14	(1,085)	(969)
		<u>(23,907)</u>	<u>(30,893)</u>
Net current assets		496,077	505,133
Total assets less current liabilities		631,852	643,160
Non-current liabilities			
Dividends received in excess of earnings from equity-method accounted joint venture		(19,365)	(17,256)
Interest-bearing borrowings	14	(30,458)	(30,394)
		<u>(49,823)</u>	<u>(47,650)</u>
NET ASSETS		582,029	595,510

	<i>Note</i>	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
CAPITAL AND RESERVES			
Share capital		382,450	382,450
Reserves		157,116	167,784
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		539,566	550,234
Non-controlling interests		42,463	45,276
		<hr/>	<hr/>
TOTAL EQUITY		582,029	595,510
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 23 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015 - unaudited

Attributable to equity shareholders of the Company

	Share Capital <i>HK\$'000</i>	Capital Redemption Reserve <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Revenue Reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- Controlling Interests <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
Balance at 1 January 2014	382,450	676	2,295	183,615	569,036	44,800	613,836
Changes in equity for the six months ended 30 June 2014:							
Profit for the period	-	-	-	57	57	1,109	1,166
Other comprehensive income							
Exchange differences on translation of financial statements of foreign operations	-	-	6	-	6	(26)	(20)
Exchange differences on monetary item forming net investment in a foreign operation	-	-	(16)	-	(16)	-	(16)
Total comprehensive income for the period	-	-	(10)	57	47	1,083	1,130
Balance at 30 June 2014	<u>382,450</u>	<u>676</u>	<u>2,285</u>	<u>183,672</u>	<u>569,083</u>	<u>45,883</u>	<u>614,966</u>
Balance at 1 January 2015	382,450	676	2,471	164,637	550,234	45,276	595,510
Changes in equity for the six months ended 30 June 2015:							
Loss for the period	-	-	-	(7,806)	(7,806)	(2,794)	(10,600)
Other comprehensive income							
Exchange differences on translation of financial statements of foreign operations	-	-	(69)	-	(69)	(19)	(88)
Reclassification adjustment of exchange differences to profit or loss on striking-off of subsidiary	-	-	(2,779)	-	(2,779)	-	(2,779)
Exchange differences on monetary item forming net investment in a foreign operation	-	-	(14)	-	(14)	-	(14)
Total comprehensive income for the period	-	-	(2,862)	(7,806)	(10,668)	(2,813)	(13,481)
Balance at 30 June 2015	<u>382,450</u>	<u>676</u>	<u>(391)</u>	<u>156,831</u>	<u>539,566</u>	<u>42,463</u>	<u>582,029</u>

The notes on pages 9 to 23 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2015 - unaudited

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Operating activities		
Cash used in operations	(14,301)	(12,980)
Dividend received	1,750	3,070
Interest received	2,091	959
Tax refunded	2,561	155
	<hr/>	<hr/>
Net cash used in operating activities	(7,899)	(8,796)
	<hr/>	<hr/>
Investing activities		
Dividends received from a joint venture and associate	2,047	26,885
Decrease/(Increase) in bank deposits	13,306	(2,168)
Payment for purchase of property, plant and equipment	(2,934)	(4,553)
Proceeds from sale of trading securities	135	9,277
Other cash flows arising from investing activities	(259)	(871)
	<hr/>	<hr/>
Net cash generated from investing activities	12,295	28,570
	<hr/>	<hr/>
Financing activities		
Interest paid	(702)	(721)
Repayment of borrowings	(527)	(467)
Other cash flows arising from financing activities	(324)	(519)
	<hr/>	<hr/>
Net cash used in financing activities	(1,553)	(1,707)
	<hr/>	<hr/>

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net increase in cash and cash equivalents	2,843	18,067
Cash and cash equivalents at 1 January	370,870	346,744
Effect of foreign exchange rates changes	<u>(2,065)</u>	<u>(67)</u>
Cash and cash equivalents at 30 June (Note A)	<u><u>371,648</u></u>	<u><u>364,744</u></u>

Note A:

Cash and cash equivalents at 30 June 2015 and 30 June 2014 comprise:

	<i>Note</i>	As at 30 June 2015	As at 30 June 2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits with banks and other financial institutions		315,728	246,054
Cash at bank and in hand		<u>58,198</u>	<u>120,418</u>
Cash and cash equivalents per consolidated statement of financial position		373,926	366,472
Less: Cash pledged for interest-bearing borrowings	14	<u>(2,278)</u>	<u>(1,728)</u>
Cash and cash equivalents per condensed consolidated cash flow statement		<u><u>371,648</u></u>	<u><u>364,744</u></u>

The notes on pages 9 to 23 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 11 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG LLP in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Federation of Accountants. KPMG LLP’s independent review report to the Board of Directors of the Company (the “Board”) is included on pages 24 and 25. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office. The Company's auditor has reported on these financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the new Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32).

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKAS 19, *Defined benefit plans: Employee contributions*
- Annual Improvements to HKFRSs 2010-2012 cycle
- Annual Improvements to HKFRSs 2011-2013 cycle

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

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

- Investment holding: This segment relates to investments in listed equity and unlisted marketable equity mutual funds classified as trading securities and investment in an unlisted equity fund classified as available-for-sale financial assets. Currently, the Group's equity investment portfolio classified as trading securities includes equity securities listed on the London Stock Exchange, NASDAQ Stock Market and The Philippine Stock Exchange, Inc. and investment portfolio in the United States and Hong Kong.
- Hospitality: This segment primarily derives the revenue from the provision of hotel management, hotel reservation, and revenue management services, risk management services and procurement services to the hospitality industry as well as owning and managing hotels. Currently, the Group's activities in this reportable segment are mainly carried out in the United States.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets, goodwill and current assets with the exception of deferred tax assets and current tax recoverable. Segments liabilities include interest-bearing borrowings, trade and other payables and dividends received in excess of earnings from equity-method accounted joint venture.

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

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, net realised and unrealised foreign exchange gain/loss, net realised and unrealised valuation gain/loss on trading securities and additions to non-current segment assets used by the segments in their operations.

(b) Information about profit or loss, assets and liabilities

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

	Investment Holding		Hospitality		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>For the six months ended 30 June:</i>						
Revenue from external customers	1,750	3,070	41,787	47,245	43,537	50,315
Interest income	1,820	958	86	109	1,906	1,067
Reportable segment revenue	3,570	4,028	41,873	47,354	45,443	51,382
Reportable segment (loss)/profit	(1,049)	2,133	(13,709)	(2,324)	(14,758)	(191)
Depreciation and amortisation	-	1	2,977	2,738	2,977	2,739
Net realised and unrealised valuation (losses)/gains on trading securities	(1,450)	2,799	(117)	(147)	(1,567)	2,652
Net realised and unrealised foreign exchange (losses)/gains	(1,306)	2,567	-	-	(1,306)	2,567
Additions to non-current assets	-	-	3,593	4,945	3,593	4,945
<i>As at 30 June/31 December:</i>						
Reportable segment assets	447,963	456,027	176,950	188,764	624,913	644,791
Reportable segment liabilities	5,752	9,629	67,978	68,914	73,730	78,543

(c) Reconciliations of reportable segment assets and liabilities

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Assets		
Reportable segment assets	624,913	644,791
Deferred tax assets	29,071	24,632
Current tax recoverable	1,775	4,630
	<hr/>	<hr/>
Consolidated total assets	<u>655,759</u>	<u>674,053</u>
Liabilities		
Reportable segment liabilities	73,730	78,543
	<hr/>	<hr/>
Consolidated total liabilities	<u>73,730</u>	<u>78,543</u>

4. OTHER NET GAINS

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Net realised and unrealised foreign exchange (losses)/gains	(1,306)	2,567
Net realised and unrealised valuation (losses)/gains on trading securities	(1,567)	2,652
Gain on striking-off a dormant subsidiary	2,779	-
Miscellaneous proceeds	721	4,267
Loss on disposal of property, plant and equipment	(100)	-
	<hr/>	<hr/>
	<u>527</u>	<u>9,486</u>

5. ADMINISTRATIVE EXPENSES

Administrative expenses comprise mainly expenses incurred by the Group's Hospitality segment which include expenses incurred by Sheraton Chapel Hill Hotel, North Carolina, U.S., a hotel jointly operated by the Group's subsidiary.

