



City e-Solutions Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code:557)

2007

**Interim financial report
for the six months ended 30 June 2007**

CONTENTS

Consolidated profit and loss account	2
Consolidated balance sheet	3
Consolidated statement of changes in equity	4
Condensed consolidated cash flow statement.....	5
Notes on the unaudited interim financial report	6
Independent review report.....	16
Management discussion and analysis	17
Audit committee	19
Corporate Governance	20
Compliance with the model code for securities transactions by Directors	20
Purchase, sale or redemption of the Company's listed securities	20
Directors' interests in shares	21
Substantial shareholders	25

RESULTS

The Directors of City e-Solutions Limited (the “Company”) announce the following interim unaudited consolidated results of the Company, its subsidiaries and its jointly controlled entity (the “Group”) for the six months ended 30 June 2007 together with comparative figures.

CONSOLIDATED PROFIT & LOSS ACCOUNT

for the six months ended 30 June 2007 – unaudited

		Six months ended 30 June	
	<i>Note</i>	2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	46,042	33,112
Cost of sales		(6,547)	(4,157)
		<hr/>	<hr/>
Gross profit		39,495	28,955
Other net income		13,053	15,543
Administrative expenses		(26,289)	(21,919)
		<hr/>	<hr/>
Profit before taxation	3	26,259	22,579
Income tax	4	(397)	(54)
		<hr/>	<hr/>
Profit for the period		25,862	22,525
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity shareholders of the Company		24,948	21,913
Minority interests		914	612
		<hr/>	<hr/>
Profit for the period		25,862	22,525
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	6	HK cents	HK cents
Basic		6.51	5.72
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 6 to 15 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

at 30 June 2007 – unaudited

	Note	The Group	
		At 30 June 2007 HK\$'000	At 31 December 2006 HK\$'000
Non-current assets			
Plant and equipment		7,617	6,587
Intangible assets		36,990	302
Deferred tax assets		19,840	21,083
Total non-current assets		64,447	27,972
Current assets			
Properties held for resale		16,315	—
Trading securities		218,941	181,641
Trade and other receivables	7	28,872	25,759
Cash and cash equivalents	8	422,822	487,249
Current tax recoverable		267	—
		<u>687,217</u>	<u>694,649</u>
Current liabilities			
Trade and other payables	9	(45,001)	(19,512)
Provision for taxation		—	(759)
		<u>(45,001)</u>	<u>(20,271)</u>
Net current assets		642,216	674,378
Total assets less current liabilities		706,663	702,350
NET ASSETS		706,663	702,350
CAPITAL AND RESERVES			
Share capital	11	383,126	383,126
Reserves	12	288,978	285,794
Total equity attributable to equity shareholders of the Company		672,104	668,920
Minority interests		34,559	33,430
TOTAL EQUITY		706,663	702,350

The notes on pages 6 to 15 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2007 – unaudited

	Note	Six months ended 30 June			
		2007		2006	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total equity at 1 January					
Attributable to:					
Equity shareholders of the Company			668,920		589,781
Minority interests			33,430		28,041
			<u>702,350</u>		<u>617,822</u>
Net income recognised directly in equity:					
Exchange differences on translation of financial statements of overseas subsidiaries and jointly controlled entity			1,439		315
Net profit for the period			<u>25,862</u>		<u>22,525</u>
Total recognised income and expense for the period			<u>27,301</u>		<u>22,840</u>
Attributable to:					
Equity shareholders of the Company		26,172		22,179	
Minority interests		1,129		661	
		<u>27,301</u>		<u>22,840</u>	
Dividends declared or approved during the period	5		<u>(22,988)</u>		<u>(11,494)</u>
Total equity at 30 June			<u><u>706,663</u></u>		<u><u>629,168</u></u>

The notes on pages 6 to 15 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2007 - unaudited

	<i>Note</i>	Six months ended 30 June	
		2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities		8,616	(10)
Net cash used in investing activities		<u>(77,239)</u>	<u>(23,930)</u>
Net decrease in cash and cash equivalents		(68,623)	(23,940)
Cash and cash equivalents at 1 January		487,249	497,335
Effect of foreign exchange rate changes		<u>4,196</u>	<u>2,931</u>
Cash and cash equivalents at 30 June	8	<u><u>422,822</u></u>	<u><u>476,326</u></u>

The notes on pages 6 to 15 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issuance on 30 July 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements. In addition, the following accounting policies are applicable to the Group for the current financial period:

a) Jointly controlled entities

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

The Group recognises its interests in jointly controlled entities using proportionate consolidation.

