



City e-Solutions Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code:557)

2009

**Interim financial report
for the six months ended 30 June 2009**

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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”) and the Group’s interest in an associate for the six months ended 30 June 2009 together with comparative figures.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2009 - unaudited

	Note	Six months ended 30 June 2009 HK\$'000	2008 Re-presented HK\$'000
Continuing operations			
Turnover	3	35,266	46,608
Cost of sales		(14,484)	(10,896)
Gross profit		20,782	35,712
Other net income/(losses)	4	28,291	(14,637)
Administrative expenses		(19,706)	(22,236)
Profit/(Loss) from operations		29,367	(1,161)
Share of losses of associate		(258)	(688)
Profit/(Loss) before taxation		29,109	(1,849)
Income tax	5	(1,177)	(2,872)
Profit/(Loss) from continuing operations		27,932	(4,721)
Discontinued operations			
Profit from discontinued operations, net of tax	6	3,922	1,927
Profit/(Loss) for the period	8	31,854	(2,794)
Attributable to :			
Equity shareholders of the Company		31,552	(3,254)
Minority interests		302	460
Profit/(Loss) for the period		31,854	(2,794)
Earnings/(Losses) per share			
Basic earnings/(losses) per share	9	HK cents 8.25	HK cents (0.85)
Continuing operations			
Basic earnings/(losses) per share	9	HK cents 7.22	HK cents (1.35)

The notes on pages 7 to 22 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2009 - unaudited

	Note	Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000
Profit/(Loss) for the period		31,854	(2,794)
Other comprehensive income for the period (after taxation and reclassification adjustments):			
Exchange differences on translation of:			
- financial statements of foreign operations		147	2,330
- monetary items forming part of net investment in a foreign operation		64	8
Exchange differences realised on disposal of an investment in a jointly controlled entity	6	(273)	—
		(62)	2,338
Total comprehensive income/ (expense) for the period		<u>31,792</u>	<u>(456)</u>
Attributable to:			
Equity shareholders of the Company		31,421	(864)
Minority interest		371	408
Total comprehensive income/ (expense) for the period		<u>31,792</u>	<u>(456)</u>

The notes on pages 7 to 22 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

at 30 June 2009 - unaudited

	Note	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Non-current assets			
Plant and equipment		3,629	7,612
Intangible assets		149	3,651
Interest in an associate		29,639	30,039
Deferred tax assets		11,939	12,940
Total non-current assets		45,356	54,242
Current assets			
Properties held for resale		—	11,609
Trading securities		75,838	59,856
Trade and other receivables	10	19,296	27,622
Current tax recoverable		350	163
Cash and cash equivalents	11	457,020	438,954
		<u>552,504</u>	<u>538,204</u>
Current liabilities			
Trade and other payables	12	(19,652)	(44,785)
Provision for taxation		(1,194)	(2,439)
		<u>(20,846)</u>	<u>(47,224)</u>
Net current assets		531,658	490,980
Total assets less current liabilities		577,014	545,222
NET ASSETS		<u>577,014</u>	<u>545,222</u>
CAPITAL AND RESERVES			
Share capital		382,450	382,450
Reserves		158,465	127,044
Total equity attributable to equity shareholders of the Company		540,915	509,494
Minority interests		36,099	35,728
TOTAL EQUITY		<u>577,014</u>	<u>545,222</u>

The notes on pages 7 to 22 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2009 - unaudited

	Note	Six months ended 30 June			
		2009		2008	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total equity at 1 January					
Attributable to :					
Equity shareholders of the Company			509,494		662,554
Minority interests			35,728		35,660
			<u>545,222</u>		<u>698,214</u>
Changes in equity for the six months ended 30 June					
Dividends declared or approved during the period	7	—		(11,494)	
Shares repurchased		—		(592)	
Total comprehensive income /(expense) for the period		31,792		(456)	
		<u>31,792</u>		<u>(456)</u>	
Total changes in equity for the six months ended 30 June			31,792		(12,542)
Attributable to :					
Equity shareholders of the Company		31,421		(12,950)	
Minority interests		371		408	
		<u>31,792</u>		<u>(12,542)</u>	
Total equity at 30 June			<u>577,014</u>		<u>685,672</u>

The notes on pages 7 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2009 - unaudited

	<i>Note</i>	Six months ended 30 June	
		2009	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities		5,745	3,174
Net cash used in investing activities		<u>(823)</u>	<u>(25,494)</u>
Net increase/(decrease) in cash and cash equivalents		4,922	(22,320)
Cash and cash equivalents at 1 January		438,954	513,833
Effect of foreign exchange rate changes		<u>13,144</u>	<u>3,376</u>
Cash and cash equivalents at 30 June	11	<u><u>457,020</u></u>	<u><u>494,889</u></u>

The notes on pages 7 to 22 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 11 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 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 23. 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 2008 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 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 February 2009.

2. CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKFRS 7, *Financial instruments: Disclosures - improving disclosures about financial instruments*
- Amendments to HKAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007), *Borrowing costs*

The amendments to HKAS 23 and HKAS 27 have no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirement specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions' about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. Corresponding amounts have been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by products and services. On first-time adoption of HKFRS 8, *Operating Segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments:

- Investment holding: This segment relates to investments in listed equity investments and unlisted marketable equitable equity mutual funds held as trading securities. Currently, the Group's equity investment portfolio includes equity securities listed on the London Stock Exchange and The Philippine Stock Exchange, Inc. and investment portfolio in United States and Hong Kong.
- Hospitality related services: This segment primarily derives the revenue from the provision of hotel management, hotel reservation, and revenue management services, risk management services and procurement services to the hospitality industry. Currently, the Group's activities in this regard are carried out in the United States.
- Property investment: This segment relates to investments in properties which are held with the intention of sale in the ordinary course of business. The properties are located entirely in Singapore.
- Education related services: This segment derives revenue from the provision of education, childcare and learning related services. The activities are carried out mainly in Singapore and Hong Kong through a jointly controlled entity which was disposed of by the Group in March 2009.

(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 basis:

Segment assets include all tangible, intangible assets, current assets with the exception of interest in an associate, deferred tax assets and current tax recoverable. Segments liabilities include trade and other payables.

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

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

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

	Investment Holding Six months		Hospitality Related Services Six months		Property Investment Six months		Total continuing operations Six months		Education (Discontinued) Six months		Total Six months	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	560	1,708	20,476	26,179	12,282	10,028	33,318	37,915	7,837	26,456	41,155	64,371
Interest income	1,513	8,077	435	616	—	—	1,948	8,693	5	65	1,953	8,758
Reportable segment revenue	<u>2,073</u>	<u>9,785</u>	<u>20,911</u>	<u>26,795</u>	<u>12,282</u>	<u>10,028</u>	<u>35,266</u>	<u>46,608</u>	<u>7,842</u>	<u>26,521</u>	<u>43,108</u>	<u>73,129</u>
Reportable segment profit/(loss)	<u>25,669</u>	<u>(9,897)</u>	<u>2,951</u>	<u>5,084</u>	<u>747</u>	<u>3,652</u>	<u>29,367</u>	<u>(1,161)</u>	<u>(558)</u>	<u>2,171</u>	<u>28,809</u>	<u>1,010</u>
Depreciation and amortisation	548	555	303	312	—	—	851	867	604	614	1,455	1,481
Unrealised gains/(losses) on trading securities	10,812	(16,064)	559	(818)	—	—	11,371	(16,882)	—	—	11,371	(16,882)
Unrealised foreign exchange gains	16,588	1,477	—	—	—	—	16,588	1,477	—	—	16,588	1,477
Additions to non-current assets segment	12	3	31	428	—	—	43	431	187	1,445	230	1,876
Reportable segment assets	<u>473,187</u>	<u>437,714</u>	<u>79,556</u>	<u>78,663</u>	<u>3,189</u>	<u>11,796</u>	<u>555,932</u>	<u>528,173</u>	<u>—</u>	<u>21,131</u>	<u>555,932</u>	<u>549,304</u>
Reportable segment liabilities	<u>4,957</u>	<u>6,533</u>	<u>14,658</u>	<u>17,478</u>	<u>37</u>	<u>32</u>	<u>19,652</u>	<u>24,043</u>	<u>—</u>	<u>20,742</u>	<u>19,652</u>	<u>44,785</u>