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Amortisation of capitalised transaction costs	62	62
Interest expenses on borrowings	698	721
	<u>760</u>	<u>783</u>

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current tax - Overseas		
Provision for the period	(276)	(209)
Under-provision in respect of prior years	(8)	(8)
	<u>(284)</u>	<u>(217)</u>
Deferred tax		
Origination and reversal of temporary differences	4,442	1,574
	<u>4,442</u>	<u>1,574</u>
Income tax credit from continuing operations	<u>4,158</u>	<u>1,357</u>

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2014: 16.5%) of the estimated assessable profits for the six months ended 30 June 2015. Taxation for overseas subsidiaries has been provided on estimated assessable profits at the rates of taxation ruling in the relevant countries.

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

As at 30 June 2015, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$4.2 million (31 December 2014: HK\$4.2 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.

8. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	1,628	1,389
Amortisation of intangible assets	1,349	1,350
Operating lease charges – rental of properties	1,449	946
Dividend and interest income	(3,656)	(4,137)
	<u> </u>	<u> </u>

9. EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The calculation of basic losses per share (six months ended 30 June 2014: basic earnings per share) is based on loss attributable to ordinary equity shareholders of the Company of HK\$7.8 million (six months ended 30 June 2014: profit of about HK\$0.1 million) and the weighted average number of ordinary shares of 382,449,524 (six months ended 30 June 2014: 382,449,524) in issue during the period.

(b) Diluted earnings per share

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

10. DIVIDENDS

- (a) Dividend attributable to the interim period

The directors of the Company (the “Directors”) have resolved not to declare an interim dividend for the six months ended 30 June 2015 (2014: nil).

- (b) Dividend attributable to the previous financial year, approved and paid during the interim period

There were no dividends attributable to the previous financial year, approved and paid during the interim period of 2015 and 2014.

11. TRADE AND OTHER RECEIVABLES

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

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Within 1 month	4,521	9,493
After 1 month but within 3 months	3,801	4,173
After 3 months but within 12 months	1,064	1,729
Total trade receivables, less impairment losses	9,386	15,395
Other receivables and deposits	7,116	7,190
Amounts owing by affiliated companies, non-trade	2,642	1,094
Loans and receivables	19,144	23,679
Prepayments	4,860	6,595
	<u>24,004</u>	<u>30,274</u>

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

12. CASH AND CASH EQUIVALENTS

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Deposits with banks and other financial institutions	315,728	272,917
Cash at bank and in hand	58,198	99,907
	<hr/>	<hr/>
Cash and cash equivalents per consolidated statement of financial position	373,926	372,824
Less: Cash pledged for interest-bearing borrowings (Note 14)	(2,278)	(1,954)
	<hr/>	<hr/>
Cash and cash equivalents available for use by the Group	<u>371,648</u>	<u>370,870</u>

13. TRADE AND OTHER PAYABLES

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Trade payables	2,101	512
Other payables and accrued charges	17,845	21,067
Deferred income	2,876	8,345
	<hr/>	<hr/>
	<u>22,822</u>	<u>29,924</u>

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

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Within 1 month	18,871	13,201
After 1 month but within 3 months	1,248	3,715
After 3 months but within 12 months	2,703	13,008
	<hr/>	<hr/>
	<u>22,822</u>	<u>29,924</u>

14. INTEREST-BEARING BORROWINGS

	As at 30 June 2015 <i>HK\$'000</i>	As at 31 December 2014 <i>HK\$'000</i>
Term loan (secured)	30,776	31,130
Finance lease liabilities	767	233
	<u>31,543</u>	<u>31,363</u>
Repayable:		
Within 1 year	<u>1,085</u>	<u>969</u>
After 1 year but within 5 years	4,302	3,652
After 5 years	<u>26,156</u>	<u>26,742</u>
	<u>30,458</u>	<u>30,394</u>
	<u>31,543</u>	<u>31,363</u>

Security

The Group's term loan is secured by:

- a first priority mortgage of Sheraton Chapel Hill Hotel, its improvements, equipment and fixtures with a carrying amount of HK\$38.4 million as at 30 June 2015 (31 December 2014: HK\$ 38.3 million);
- assignments of all rights and benefits to sale, lease, agreements, trademarks and insurance proceeds in respect of Sheraton Chapel Hill Hotel;
- pledge of monies held in specific bank accounts of HK\$2.3 million as at 30 June 2015 (31 December 2014: HK\$2.0 million); and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

Non-recourse Carveout Guarantees

As of 30 June 2015, RHI and SWAN USA, Inc (“the Guarantors”), both being indirect subsidiaries of the Group, are guarantors for certain indebtedness relating to the Group’s joint operation, joint venture and associate, as set out below:

- RHI is a guarantor of indebtedness of the term loan entered into by SWAN Carolina Investor, LLC and SFI Carolina TIC SPE, LLC for Sheraton Chapel Hill Hotel as mentioned above. The term guarantee expires on 6 May 2023.
- RHI and SWAN USA, Inc are guarantors of indebtedness of the term loan entered into by the Group’s joint venture, Richfield Syracuse Hotel Partners, LLC. The term guarantee expires on 1 February 2016.
- RHI and SWAN USA, Inc are guarantors of indebtedness of the term loans entered into by RBH Mezz, LLC and Rich Burlington Hotel, LLC, which are underlying investments of S-R Burlington Partners, LLC. The term guarantee expires on 11 November 2017.

The above indebtedness are non-recourse in nature and the Group’s liabilities are limited to the collaterals on which the individual loans are secured. The guarantees entered by the Guarantors provides the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages. The obligations of the Guarantors are to the extent which the collaterals are insufficient to meet the lender’s losses and expenses. These guarantees do not impose liability on the Guarantors for any other event such as the non-payment of loan by the borrower. The maximum potential liability of the Group under the guarantees is HK\$293.7 million as at 30 June 2015 (31 December 2014: HK\$296.6 million).

The management is of the view that the possibility of violating the above covenants and triggering any cash outflow within the scope of the above guarantees is remote. In addition, the above indebtedness are non-recourse in nature and the carrying amount of the individual collateral is in excess of its respective outstanding loan amount.

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured 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 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of inputs used in the valuation techniques as follows:

- Level 1 valuations: fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

	Fair value at 30 June	Fair value measurements as at 30 June 2015 categorised into			Fair value at 31 December	Fair value measurements as at 31 December 2014 categorised into		
	2015 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2014 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements								
Asset:								
Equity securities held for trading:								
- Listed	91,335	91,335	-	-	89,948	89,948	-	-
- Unlisted	19,168	1,690*	-	17,478**	21,249	1,683*	-	19,566**
	<u>110,503</u>	<u>93,025</u>	<u>-</u>	<u>17,478</u>	<u>111,197</u>	<u>91,631</u>	<u>-</u>	<u>19,566</u>

* 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.

** The fair value of this unlisted held-for-trading equity securities is determined based on the net asset value of the fund, which had underlying unlisted investments categorised as Level 3 in the fair value hierarchy. The fair value of such underlying investments 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.

During the six months ended 30 June 2015 and the year ended 31 December 2014, there were no transfers between levels.

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

Financial assets at fair value through profit or loss

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	19,566	12,528
Net unrealised (loss)/gain recognised in profit or loss	<u>(2,088)</u>	<u>7,038</u>
At 30 June/31 December	<u><u>17,478</u></u>	<u><u>19,566</u></u>

The gain or loss for the period recognised in profit or loss of the unlisted equity securities is presented in “other net gains” in the consolidated statement of profit or loss.

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:

	As at 30 June 2015 <i>HK\$'000</i>	As at 31 December 2014 <i>HK\$'000</i>
<i>Financial assets at fair value through profit or loss – Equity securities:</i>		
Fair value	17,478	19,566
Effect on fair value:		
– Favourable change	–	16
– Unfavourable change	<u>–</u>	<u>(16)</u>

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 which is determined to be 0% (2014: 3%).

- (b) Financial instruments not measured at fair value but for which the fair value is disclosed

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2015 and 31 December 2014 except for available-for-sale equity securities and fixed rate borrowings.