The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items on a line by line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The jointly controlled entity is proportionately consolidated until the date on which the Group ceases to have joint control over the jointly controlled entity.

b) Intangible assets

Intangible assets with indefinite useful lives are not amortised. Intangible assets with indefinite useful lives are tested for impairment annually or whenever there is indication that the intangible asset may be impaired.

c) Properties held for resale

Properties held for resale are those properties which are held with the intention of sale in the ordinary course of business. They are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred for selling the property.

The cost of properties held for resale comprises acquisition costs and other related expenditure.

The HKICPA has issued some new and revised HKFRSs that are first effective or available for early adoption for the 2007 annual financial statements. The adoption of these accounting standards have no impact on the Group's results of operations.

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 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG 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 page 16. 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 2006 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 February 2007.

2. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

- Investment holding: The activities of investing.
- Hospitality related services: The provision of e-business enablement, hospitality solutions, hotel management services, hotel reservation services, insurance sales and risk management services, payroll services and procurement services.
- Education related services: The provision of education and learning related services.

	Investment Holding		Hospitality Related Services		Education Related Services		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	17,013	11,250	25,869	21,862	3,160	—	46,042	33,112
Profit before taxation	21,738	21,101	4,309	1,478	212	—	26,259	22,579
Income tax							(397)	(54)
Profit for the period							25,862	22,525
Depreciation and amortisation for the period	554	398	281	248	41	—	876	646

Geographical segments

The Group's investing activities are mainly carried out in Hong Kong and Singapore. The hospitality related services are carried out by the subsidiaries based in the United States. The education related services are carried out by jointly controlled entity in Singapore.

In presenting information on the basis of geographical segments, segment revenue in relation to investment holding is based on the geographical location of investments. Segment revenue in relation to hospitality related services is based on the geographical location of customers. Segment revenue in relation to education related services is based on the geographical location of courses being conducted.

	Hong Kong		Singapore		United States		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	11,860	7,890	5,784	1,572	28,398	23,650	46,042	33,112
Profit/(loss) before taxation	19,804	17,820	(933)	628	7,388	4,131	26,259	22,579

3. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Depreciation of plant and equipment	845	615
Amortisation of intangible assets	31	31
Dividends and interest income	(17,013)	(11,811)
Net foreign exchange gain	(7,920)	(5,158)
Net profit on sale of plant and equipment	—	(16)
Net realised and unrealised gains on trading securities	(4,909)	(10,189)

4. INCOME TAX

	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Over-provision in respect of prior years	(1,025)	—
Current tax - Overseas		
Provision for the period	47	54
	<u>(978)</u>	<u>54</u>
Deferred tax		
Reversal of temporary differences	1,375	—
	<u>397</u>	<u>54</u>

The provision for Hong Kong Profits Tax is calculated at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period ended 30 June 2007. Overseas taxation has been provided on estimated assessable profits at the rates of taxation prevailing in the countries in which the Group operates.

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.

As at 30 June 2007, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$24.4 million (31 December 2006: HK\$24.1 million) as it is not probable that there will be sufficient appropriate future taxable profits against which the Group can utilise the benefits.

5. DIVIDENDS

- a) Dividends attributable to the interim period

The Directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2007 (2006: HK\$Nil).

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

	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the interim period of HK 6 cents (2006: HK 3 cents) per share	22,988	11,494

6. EARNINGS PER SHARE

- a) **Basic earnings per share**

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of HK\$24.9 million (2006: HK\$21.9 million) and on 383,125,524 (2006: 383,125,524) ordinary shares in issue during the period.