(b) Reconciliations of reportable segment profit or loss, assets and liabilities

	<i>Note</i>	At 30 June 2009 <i>HK\$'000</i>	At 30 June 2008 <i>HK\$'000</i>
Profit			
Reportable segment profit		28,809	1,010
Share of losses of associate		(258)	(688)
Elimination of discontinued operations	6	558	(2,171)
Consolidated profit/(loss) before taxation from continuing operations		<u>29,109</u>	<u>(1,849)</u>
		At 30 June 2009 <i>HK\$'000</i>	At 31 December 2008 <i>HK\$'000</i>
Assets			
Reportable segment assets		555,932	549,304
Interest in an associate		29,639	30,039
Deferred tax assets		11,939	12,940
Current tax recoverable		350	163
Consolidated total assets		<u>597,860</u>	<u>592,446</u>
Liabilities			
Reportable segment liabilities		19,652	44,785
Provision for taxation		1,194	2,439
Consolidated total liabilities		<u>20,846</u>	<u>47,224</u>

4. OTHER NET INCOME/(LOSSES)

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net realised and unrealised foreign exchange gains	16,569	2,300
Net realised and unrealised gains/(losses) on trading securities	11,428	(16,882)
Others	294	(55)
	<u>28,291</u>	<u>(14,637)</u>

5. INCOME TAX

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Current tax - Overseas		
Provision for the period	153	577
	<u>153</u>	<u>577</u>
Deferred tax		
Origination and reversal of temporary differences	(101)	2,295
Utilisation of deferred tax assets previously recognised	1,125	—
	<u>1,024</u>	<u>2,295</u>
Income tax expense from continuing operations	1,177	2,872
Income tax expense from discontinued operations	—	244
	<u>1,177</u>	<u>3,116</u>

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2008: 16.5%) of the estimated assessable profits for the period ended 30 June 2009. 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 2009, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$4.0 million (31 December 2008: HK\$3.9 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. The tax losses do not expire under the current tax legislations.

6. DISCONTINUED OPERATIONS

On 13 March 2009, the Group entered into an agreement to dispose of its 50% shareholding interest in MindChamps Holdings Pte. Limited (“MindChamps”), a jointly controlled entity for a total consideration of S\$3.5 million (about HK\$17.75 million). The disposal was completed on 23 March 2009. Accordingly, the Group no longer consolidates proportionately the financial results of MindChamps from that date. The comparative income statement has been re-presented to show the results of the discontinued operations separately from those of the continuing operations.

The total consideration of S\$3.5 million (about HK\$17.75 million) shall be settled by cash in the following manner:

- (a) S\$0.75 million (HK\$3.8 million) paid on 23 March 2009;
- (b) S\$0.25 million (HK\$1.27 million) by 5 equal monthly instalments of S\$0.05 million (HK\$0.25 million) each payable on or before the 4th business day of each month, with the first instalment paid in May 2009;⁽¹⁾
- (c) The remaining S\$2.5 million (about HK\$12.68 million) in March 2011.

The group would record additional gains as and when the deferred consideration is received.

- (1) For the period under review, S\$0.1 million (HK\$0.6 million) was received.

The results of the discontinued operations are as follows:

	<i>Note</i>	Six months ended 30 June	
		2009	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		7,842	26,521
Expenses		(8,400)	(24,350)
		<u> </u>	<u> </u>
(Loss)/Profit before taxation		(558)	2,171
Income tax		—	(244)
		<u> </u>	<u> </u>
(Loss)/Profit after taxation		(558)	1,927
Gain on disposal of discontinued operation		4,480	—
		<u> </u>	<u> </u>
Profit from discontinued operations		<u>3,922</u>	<u>1,927</u>
		<u> </u>	<u> </u>
Basic earnings per share (cents)	9	<u>1.03</u>	<u>0.50</u>
		<u> </u>	<u> </u>
Cash flows used in discontinued operations			
Operating activities		(3,592)	(1,631)
Investing activities		(780)	(1,445)
		<u> </u>	<u> </u>
		<u>(4,372)</u>	<u>(3,076)</u>
		<u> </u>	<u> </u>

The effect of the disposal on the assets and liabilities of the Group is as follows:

	Six months ended 30 June 2009 <i>HK\$'000</i>
Non current assets	(5,972)
Current assets	(8,715)
Current liabilities	15,480
	<hr/>
Net identifiable assets and liabilities	793
Gain on disposal of discontinued operation	(4,480)
Realisation of exchange differences arising from the disposal of discontinued operation	273
	<hr/>
Cash consideration received, satisfied in cash (net of expenses incurred) ⁽²⁾	(3,414)
Cash disposed of	4,015
	<hr/>
Net cash flows	<u>601</u>

(2) This represents the cash consideration received to-date of HK\$4,361,000, net of expenses incurred of HK\$947,000.