Fair value information has not been disclosed for the Group's available-for-sale equity securities that are carried at cost of HK\$33.0 million (31 December 2014: HK\$33.0 million) because their fair value cannot be measured reliably. These equity securities represent the capital contribution in a fund that is not quoted on any market. The Group does not intend to dispose of this investment in the foreseeable future.

The carrying amounts and fair values of the fixed rate borrowings are as follows:

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Carrying amount	(31,543)	(31,363)
Fair value	<u>(31,749)</u>	<u>(31,669)</u>

16. COMMITMENTS

- (a) Operating lease commitments

At 30 June 2015 and 31 December 2014, the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Within 1 year	2,826	1,494
After 1 year within 5 years	<u>6,617</u>	<u>1,191</u>
	<u>9,443</u>	<u>2,685</u>

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

17. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income received from related company	1,750	3,070
Income received from provision of hospitality and other related services to related companies	5,079	2,182
Tax service fee paid to a related company	(271)	(202)
Corporate secretarial fee paid to the immediate holding company	(446)	(359)
Accounting fee paid to a related company	(173)	(184)
	<u> </u>	<u> </u>

INDEPENDENT REVIEW REPORT

**To the Board of Directors of City e-Solutions Limited
(Incorporated in the Cayman Islands with limited liability)**

INTRODUCTION

We have reviewed the interim financial report set out on pages 2 to 23 which comprises the consolidated statement of financial position of City e-Solutions Limited as of 30 June 2015 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Federation of Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG LLP

Public Accountants and Chartered Accountants

16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
11 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

During the period ended 30 June 2015 (the “Period”), the Group reported lower revenue of HK\$45.4 million, a decrease of HK\$5.9 million or 11.6% from HK\$51.4 million in the previous corresponding period, mainly due to lower management fee income from the Group’s Hospitality segment.

The Group’s U.S. hotel management arm, Richfield Hospitality, recorded lower management fee income of HK\$5.0 million for the Period, down by HK\$7.6 million or 60.5% from HK\$12.6 million in the previous corresponding period. The decrease in revenue was partially offset by lower administrative expenses and resulted in a loss before tax of HK\$10.5 million for the Period as compared with a loss of HK\$7.0 million in the previous corresponding period.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of HK\$12.8 million, up by HK\$0.3 million from the previous corresponding period. Consequently, the profit contribution increased to HK\$1.4 million from HK\$1.2 million in the previous corresponding period.

The Group’s 51% equity interest in Sceptre Hospitality Resources (“SHR”), the hospitality industry’s leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded higher revenue of HK\$23.4 million, up by HK\$3.2 million or 15.9% from HK\$20.2 million in the previous corresponding period. However, SHR incurred higher administrative expenses during the Period to support the revenue growth, resulting in a higher operating loss of HK\$3.3 million as compared with an operating loss of HK\$1.2 million in the previous corresponding period. During the previous corresponding period, SHR received one-time legal proceeds of HK\$4.3 million as final settlement of a contractual obligation arising from the acquisition of Whiteboard Labs, LLC.

The Group’s jointly-controlled entity, Richfield Syracuse Hotel Partners, LLC, which owns the Crowne Plaza Syracuse Hotel, contributed a share of loss of HK\$0.5 million for the Period as compared with a share of profit of HK\$0.1 million in the previous corresponding period. The share of loss was mainly due to decreased revenue as a result of lower occupancy rates achieved by the hotel for the Period as compared to the previous corresponding period.

The Group also recognised share of losses from its associates, S-R Burlington Partners, LLC. and Cosmic Hospitality China Limited, of HK\$0.8 million for the Period, as compared to a share of profits of HK\$0.2 million in the previous corresponding period.

Consequently, the Group's Hospitality segment reported a pre-tax loss of HK\$13.7 million for the Period as compared with a pre-tax loss of HK\$2.3 million in the previous corresponding period.

On the Group's Investment Holding segment, the net realised and unrealised valuation loss of HK\$1.6 million was recognised from the Group's securities holding as at 30 June 2015. Net realised and unrealised foreign exchange loss of HK\$1.3 million was also recorded, which mainly arose from the conversion of Sterling Pound denominated cash deposits to United States Dollars. Overall, the total net realised and unrealised losses of HK\$2.9 million was recorded for the Period as compared with the total net realised and unrealised gains of HK\$5.4 million in the previous corresponding period. However, an one-off foreign exchange gain of HK\$2.8 million was realised as a result of striking off a Group's dormant subsidiary during the Period. Consequently, the Group's Investment Holding segment reported a loss of HK\$1.0 million for the Period as compared with a profit of HK\$2.1 million in the previous corresponding period.