- b) **Diluted earnings per share**

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

7. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2007	At 31 December 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current or less than 1 month overdue	8,143	8,858
1 to 3 months overdue	1,978	1,084
More than 3 months overdue but less than 12 months overdue	1,183	2,003
Total trade receivables, less impairment losses	11,304	11,945
Other receivables, deposits and prepayments	12,232	5,861
Amounts owing by affiliated companies	433	278
Amounts owing by other shareholder of jointly controlled entity	4,903	—
Dividend receivable	—	7,200
Derivative financial instruments	—	475
	<u>28,872</u>	<u>25,759</u>

Debts are due within 1 month from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

8. CASH AND CASH EQUIVALENTS

	At 30 June 2007	At 31 December 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits with banks and other financial institutions	364,033	444,264
Cash at bank and in hand	58,789	42,985
Cash and cash equivalents in the consolidated cash flow statement	<u>422,822</u>	<u>487,249</u>

9. TRADE AND OTHER PAYABLES

	At 30 June 2007	At 31 December 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	1,542	1,281
Other payables and accrued charges	43,459	18,231
	<u>45,001</u>	<u>19,512</u>

All trade payables are due within 1 month or on demand.

10. INTEREST IN JOINTLY CONTROLLED ENTITY

On 1 June 2007, the Group subscribed for a 50% equity interest, amounting to S\$7.5 million (HK\$38.6 million) in MindChamps Holdings Pte. Ltd. ("MindChamps").

The principal activities of MindChamps are the provision of education and learning related services.

The effect of acquisition of the jointly controlled entity, MindChamps, is set out below:

	Carrying amounts and fair value
	<i>HK\$'000</i>
Plant and equipment	1,465
Intangible assets	37,085
Trade and other receivables	12,876
Trade and other payables	(12,876)
	<u>38,550</u>
Net identifiable assets and liabilities – Group 50% share	<u>38,550</u>
Consideration paid, satisfied in cash	<u>38,550</u>

Intangible assets relate to trademarks acquired by MindChamps.

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

	Period from 1 June 2007 to 30 June 2007
	<i>HK\$'000</i>
Turnover	3,160
Cost of sales and other expenses	<u>(2,948)</u>
Profit for the period	<u><u>212</u></u>

MindChamps was dormant for the period from its incorporation date to 30 May 2007 when it acquired certain plant and equipment, intangible assets, trade and other receivables and trade and other payables. The Group acquired a 50% equity interest in MindChamps on 1 June 2007. Accordingly, had the Group's acquisition of MindChamps taken place at the beginning of the financial period, there would not be any significant impact on the Group's results for the current financial period.

11. SHARE CAPITAL

Issued and fully paid	No. of shares	<i>'000</i>	<i>HK\$'000</i>
At 30 June 2007	<u>383,126</u>	<u>383,126</u>	<u>383,126</u>

During the period ended 30 June 2007, there was no change in the Company's issued share capital.

At 30 June 2007, there were no outstanding share options.

12. RESERVES

The movements in reserves are set out in the Consolidated Statement of Changes in Equity.

13. COMMITMENTS

- a) The total future minimum lease payments under non-cancellable operating lease in respect of office space are as follows:

	At 30 June 2007	At 31 December 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	4,439	958
After 1 year but within 5 years	9,139	2,992
	<u>13,578</u>	<u>3,950</u>

The Group entered into an operating lease agreement for an office space. The lease expires in November 2011, and the Group has the option to renew the lease for an additional five-year term prior to the end of the lease term. The lease does not include contingent rental.

As at 30 June 2007, the minimum lease payments include Group's share of the jointly controlled entity operating lease rental for office space and premises. The lease expires in May 2010.

- b) On 25 June 2007, the Group entered into a shareholders' agreement to subscribe for a 40% equity stake in Tune Hospitality Investments FZCO ("Tune Hospitality"). Pursuant to this shareholders' agreement, the Group has committed to contribute approximately HK\$156.0 million (US\$20.0 million) to Tune Hospitality to fund its operations and working capital.

14. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June 2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Affiliated companies		
Dividend income from a related company	1,663	792
Income from provision of hospitality and other related services	1,940	2,015
	<u>1,940</u>	<u>2,015</u>

INDEPENDENT REVIEW REPORT

To the Board of Directors of City e-Solutions Limited

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 2 to 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information 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.

