



City e-Solutions Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 557)

2016

**Interim financial report
for the six months ended 30 June 2016**

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2016 - unaudited

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Revenue	3	50,212	45,443
Cost of sales		<u>(10,217)</u>	<u>(9,627)</u>
Gross profit		39,995	35,816
Other net (losses)/gains	4	(17,645)	527
Administrative expenses	5	<u>(52,646)</u>	<u>(49,078)</u>
Loss from operating activities		(30,296)	(12,735)
Finance costs	6	(730)	(760)
Share of profit/(loss) of a joint venture		19,492	(488)
Share of loss of associates		<u>(481)</u>	<u>(775)</u>
Loss before taxation		(12,015)	(14,758)
Income tax (expense)/credit	7	<u>(5,302)</u>	<u>4,158</u>
Loss for the period	8	<u>(17,317)</u>	<u>(10,600)</u>
Attributable to:			
Equity shareholders of the Company		(17,255)	(7,806)
Non-controlling interests		<u>(62)</u>	<u>(2,794)</u>
Loss for the period		<u>(17,317)</u>	<u>(10,600)</u>
Earnings per share		<i>HK Cents</i>	<i>HK Cents</i>
Basic losses per share	9	<u>(4.51)</u>	<u>(2.04)</u>

The notes on pages 9 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2016 - unaudited

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(17,317)	(10,600)
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	192	(88)
Exchange differences on monetary item forming net investment in a foreign operation	33	(14)
Reclassification adjustment of exchange differences to profit or loss on striking-off of subsidiary	–	(2,779)
	<hr/>	<hr/>
Total other comprehensive income for the period	225	(2,881)
	<hr/>	<hr/>
Total comprehensive income for the period	(17,092)	(13,481)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity shareholders of the Company	(17,064)	(10,668)
Non-controlling interests	(28)	(2,813)
	<hr/>	<hr/>
Total comprehensive income for the period	(17,092)	(13,481)
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 - unaudited

	Note	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Non-current assets			
Property, plant and equipment		42,307	43,351
Intangible assets		6,825	8,167
Goodwill		8,943	8,934
Available-for-sale financial assets		33,018	32,985
Long term bank deposits		–	3,797
Interest in associates		7,686	8,322
Deferred tax assets		5,011	10,183
Total non-current assets		103,790	115,739
Current assets			
Trading securities		69,661	87,498
Trade and other receivables	11	26,972	32,507
Short term bank deposits		–	5,974
Current tax recoverable		2,660	2,681
Cash and cash equivalents	12	369,242	365,481
		<u>468,535</u>	<u>494,141</u>
Current liabilities			
Trade and other payables	13	(28,848)	(29,461)
Interest-bearing borrowings	14	(830)	(899)
Provision for taxation		(23)	(22)
		<u>(29,701)</u>	<u>(30,382)</u>
Net current assets		438,834	463,759
Total assets less current liabilities		542,624	579,498
Non-current liabilities			
Dividends received in excess of earnings from equity-method accounted joint venture		(31)	(19,487)
Interest-bearing borrowings	14	(29,265)	(29,591)
		<u>(29,296)</u>	<u>(49,078)</u>
NET ASSETS		513,328	530,420

	As at 30 June 2016	As at 31 December 2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CAPITAL AND RESERVES		
Share capital	382,450	382,450
Reserves	92,589	109,653
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company	475,039	492,103
Non-controlling interests	38,289	38,317
	<hr/>	<hr/>
TOTAL EQUITY	<u>513,328</u>	<u>530,420</u>

The notes on pages 9 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016 – unaudited