Overall, the Group recorded a net loss attributable to the equity shareholders of the Company of HK\$7.8 million for the Period as compared with a net profit attributable to the equity shareholders of the Company of about HK\$0.1 million in the previous corresponding period due mainly to the losses from the Group's Hospitality segment as discussed above.

Financial Position, Cash Flow and Borrowings

As at 30 June 2015, the Group's total assets stood at HK\$655.8 million, up from HK\$674.1 million as at 31 December 2014. The Group's net tangible assets per share decreased to HK\$1.36 as at 30 June 2015, down from HK\$1.39 as at 31 December 2014.

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

For the Period, net cash outflow from operating activities amounted to HK\$7.9 million. Cash flows from investing activities amounted to HK\$12.3 million, which was mainly due to cash received upon maturity of bank deposits during the Period. Cash outflow from financing activities amounting to HK\$1.6 million was due to the payment of the term loan and attributable interest for the refinancing of Sheraton Chapel Hill Hotel.

Overall, there was an increase of HK\$2.8 million in net cash which, together with exchange loss of HK\$2.1 million, resulted in the total Group's cash and cash equivalents of HK\$371.6 million as at 30 June 2015, up from HK\$370.9 million as at 31 December 2014.

Taking into account of the Group's bank borrowings of HK\$31.5 million, the Group was in a net cash position amounting to HK\$340.1 million as at 30 June 2015. 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 30 June 2015, the Group's bank borrowings amounted to HK\$31.5 million (31 December 2014: HK\$31.4 million), of which HK\$1.1 million was current, as recorded in the portion of short-term borrowing repayable within a period of one year, and HK\$30.4 million was non-current and will be repayable within a period of more than one year. The bank loans of the Group are secured over Sheraton Chapel Hill Hotel with a carrying amount of HK\$38.4 million and pledge of monies in specific bank accounts of HK\$2.3 million. In addition, as at 30 June 2015, the Group has fully complied with the financial covenants agreed with the financial institutions.

Treasury Activities

Majority of the Group's cash is held in United States dollar and 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 30 June 2015, the Group had a total of 74 employees including Directors but excluding employees from Sheraton Chapel Hill Hotel, up from 71 as at 31 December 2014. There were 61 employees from Sheraton Chapel Hill Hotel as at 30 June 2015.

The total payroll costs, including the Group's share of payroll costs for Sheraton Chapel Hill Hotel, were HK\$32.4 million as compared with HK\$34.2 million in the previous corresponding period. The decrease in payroll costs can be mainly attributed to the employees for the Investment Holding segment.

PROSPECTS

The Group remains cautious in the midst of the global uncertainty, though in the U.S. real estate and hospitality markets have remained active. The Group is in consultation with its partner to study market interests in our investments.

Meanwhile, we also seek out for suitable investment opportunities to expand.

The Group will continue to grow the hospitality reservation business and to adopt a prudent approach in managing the hospitality related businesses by ensuring costs are kept in line with the level of business activities.

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

AUDIT COMMITTEE

The members of the Audit Committee of the Company comprise 2 independent non-executive Directors and 1 non-executive Director. It has reviewed the unaudited interim financial report of the Group for the Period.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the Period.

Under the CG Code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 20 April 2015 (the “2015 AGM”), our Chairman was unable to attend the meeting as he had to attend to other commitments. Mr. Ronald Nathaniel Issen, our Deputy Chairman and a non-executive Director, chaired the 2015 AGM. Further, Mr. Chan Bernard Charnwut, a non-executive Director and member of the Audit Committee and Nomination Committee; and Mr. Lawrence Yip Wai Lam, an executive Director, attended the 2015 AGM to answer any question from the shareholders.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “Model Code”) as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed that they have complied with the Model Code throughout the Period.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes of information on Directors and Chief Executive Officer are as follows:-

Mr. Kwek Leng Joo, an executive Director, stepped down as a member of the Board of Trustee of Nanyang Technological University on 31 May 2015.