REVIEW CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Hong Kong Financial Reporting Standards.

KPMG

Certified Public Accountants

Singapore, 30 July 2007

MANAGEMENT DISCUSSION AND ANALYSIS

The Group reported improvement in both revenue and net profit for the period under review. The Group's 85% subsidiary, SWAN Holdings Limited Group ("SWAN"), contributed higher revenue of HK\$24.2 million to the Group's revenue as compared with HK\$20.3 million in the previous corresponding period. The increase in SWAN's revenue is primarily due to higher management fee recorded by its hotel management unit, Richfield. The business development focus on Richfield has continued to bear fruit. For the first half of 2007, Richfield has successfully added 2 multi-year management contracts which will contribute to the further growth in revenue of SWAN in the second half of 2007. As at 30 June 2007, Richfield is managing a portfolio of 26 hotels representing more than 5,900 rooms.

The Group has always been seeking investment opportunities with strong growth potential. This strategy culminated in the following two investments:—

1. a 50% equity interest in MindChamps, a company providing education related services with effect from 1 June 2007, and
2. a 40% participation in Tune Hospitality established on 12 July 2007 to develop, own (in whole or in part) and operate a portfolio of limited service (or "no-frills") "Tune" branded budget hotels across the countries in the ASEAN region.

For one month period ended 30 June 2007, MindChamps contributed revenue and net profit before tax of HK\$3.2 million and HK\$0.2 million respectively. During the period under review, Tune Hospitality had not commenced its operations.

Financial Commentary

Group Performance

The Group reported an improvement in net profit attributable to equity shareholders of the Company of HK\$24.9 million, as compared to HK\$21.9 million in the previous corresponding period. The improvement was due to higher revenue recorded by the Group of HK\$46.0 million, an increase of 39.0%, as compared to HK\$33.1 million in the previous corresponding period. The increase was mainly due to higher dividend and interest income from the trading securities, higher fee income from its US's hotel management unit, Richfield and additional revenue contributed by the newly-acquired 50% equity interest in MindChamps with effect from 1 June 2007.

The trading securities and time deposits held by the Group returned total dividend and interest income amounting to HK\$17.0 million during the period under review as compared to HK\$11.8 million in the previous corresponding period. The improvement can be attributable to higher dividend income of HK\$5.1 million received from the bond and equity investments.

The Group reported lower other net income of HK\$13.1 million, down 15.5% from HK\$15.5 million in the previous corresponding period due mainly to lower realised and unrealised gain arising from remeasuring the Group's trading securities to fair value as at 30 June 2007.

During the period under review, the Group completed the purchase of 3 units of residential properties held for resale in Singapore with a total purchase consideration of HK\$16.3 million.

Financial Position, Cash Flow and Borrowings

As at 30 June 2007, the Group's total assets stood at HK\$751.7 million, increase from HK\$722.6 million as at 31 December 2006 which can be attributed mainly to Group's share of intangible assets amounting to HK\$36.7 million for the "MindChamps" brand name in Singapore. However, excluding the Group's intangible asset, the Group's net tangible assets per share was HK\$1.66 as at 30 June 2007 drop by HK\$0.09 from HK\$1.75 as at 31 December 2006.

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

For the period under review, net operating cash outflow included dividend paid of HK\$23.0 million. The cash outflow from investing activities amounted to HK\$77.2 million due mainly to purchase of trading securities, residential properties held for resale and investment in MindChamps. Consequently, the Group reported cash and cash equivalents of HK\$422.8 million as at 30 June 2007, down from HK\$487.2 million as at 31 December 2006.

The Group has no borrowings for the period under review.

Treasury Activities

Majority of the Group's cash is held in United States dollar deposits, hence as long as the Hong Kong dollar trades within the existing United States dollar peg arrangement, currency risk will not be significant. The Group's view is that to maximise returns to shareholders we need a balanced portfolio and hence a portion of its portfolio would be held in other currencies. We will monitor closely the Group's exposure to currency movement and take the appropriate action when necessary.