Attributable to equity shareholders of the Company

	Share Capital HK\$'000	Capital Redemption Reserve HK\$'000	Exchange Reserve HK\$'000	Revenue Reserves HK\$'000	Total HK\$'000	Non- Controlling Interests HK\$'000	Total Equity HK\$'000
Balance at 1 January 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)
Exchange differences on monetary item forming net investment in a foreign operation	-	-	(14)	-	(14)	-	(14)
Reclassification adjustment of exchange differences to profit or loss on striking-off of subsidiary	-	-	(2,779)	-	(2,779)	-	(2,779)
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>
Balance at 1 January 2016	382,450	676	(593)	109,570	492,103	38,317	530,420
Changes in equity for the six months ended 30 June 2016:							
Loss for the period	-	-	-	(17,255)	(17,255)	(62)	(17,317)
Other comprehensive income							
Exchange differences on translation of financial statements of foreign operations	-	-	158	-	158	34	192
Exchange differences on monetary item forming net investment in a foreign operation	-	-	33	-	33	-	33
Total comprehensive income for the period	-	-	191	(17,255)	(17,064)	(28)	(17,092)
Balance at 30 June 2016	<u>382,450</u>	<u>676</u>	<u>(402)</u>	<u>92,315</u>	<u>475,039</u>	<u>38,289</u>	<u>513,328</u>

The notes on pages 9 to 25 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2016 - unaudited

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Operating activities		
Cash used in operations	(6,752)	(14,301)
Dividend received	1,460	1,750
Interest received	1,234	2,091
Tax (paid)/refunded	(85)	2,561
	<hr/>	<hr/>
Net cash used in operating activities	(4,143)	(7,899)
	<hr/>	<hr/>
Investing activities		
Dividends received from a joint venture and associate	132	2,047
Decrease in bank deposits	9,771	13,306
Payment for purchase of property, plant and equipment	(955)	(2,934)
Proceeds from sale of trading securities	1,622	135
Other cash flows arising from investing activities	–	(259)
	<hr/>	<hr/>
Net cash generated from investing activities	10,570	12,295
	<hr/>	<hr/>
Financing activities		
Interest paid	(668)	(702)
Repayment of borrowings	(489)	(527)
Increase in cash pledged	(1,118)	(324)
	<hr/>	<hr/>
Net cash used in financing activities	(2,275)	(1,553)
	<hr/>	<hr/>

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net increase in cash and cash equivalents	4,152	2,843
Cash and cash equivalents at 1 January	364,257	370,870
Effect of foreign exchange rates changes	(1,509)	(2,065)
Cash and cash equivalents at 30 June (Note A)	<u>366,900</u>	<u>371,648</u>

Note A:

Cash and cash equivalents at 30 June 2016 and 30 June 2015 comprise:

	<i>Note</i>	As at 30 June 2016	As at 30 June 2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits with banks and other financial institutions		327,405	315,728
Cash at bank and in hand		<u>41,837</u>	<u>58,198</u>
Cash and cash equivalents per consolidated statement of financial position		369,242	373,926
Less: Cash pledged for interest-bearing borrowings	14	<u>(2,342)</u>	<u>(2,278)</u>
Cash and cash equivalents per condensed consolidated cash flow statement		<u>366,900</u>	<u>371,648</u>

The notes on pages 9 to 25 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 10 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are effective for the financial year ending 31 December 2016. 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 judgments, 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 included 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 2015 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 HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG LLP (“KPMG”) 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’s independent review report to the Board of Directors is included on pages 26 and 27. 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 2015 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 2015 are available from the Company's principal office.

The Company's auditor has reported on those 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 Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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:

- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*
- Amendments to HKAS 16 and HKAS 38, *Clarifications of acceptable methods of depreciation and amortisation*
- Amendments to HKAS 27, *Equity method in separate financial statements*
- Amendments to HKFRS 10, *Sale or contribution of assets between an investor and its associate or joint venture*
- Amendments to HKFRS 11, *Accounting for acquisition of interest in joint operations*
- *Annual Improvements to HKFRSs 2012-2014 Cycle*

None of these developments 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 investments, unlisted marketable equity mutual funds held 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 Philippines Stock Exchange, Inc. and investment portfolio in 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 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 assets, 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, foreign exchange gain/loss, 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 resource allocation and assessment of segment performance for the period is set out below:

	Investment Holding		Hospitality		Total	
	2016	2015	2016	2015	2016	2015
	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	1,460	1,750	47,539	41,787	48,999	43,537
Interest income	1,135	1,820	78	86	1,213	1,906
Reportable segment revenue	2,595	3,570	47,617	41,873	50,212	45,443
Reportable segment (loss)/profit	(23,295)	(1,049)	11,280	(13,709)	(12,015)	(14,758)
Depreciation and amortisation	1	-	3,393	2,977	3,394	2,977
Net realised and unrealised valuation loss on trading securities	(10,733)	(1,450)	-	(117)	(10,733)	(1,567)
Net realised and unrealised foreign exchange loss	(6,912)	(1,306)	-	-	(6,912)	(1,306)
Additions to non-current assets	-	-	955	3,593	955	3,593
<i>As at 30 June/31 December:</i>						
Reportable segment assets	396,694	418,542	167,960	178,474	564,654	597,016
Reportable segment liabilities	7,549	6,278	51,425	73,160	58,974	79,438

(c) Reconciliations of reportable segment assets and liabilities

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Assets		
Reportable segment assets	564,654	597,016
Deferred tax assets	5,011	10,183
Current tax recoverable	2,660	2,681
	<hr/>	<hr/>
Consolidated total assets	<u>572,325</u>	<u>609,880</u>
Liabilities		
Reportable segment liabilities	58,974	79,438
Provision for taxation	23	22
	<hr/>	<hr/>
Consolidated total liabilities	<u>58,997</u>	<u>79,460</u>

4. OTHER NET (LOSSES)/GAINS

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Net realised and unrealised foreign exchange loss	(6,912)	(1,306)
Net realised and unrealised valuation loss on trading securities	(10,733)	(1,567)
Gain on striking-off a dormant subsidiary	–	2,779
Loss on disposal of property, plant and equipment	–	(100)
Others	–	721
	<hr/>	<hr/>
	<u>(17,645)</u>	<u>527</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	
	2016	2015
	HK\$'000	HK\$'000
Amortisation of capitalised transaction costs	62	62
Interest expenses on borrowings	668	698
	<u>730</u>	<u>760</u>

7. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current tax - Overseas		
Provision for the period	(109)	(276)
Under-provision in respect of prior years	—	(8)
	<u>(109)</u>	<u>(284)</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(5,193)</u>	<u>4,442</u>
Income tax (expense)/credit from continuing operations	<u>(5,302)</u>	<u>4,158</u>

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2015: 16.5%) of the estimated assessable profits for the period ended 30 June 2016. 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 2016, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$56.1 million (31 December 2015: HK\$55.6 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 FOR THE PERIOD

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

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	2,043	1,628
Amortisation of intangible assets	1,351	1,349
Operating lease charges		
– rental of properties	1,785	1,449
Dividend and interest income	(2,673)	(3,656)
	<u> </u>	<u> </u>

9. EARNINGS PER SHARE

a) Basic losses per share

The calculation of basic losses per share is based on loss attributable to ordinary equity shareholders of the Company of HK\$17.3 million (six months ended 30 June 2015: HK\$7.8 million) and the weighted average number of ordinary shares of 382,449,524 (six months ended 30 June 2015: 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 2016 (2015: 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 2016 and 2015.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are third-party trade receivables (net of allowance for doubtful debts) with the following ageing analysis based on invoice date:

	As at 30 June 2016 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>
Less than 1 month	6,476	7,849
1 to 3 months	6,372	7,074
3 to 12 months	1,354	2,666
Total third-party trade receivables, net of allowance for doubtful debts	14,202	17,589
Other receivables and deposits	2,883	3,648
Amounts owing by affiliated companies, trade	2,757	4,714
Amount owing by a joint venture, trade	27	–
Loans and receivables	19,869	25,951
Prepayments	7,103	6,556
	<u>26,972</u>	<u>32,507</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.

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

12. CASH AND CASH EQUIVALENTS

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Deposits with banks and other financial institutions	327,405	313,030
Cash at bank and in hand	<u>41,837</u>	<u>52,451</u>
Cash and cash equivalents per consolidated statement of financial position	369,242	365,481
Less: Cash pledged for interest-bearing borrowings (Note 14)	<u>(2,342)</u>	<u>(1,224)</u>
Cash and cash equivalents available for use by the Group	<u><u>366,900</u></u>	<u><u>364,257</u></u>

13. TRADE AND OTHER PAYABLES

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Trade payables	5,553	7,516
Other payables and accrued charges	<u>18,230</u>	<u>16,645</u>
	23,783	24,161
Deferred income	<u>5,065</u>	<u>5,300</u>
	<u><u>28,848</u></u>	<u><u>29,461</u></u>