7. 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 2009 (2008: HK\$Nil).

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

	Six months ended 30 June	
	2009	2008
	<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 Nil cents (2008: HK3 cents) per share	—	11,494
	<u> </u>	<u> </u>

8. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of plant and equipment	1,237	1,450
Amortisation of intangible assets	218	31
Dividends and interest income	(2,513)	(10,466)
Gain on disposal of investment in a jointly controlled entity	(4,480)	—
	<u> </u>	<u> </u>

9. EARNINGS/(LOSSES) PER SHARE

a) *Basic earnings per share*

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of HK\$31.6 million (six months ended 30 June 2008: Loss of HK\$3.3 million) and on the weighted average number of ordinary shares of 382,449,524 (2008: 382,924,062) in issue during the period.

For the period ended 30 June 2009, earnings per share for continuing and discontinued operations have been calculated using the profit relating to continuing operations of HK\$27.6 million (2008: Loss of HK\$5.2 million) and the profit relating to discontinued operations of HK\$3.9 million (2008: HK\$1.9 million).

b) *Diluted earnings per share*

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

10. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2009	At 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current or less than 1 month overdue	7,053	9,959
1 to 3 months overdue	1,763	5,111
More than 3 months overdue but less than 12 months overdue	1,042	387
	<hr/>	<hr/>
Total trade receivables, less impairment losses	9,858	15,457
Other receivables, deposits and prepayments	9,151	10,713
Amounts owing by affiliated companies	287	782
Amounts owing by other shareholder of jointly controlled entity	—	670
	<hr/>	<hr/>
	<u>19,296</u>	<u>27,622</u>

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

11. CASH AND CASH EQUIVALENTS

	At 30 June 2009	At 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits with banks and other financial institutions	400,773	399,967
Cash at bank and in hand	56,247	38,987
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated cash flow statement	<u>457,020</u>	<u>438,954</u>

12. TRADE AND OTHER PAYABLES

	At 30 June 2009	At 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	311	2,294
Other payables and accrued charges	19,164	41,808
Amounts owing to affiliated companies	177	683
	<u>19,652</u>	<u>44,785</u>

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

13. COMMITMENTS

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

	At 30 June 2009	At 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	1,792	8,404
After 1 year but within 5 years	662	9,673
	<u>2,454</u>	<u>18,077</u>

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

As at 31 December 2008, the minimum lease payments include Group's share of the jointly controlled entity operating lease rental for office space and premises amounting to HK\$14.7 million. Following the disposal, no such figure was included as at 30 June 2009.

- b) As at 30 June 2009, the Group has outstanding capital contribution to an associate of approximately HK\$122.0 million (as at 31 December 2008: HK\$121.0 million) pursuant to the shareholders' agreement entered into on 25 June 2007.

14. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Dividend income received from related company	560	1,708
Income received from provision of hospitality and other related services to related companies	1,064	1,952
	<u>1,064</u>	<u>1,952</u>

15. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements* and HKFRS 8, *Operating segments*, certain comparatives figures have been adjusted to conform to current period's presentation to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

The comparative income statement has also been re-presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period.

INDEPENDENT REVIEW REPORT

To the Board of Directors of City e-Solutions Limited

INTRODUCTION

We have reviewed the interim financial report set out on pages 2 to 22 which comprises the consolidated balance sheet of City e-Solutions Limited as of 30 June 2009 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial report as at 30 June 2009 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*.

KPMG LLP

Certified Public Accountants

16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
11 August 2009

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net profit attributable to the equity shareholders of the Company of HK\$31.6 million for the period under review as compared with a net loss of HK\$3.3 million in the previous corresponding period.

For the period under review, the profit is contributed mainly by the investment holding business segment with a pre-tax profit of HK\$25.7 million as compared with a pre-tax loss of HK\$9.9 million in the previous corresponding period. This segment recorded unrealised profit of HK\$11.4 million as a result of the revaluation of the Group's trading securities to fair value as at 30 June 2009 as well as a net realised and unrealised translation exchange gain of HK\$16.6 million arising mainly from the Sterling Pound denominated trading security and cash deposit. The total amount of HK\$28.0 million compares favourably to the total net realised and unrealised losses of HK\$14.6 million reported in the previous corresponding period.