Employees

As at 30 June 2007, the Group had 48 employees excluding employees from MindChamps, up from 46 as at the end of the last financial year ended 31 December 2006. There were 47 employees from MindChamps as at 30 June 2007. The total payroll costs which include the Group's 50% share of MindChamps for the period under review were HK\$16.4 million as compared with HK\$13.9 million in the previous corresponding period.

Prospects

The United States hospitality industry is expected to continue to grow steadily in the second half of 2007 and SWAN's business units should benefit accordingly. Richfield is working on several potential contracts and is optimistic of converting some of these into multi-year contracts in the second half of the year. We will continue to adopt a prudent approach in managing the SWAN businesses by ensuring costs are kept in line with the level of business activities.

In June, the Group made investments into two key new businesses in the high-growth sectors of education and limited service hotels. Going forward, these new investments are expected to augment the growth potential of the Group.

MindChamps is expected to make a greater contribution to the Group's revenue and net profit in the second half of 2007 as the Group consolidates proportionally MindChamps' financial results for the whole six month period. We are confident of the strong growth prospects of MindChamps' business in future years as it develops additional educational programmes to target all student age groups, commences new product lines and expands its operations to countries outside of Singapore. Geographical expansion is expected to take place in 2008.

Tune Hospitality is currently very active in identifying and seeking suitable sites in South-East Asia to develop Tune branded hotels. We envisage that several sites would be secured in the second half of 2007 with development work to commence shortly thereafter. The "Tune" branded limited service hotel concept brings a new business model to Asia. The Group's investment in Tune Hospitality presents a great opportunity to tap into the rapid growth of travel within Asia by owning a portfolio of limited service hotels in strategic locations.

The Group will continue to seek out suitable investment opportunities to deploy its cash resources. Barring unforeseen circumstances, the Group's operations should remain profitable in the second half of 2007.

AUDIT COMMITTEE

The members of the Audit Committee of the Company comprise 2 independent non-executive directors and 1 non-executive director of the Company. It has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2007.

CORPORATE GOVERNANCE

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

As disclosed in 2006 Annual Report, the Company does not fully comply with the code provision A.4.1 in Appendix 14. To satisfy the requirements under such code provision, all the non-executive directors retired in the annual general meeting held on 20 April 2007 (“2007 AGM”) and offered themselves for re-election. All the retiring non-executive directors were re-elected in the 2007 AGM for a specific term of three years. Under the code provision A.1.8, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held. As it was impractical to hold a full board meeting on that day, after full explanation of the connected transaction was provided to the non-executive directors by the executive directors, a written resolution regarding the continuing connected transaction for the provision of property management services had been approved by all directors, including independent non-executive directors. The said written resolution was passed on 8 January 2007. The details of the continuing connected transaction were fully disclosed in the press announcement dated 8 January 2007.

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 of The Stock Exchange of Hong Kong Limited (“Model Code”). All directors have confirmed that they have complied with the Model Code throughout the period under review.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

DIRECTORS' INTERESTS IN SHARES

- (a) As at 30 June 2007, the interests of the Directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Stock Exchange") pursuant to the Model Code were as follows:—

The Company

Name of Director	Nature of Interest	Number of Ordinary Shares of HK\$1.00 each
Kwek Leng Beng	personal	3,286,980
Vincent Yeo Wee Eng	personal	718,000
Kwek Leng Joo	personal	1,436,000
Kwek Leng Peck	personal	2,082,200
Gan Khai Choon	personal	1,041,100
Lawrence Yip Wai Lam	personal	520,550
Wong Hong Ren	personal	1,513,112
Hon. Chan Bernard Charnwut	personal	53,850

City Developments Limited

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	397,226
Vincent Yeo Wee Eng	personal	18,323
Kwek Leng Joo	personal	65,461
Kwek Leng Peck	personal	43,758
Gan Khai Choon	personal	100,000
	family	25,000
Wong Hong Ren	family	4,950

City Developments Limited

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	45,738

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
Kwek Leng Peck	personal	304
Gan Khai Choon	family	247

Millennium & Copthorne Hotels New Zealand Limited

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	3,000,000
Vincent Yeo Wee Eng	personal	500,000
Wong Hong Ren	personal	2,000,000