Mr. Gan Khai Choon, an executive Director, was appointed as a Non-residential Investment Committee member of Sunbright Holdings Limited on 22 December 2014.

Mr. Lawrence Yip Wai Lam, an executive Director, was appointed as a Non-residential Investment Committee member and a Residential Investment Committee member of Sunbright Holdings Limited on 22 December 2014.

The term of appointment of Mr. Chan Bernard Charnwut, a non-executive Director, as a Chairman of the Council for Sustainable Development has ended on 28 February 2015. He was appointed as a Chairman of the Committee on Reduction of Salt & Sugar in Food on 15 March 2015.

Mr. Teoh Teik Kee, an independent non-executive Director, stepped down as an Independent Non-executive Director of CDL China Limited on 15 May 2015.

Mr. Wong Hong Ren, the Chief Executive Officer, stepped down as (i) a Non-executive Chairman and Director of First Sponsor Group Limited on 2 April 2015; (ii) a Director of First Sponsor (Guangdong) Group Limited on 16 April 2015; and (iii) the Chairman, President and Director of Grand Plaza Hotel Corporation on 15 May 2015.

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 Period.

DIRECTORS' INTERESTS IN SHARES

- (a) As at 30 June 2015, the interests of the Directors and Chief Executive Officer of the Company in the shares, underlying shares and debentures 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 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
Name of Chief Executive Officer		
Wong Hong Ren (appointed on 2 March 2015)	personal	1,513,112

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 Chief Executive Officer		
Wong Hong Ren (appointed on 2 March 2015)	personal	4,950

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

Millennium & Copthorne Hotels plc

Name of Director	Nature of Interest	Number of Ordinary Shares of 30 pence each
Lawrence Yip Wai Lam	personal	26,081

Name of Chief Executive Officer

Wong Hong Ren (appointed on 2 March 2015)	family	311,986
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Millennium & Copthorne Hotels New Zealand Limited

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	906,000
Name of Chief Executive Officer		
Wong Hong Ren (appointed on 2 March 2015)	personal	604,000

Name of Director	Nature of Interest	Number of Redeemable non-voting preference shares
Kwek Leng Beng	personal	453,000
Name of Chief Executive Officer		
Wong Hong Ren (appointed on 2 March 2015)	personal	302,000

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 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, the following persons were awarded Performance Share Award of ordinary shares of 30 pence each as follows:

Name of Director	Date Awarded	Number of Performance Shares	Vesting Date
Lawrence Yip Wai Lam	16/08/2012	9,077*	16/08/2015
	11/09/2013	6,490	11/09/2016
	04/04/2014	8,980	04/04/2017

Name of Chief Executive Officer	Date Awarded	Number of Performance Shares	Vesting Date
Wong Hong Ren (appointed on 2 March 2015)	16/08/2012	263,898*	16/08/2015
	11/09/2013	175,834	11/09/2016
	04/04/2014	173,796	04/04/2017

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.

* The LTIP award made on 16 August 2012 was lapsed in full.

- (c) Save as disclosed herein, as at 30 June 2015, none of the Directors and 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' INTERESTS IN SHARES

As at 30 June 2015, the following person and corporations were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

Notes:

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

3. The deemed interest of Hong Leong Investment Holdings Pte. Ltd. in 230,866,817 shares, representing approximately 60.37% of the issued share capital of the Company, is included in the aggregate number of shares disclosed.
4. Mr Kwek Leng Kee is deemed to have an interest in the 230,866,817 shares in which Davos Investment Holdings Private Limited ("Davos") is deemed to have an interest in, by virtue of his entitlement to exercise or control the exercise of one-third or more of the voting power at general meetings of Davos.
5. Farallon Capital Offshore Investors, Inc. is interested in these shares in its capacity as the beneficial owner.
6. Aberdeen Asset Management plc is interested in these shares in its capacity as the investment manager and includes shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested.

Save as stated above, no person or corporation was interested in or had a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2015.

By order of the Board
Kwek Leng Beng
Chairman and Managing Director

Hong Kong, 11 August 2015