Trade and other payables, excluding deferred income, have the following ageing analysis based on due date as of the reporting date:

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Due within 1 month or on demand	17,829	18,358
Due 1 to 3 months	2,420	2,054
Due 3 to 12 months	3,534	3,749
	<u>23,783</u>	<u>24,161</u>

14. INTEREST-BEARING BORROWINGS

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Bank loans - secured	30,095	30,428
Finance lease liabilities	–	62
	<u>30,095</u>	<u>30,490</u>
Repayable:		
Within 1 year	830	899
After 1 year but within 2 years	889	873
After 2 years but within 5 years	2,919	2,846
After 5 years	25,457	25,872
	<u>29,265</u>	<u>29,591</u>
	<u>30,095</u>	<u>30,490</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\$37.4 million as at 30 June 2016 (31 December 2015: HK\$37.8 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 2016 (31 December 2015: HK\$1.2 million); and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

Non-recourse Carveout Guarantees

As of 30 June 2016, 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 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 loans entered into by RBH Mezz, LLC and Rich Burlington Hotel, LLC, which are underlying investments of S-R Burlington Partners, LLC. The term guarantees expire on 11 November 2017.

RHI and SWAN USA, Inc were guarantors of indebtedness of the term loan entered into by the Group's joint venture, Richfield Syracuse Hotel Partners, LLC. The term guarantee was discharged on 16 May 2016 following the repayment of the loan by the joint venture.

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 into by the Guarantors provide the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages ("covenants"). 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\$169.5 million as at 30 June 2016 (31 December 2015: HK\$290.8 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 2016 categorised into			Fair value at 31 December	Fair value measurements as at 31 December 2015 categorised into		
	2016	Level 1	Level 2	Level 3	2015	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements								
Asset:								
Equity securities held for trading:								
- Listed	56,125	56,125	-	-	71,947	71,947	-	-
- Unlisted	13,536	-*	-	13,536**	15,551	1,619*	-	13,932**
	<u>69,661</u>	<u>56,125</u>	<u>-</u>	<u>13,536</u>	<u>87,498</u>	<u>73,566</u>	<u>-</u>	<u>13,932</u>

* The unlisted equity securities related to the Group's defined contribution plan and were disposed in January 2016 following the termination of the plan. The plan invested in listed securities and hence the fair value of the plan followed the fair value of the underlying securities which could 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 period ended 30 June 2016 and the year ended 31 December 2015, 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

	2016 HK\$'000	2015 HK\$'000
At 1 January	13,932	19,566
Net unrealised loss recognised in profit or loss	<u>(396)</u>	<u>(5,634)</u>
At 30 June/31 December	<u>13,536</u>	<u>13,932</u>

The gain or loss for the period recognised in profit or loss of the unlisted equity securities is presented in "other net (losses)/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 2016 HK\$'000	As at 31 December 2015 HK\$'000
Financial assets at fair value through profit or loss – Equity securities:		
Fair value	13,536	13,932
Effect on fair value:		
– Favourable change	135	139
– Unfavourable change	(135)	(139)
	<u> </u>	<u> </u>

The favourable and unfavourable effects have been calculated based on a percentage change in the net asset value of the fund.

- (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 2016 and 31 December 2015 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 2015: 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 2016 HK\$'000	As at 31 December 2015 HK\$'000
Carrying amount	(30,095)	(30,490)
Fair value	(31,048)	(30,955)

16. COMMITMENTS

At 30 June 2016 and 31 December 2015, the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Within 1 year	1,644	2,774
After 1 year but within 5 years	6,285	6,749
After 5 years	6,337	7,121
	<u>14,266</u>	<u>16,644</u>

The above leases run for an initial period of between one to ten 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	
	2016	2015
	HK\$'000	HK\$'000
Dividend income received from an affiliated company	560	1,750
Income received from provision of hospitality and other related services to affiliated companies	5,211	5,079
Income received from provision of hospitality and other related services to a joint operation	779	439
Income received from provision of hospitality and other related services to a joint venture	56	1,378
Tax service fee paid to an affiliated company	(272)	(271)
Corporate secretarial fee paid to the immediate holding company	(350)	(446)
Accounting fee paid to an affiliated company	(168)	(173)