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

- (b) Pursuant to the Millennium & Copthorne Hotels Executive Share Option Scheme (the “1996 Scheme”) operated by Millennium & Copthorne Hotels plc (“M&C”), certain Directors have outstanding options thereunder (“M&C Options”) to subscribe for M&C Shares for cash as follows:

Name of Director	Part*	Date Granted	Number of M&C Options Outstanding	Exercise Price per M&C Share	Exercise Period
Vincent Yeo Wee Eng	A	05/03/1998	6,509	£4.6087	05/03/2001 to 04/03/2008
Wong Hong Ren	B	14/03/2001	69,364	£4.3250	14/03/2004 to 13/03/2008
	B	15/03/2002	83,720	£3.2250	15/03/2005 to 14/03/2009

- (c) Pursuant to the Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (the “2003 Scheme”) approved by shareholders of M&C on 21 May 2002, certain Directors have outstanding options thereunder (“M&C Options”) to subscribe for M&C Shares for cash as follows:

Name of Director	Part*	Date Granted	Number of M&C Options Outstanding	Exercise Price per M&C Share	Exercise Period
Vincent Yeo Wee Eng	II	24/03/2005	10,581	£3.9842	24/03/2008 to 23/03/2015
Wong Hong Ren	II	10/03/2003	124,031	£1.9350	10/03/2006 to 09/03/2013
	II	16/03/2004	44,999	£2.9167	16/03/2007 to 15/03/2014
	II	24/03/2005	75,297	£3.9842	24/03/2008 to 23/03/2015

**Note:* The 1996 Scheme has two parts. Part A is designed for the approval by the UK Inland Revenue, of which approval was obtained under Schedule 9 of the Income and Corporation Taxes Act 1988 on 12 April 1996. Part B is an unapproved executive share option scheme designed for UK and non-UK executives. As with the 1996 Scheme, the 2003 Scheme provides for the grant of both approved and unapproved options.

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

Name of Director	Date Awarded	Number of Performance Shares	Vesting Date
Wong Hong Ren	01/09/2006	67,834	01/09/2009
	27/03/2007	44,736	27/03/2010
Lawrence Yip Wai Lam	01/09/2006	9,622	01/09/2009
	27/03/2007	5,698	27/03/2010

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.

Save as disclosed herein, as at 30 June 2007, none of the Directors and the chief executive of the Company or their associates were interested or had any short position in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the following corporations were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Number of Shares Held	<i>Notes</i>	Percentage Holding in the Company
eMpire Investments Limited	190,523,819		49.73%
City Developments Limited	200,854,743	(1)	52.43%
Hong Leong Holdings Limited	21,356,085		5.57%
Hong Leong Investment Holdings Pte. Ltd.	230,866,817	(2)	60.26%
Kwek Holdings Pte Ltd	230,866,817	(3)	60.26%
Davos Investment Holdings Private Limited	230,866,817	(3)	60.26%
Kwek Leng Kee	230,866,817	(4)	60.26%
Arnhold and S Bleichroeder Advisors, LLC	38,310,000		10.00%
Farallon Capital Management, L.L.C.	35,232,850	(5)	9.20%
Farallon Capital Offshore Investors, Inc.	35,232,850	(6)	9.20%
Aberdeen Asset Management Plc and its Associates (together "The AAM Group") on Behalf of Accounts Managed by The AAM Group	23,052,000	(7)	6.02%

Notes:

1. Of the 200,854,743 shares beneficially owned by wholly-owned subsidiaries of City Developments Limited ("CDL") representing approximately 52.43% of the issued share capital of the Company, 190,523,819 shares are held by eMpire Investments Limited.
2. The interests of CDL and Hong Leong Holdings Limited in 200,854,743 shares and 21,356,085 shares respectively, are included in the aggregate number of shares disclosed.
3. The deemed interest of Hong Leong Investment Holdings Pte. Ltd. in 230,866,817 shares, representing approximately 60.26% 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 Management, L.L.C. is interested in these shares in its capacity as the investment manager.
6. Farallon Capital Offshore Investors, Inc. is interested in these shares in its capacity as the beneficial owner.
7. 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 2007.

By Order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 30 July 2007