18. SUBSEQUENT EVENTS

On 19 July 2016 (after trading hours), the immediate holding company, City Developments Limited, through its wholly owned subsidiaries, entered into a Share Purchase Agreement with China Tian Yuan Manganese Limited ("China Tian Yuan") to sell 200,854,743 shares of the Company (the "Sale Shares") to China Tian Yuan for a total consideration of HK\$566.4 million. The Sale Shares represent a controlling stake of approximately 52.52% of the entire share capital in the Company.

Following the completion of the sale and purchase of the Sale Shares on 26 July 2016, City Developments Limited and its affiliated companies ceased to have a controlling stake in the Company and will no longer be regarded as related parties (as defined in HKAS 24 *Related Party Disclosures*) of the Company.

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 25 which comprises the consolidated statement of financial position of City e-Solutions Limited as of 30 June 2016 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 2016 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

10 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss attributable to the equity shareholders of the Company of HK\$17.3 million for the period ended 30 June 2016 (the “Period”) as compared with a net loss attributable to the equity shareholders of the Company of HK\$7.8 million in the previous corresponding period, due mainly to the net unrealised valuation losses from the Group’s securities holdings as at 30 June 2016, partially offset by the share of net gain arising from the disposal of a hotel by the Group’s jointly-controlled entity.

The Group’s Investment Holding segment recognised net realised and unrealised valuation loss of HK\$10.7 million from the Group’s securities holding as at 30 June 2016. Net realised and unrealised foreign exchange loss of HK\$6.9 million was also recorded, which mainly arose from the Sterling Pound denominated securities holdings and Renminbi denominated cash deposits. Overall, total net realised and unrealised losses of HK\$17.6 million was recorded for the Period as compared with the total net realised and unrealised loss of HK\$2.8 million in the previous corresponding period. During the previous corresponding period, a one-off foreign exchange gain of HK\$2.8 million was realised from striking off a Group’s dormant subsidiary. Consequently, the Group’s Investment Holding segment reported a loss before tax of HK\$23.3 million for the Period as compared with a loss before tax of HK\$1.0 million in the previous corresponding period.

The Group’s U.S. hotel management arm, Richfield Hospitality, recorded management fee income of HK\$4.8 million for the Period, down by HK\$0.2 million from HK\$5.0 million in the previous corresponding period. Despite a lower revenue, Richfield Hospitality reported a lower loss of HK\$6.7 million for the Period as compared with a loss of HK\$10.5 million in the previous corresponding period due to lower administrative expenses.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed revenue of HK\$12.9 million for the Period as compared with HK\$12.8 million in the previous corresponding period. The profit contribution of HK\$1.3 million for the Period was marginally lower as compared with a profit contribution of HK\$1.4 million in the previous corresponding period.

The Group's 51% equity interest in Sceptre Hospitality Resources ("SHR"), a hospitality industry's expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded higher revenue amounting to HK\$29.1 million, up by HK\$5.8 million or 24.6% from HK\$23.4 million in the previous corresponding period. However, SHR incurred higher administrative expenses during the Period to support the revenue growth, resulting in a loss of HK\$2.3 million as compared with a loss of HK\$3.3 million in the previous corresponding period.

The Group's jointly-controlled entity, Richfield Syracuse Hotel Partners, LLC ("Syracuse"), which owned the Crowne Plaza Syracuse Hotel, New York, U.S. ("Hotel") reported a share of operating loss of HK\$0.1 million for the Period as compared with a share of operating loss of HK\$0.5 million in the previous corresponding period. Following the successful completion of the disposal of the Hotel on 16 May 2016, Syracuse contributed an additional share of profit before tax arising from the disposal of the Hotel amounting to HK\$19.6 million for the Period.

Consequently, the Group's Hospitality segment reported a profit before tax of HK\$11.3 million for the Period as compared with a loss before tax of HK\$13.7 million in the previous corresponding period.

The Group utilised deferred tax assets arising from previously-recognised tax losses to offset against the capital gain tax on the share of gain on disposal of Crowne Plaza Syracuse Hotel as discussed above. This resulted in an income tax charge of HK\$5.3 million for the Period, as compared to an income tax credit of HK\$4.2 million for the previous corresponding period.

Financial Position, Cash Flow and Borrowings

As at 30 June 2016, the Group's total assets stood at HK\$572.3 million, down from HK\$609.9 million as at 31 December 2015. The Group's net tangible assets per share decreased to HK\$1.20 as at 30 June 2016, down from HK\$1.24 as at 31 December 2015.

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\$4.2 million. Cash flows from investing activities amounted to HK\$10.6 million, which was mainly due to cash received upon maturity of bank deposits during the Period. Cash outflow from financing activities amounted to HK\$2.3 million, which was due to the payment of the term loan and attributable interest for the refinancing of Sheraton Chapel Hill Hotel of HK\$1.2 million and an increase of monies placed in specific bank accounts that were pledged for the same loan by HK\$1.1 million.

Overall, there was an increase of HK\$4.1 million in net cash which, together with exchange loss of HK\$1.5 million, resulted in the Group's cash and cash equivalents of HK\$366.9 million as at 30 June 2016, up from HK\$364.3 million as at 31 December 2015.

Taking into account of the Group's bank borrowings of HK\$30.1 million, the Group was in a net cash position amounting to HK\$336.8 million as at 30 June 2016. 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 2016, the Group's bank borrowings amounted to HK\$30.1 million (31 December 2015: HK\$30.5 million), of which HK\$0.8 million was current, as recorded in the portion of short-term borrowing repayable within a period of one year, and HK\$29.3 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\$37.4 million and pledge of monies in specific bank accounts of HK\$2.3 million. In addition, as at 30 June 2016, 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 2016, the Group had a total of 74 employees including Directors but excluding employees from Sheraton Chapel Hill Hotel, up from 65 as at 31 December 2015. There were 60 employees from Sheraton Chapel Hill Hotel as at 30 June 2016.

The total payroll costs, including the Group's share of payroll costs for Sheraton Chapel Hill Hotel, were HK\$30.2 million as compared with HK\$32.4 million in the previous corresponding period. The decrease in payroll costs can be mainly attributed to the employees for the Hospitality segment.

PROSPECTS

The Group remains in regular consultation with its joint venture partners to respond to market interests in our investments.

As in the past, the Group continues to explore the growth of 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. The Audit Committee 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 18 April 2016 (the “2016 AGM”), our Chairman was unable to attend the meeting as he had to attend to other commitments. Mr. Gan Khai Choon, our Executive Director chaired the 2016 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 2016 AGM to answer any question from the shareholders.

Under the CG Code provision D.1.4, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. It is the normal practice of the Company not to issue formal letters of appointment to Directors as the Company considers that all the Directors fully understand their responsibilities and delegation arrangement in place.

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 Beng, an executive Director, stepped down as a director and the Chairman of CDL China Limited on 8 March 2016.

Mr. Gan Khai Choon, an executive Director, stepped down as a director of Thrive City Limited on 1 November 2015.

Mr. Teoh Teik Kee, an independent non-executive Director, was appointed as a non-executive director of Stamford Medicare Investment Holdings Pte Ltd on 26 March 2016.

Mr. Chan Bernard Charnwut, a non-executive Director, stepped down as the Chairman of The Advisory Committee on Revitalisation of Historic Buildings on 16 May 2016.

Dr. Lo Ka Shui, an independent non-executive Director, stepped down as (i) an independent non-executive director of China Mobile Limited on 26 May 2016 and (ii) an independent non-executive director of Shanghai Industrial Holdings Limited on 30 June 2016.

Mr. Wong Hong Ren, the Chief Executive Officer, ceased as a director of M&C (India) Holdings Pte. Ltd. on 19 February 2016.

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 2016, 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
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	personal	1,513,112

City Developments Limited

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	397,226
Gan Khai Choon	personal	100,000
	family	25,000
Name of Chief Executive Officer		
Wong Hong Ren	family	4,950

Name of Director	Nature of Interest	Number of Preference Shares
Kwek Leng Beng	personal	144,445
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
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	family	125,136

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	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	personal	302,000

Note: Millennium & Copthorne Hotels New Zealand Limited is an indirect subsidiary of Millennium & Copthorne Hotels plc ("M&C"), a subsidiary of City Developments Limited. As at 30 June 2016, City Developments Limited was the holding company of the Company. As at 30 June 2016, the Directors considered 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 on 4 May 2006 and Executive Share Plan approved on 18 February 2016 respectively, the following persons were awarded the following conditional share awards over ordinary shares of 30 pence each:

Name of Director	Date Awarded	Number of Shares	
		Awarded	Vesting Date
Lawrence Yip Wai Lam	11/09/2013	6,490	11/09/2016
	04/04/2014	8,980	04/04/2017
	29/03/2016	4,729	29/03/2019

Name of Chief Executive Officer	Date Awarded	Number of Shares	
		Awarded	Vesting Date
Wong Hong Ren	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.

- (c) Save as disclosed herein, as at 30 June 2016, 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' INTERESTS IN SHARES

As at 30 June 2016, 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	(1)	49.82%
City Developments Limited	200,854,743	(2)	52.52%
Hong Leong Holdings Limited	21,356,085		5.58%
Hong Leong Investment Holdings Pte. Ltd.	230,866,817	(3)	60.37%
Davos Investment Holdings Private Limited	230,866,817	(4)	60.37%
Kwek Leng Kee	230,866,817	(5)	60.37%
Farallon Capital Offshore Investors, Inc.	35,232,850	(6)	9.21%
Aberdeen Asset Management Asia Ltd	23,052,000		6.03%
Noonday G.P. (U.S.), L.L.C.	22,321,306		5.84%

Notes:

- China Tian Yuan Manganese Limited ("China Tian Yuan") had entered into a Share Purchase Agreement ("Share Purchase Agreement") with Citydev Investments Pte. Ltd., Educado Company Limited and eMpire Investments Limited (the "Vendors"), all of which are wholly-owned subsidiaries of City Developments Limited, pursuant to which China Tian Yuan conditionally agreed to acquire and the Vendors conditionally agreed to sell 200,854,743 shares in the Company (the "Sale Shares"), representing approximately 52.52% of the entire issued share capital of the Company for a total consideration of HK\$566,410,375.26, equivalent to HK\$2.82 per Sale Share. Completion of the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement took place on 26 July 2016 (the "Completion") and therefore as at the date of this report, eMpire Investments Limited no longer holds any shares in the Company.
- Of the 200,854,743 shares beneficially owned by wholly-owned subsidiaries of City Developments Limited representing approximately 52.52% of the issued share capital of the Company, 190,523,819 shares are held by eMpire Investments Limited. Following the Completion, as at the date of this report, City Developments Limited no longer holds any shares in the Company.
- The interests of City Developments Limited 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. Following the Completion, as at the date of this report, Hong Leong Investment Holdings Pte. Ltd. is deemed interested in 30,107,659 shares representing approximately 7.87% of the issued share capital of the Company.

4. 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. Following the Completion, as at the date of this report, Davos Investment Holdings Private Limited is deemed interested in 30,107,659 shares representing approximately 7.87% of the issued share capital of the Company.
5. Mr Kwek Leng Kee is deemed to have an interest in the 230,866,817 shares in which Davos Investment Holdings Private Limited 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 Investment Holdings Private Limited. Following the Completion, as at the date of this report, Mr Kwek Leng Kee is deemed interested in 30,107,659 shares representing approximately 7.87% of the issued share capital of the Company.
6. Farallon Capital Offshore Investors, Inc. is interested in these shares in its capacity as the beneficial owner.
7. Following the Completion, as at the date of this report, China Tian Yuan is interested in 200,854,743 shares representing approximately 52.52% of the issued share capital of the Company. 寧夏天元錳業有限公司 (transliterated as Ningxia Tianyuan Manganese Industry Co., Ltd), shareholder of China Tian Yuan, which is in turn owned as to approximately 77.0% by Mr. Jia Tianjiang (賈天將) and his spouse Madam Dong Jufeng are all deemed interested in 200,854,743 shares representing approximately 52.52% of the issued share capital of the Company.

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 2016.

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

Hong Kong, 10 August 2016