In addition, the Group recognised a profit of HK\$3.9 million, which is attributed mainly to the sale of its 50% equity interest in MindChamps ("MindChamps Sale") on 23 March 2009, as compared with a profit of HK\$1.9 million in the previous corresponding period. Following the sale, the Group no longer consolidates proportionately the financial results of MindChamps and the result has been reported as discontinued operations.

Lower revenues and profits were recorded from the other Group's business segments. The continuing challenging economic environment has resulted in lower Group's revenue of HK\$35.3 million for the period under review, down by HK\$11.3 million from HK\$46.6 million in the previous corresponding period. This is mainly due to lower dividend and interest income of HK\$2.5 million as compared to HK\$10.5 million in the previous corresponding period.

The current recession in the US economy has caused most of Swan's hotels under management to record lower revenues and operating profits compared to the previous corresponding period. The decline in the managed hotels' operating results has in turn affected the property revenues and management fees recorded by Swan's hotel management business unit, Richfield. For the period under review, Swan's group recorded a lower pre-tax profit from operations of HK\$2.9 million as compared with a pre-tax profit of HK\$4.1 million in the previous corresponding period.

Besides the MindChamps Sale, the Group has also completed the sale of the remaining two units of residential properties in Singapore held for resale at total revenue of HK\$12.3 million as compared with revenue of HK\$10.0 million on the sale of one unit in the previous corresponding period. Accordingly, a smaller pre-tax profit of HK\$0.8 million was realised for the period under review as compared with a pre-tax profit of HK\$3.6 million recorded in the previous corresponding period.

Financial Position, Cash Flow and Borrowings

As at 30 June 2009, the Group's total assets stood at HK\$597.9 million, up from HK\$592.4 million as at 31 December 2008. The Group's net tangible assets per share improved to HK\$1.41 as at 30 June 2009 from HK\$1.32 as at 31 December 2008.

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

For the period under review, the net cash generated from operating activities amounted to HK\$5.7 million. While the MindChamps Sale gave rise to a net cash outflow of HK\$0.6 million as the net cash consideration received for the period under review was less than the cash balance of MindChamps which was no longer included in the Group's consolidated cash balance as at 30 June 2009.

Accordingly, the Group reported an increase in cash and cash equivalents of HK\$4.9 million which together with a favourable unrealised translation gain of HK\$13.1 million resulted in a total cash and cash equivalents of HK\$457.0 million as at 30 June 2009, up by HK\$18.0 million from HK\$439.0 million as at 31 December 2008.

The Group has no borrowings for the period under review.

Treasury Activities

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

Directors and Employees

As at 30 June 2009, the Group had 41 employees, down from 51 as at the end of the last financial year ended 31 December 2008. The total payroll costs excluding the Group's 50% share of jointly controlled entity for the period under review was HK\$13.8 million as compared with HK\$14.1 million in the previous corresponding period.

Prospects

Business conditions continue to remain challenging in the 2nd Half of 2009 and the management of Swan will adopt a cost-conscious approach towards managing its current business. The Group continues to hold some trading securities while its cash reserves are in a basket of currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value readjustments of the Group's trading securities and unrealised gains or losses on revaluation of foreign currency cash deposits.

As the global recession continues and the credit environment remains tight, investment opportunities may become available at attractive valuations. The Group still has significant cash reserves to capitalise on such price dislocation that may arise in the current environment.

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 2009.

CORPORATE GOVERNANCE

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

Under the code provision E.1.2, the Chairman of the board should attend the annual general meeting. However, in the annual general meeting held on 22 April 2009, our Chairman was unable to attend the meeting as he had to attend to an urgent matter. He appointed Mr Gan Khai Choon to chair the meeting on his behalf.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

DIRECTORS' INTERESTS IN SHARES

- a. As at 30 June 2009, the interests of the Directors and Chief Executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Stock Exchange") pursuant to the Model Code were as follows:—

The Company

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

City Developments Limited

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

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

Hong Leong Investment Holdings Pte. Ltd.

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	2,320
Kwek Leng Joo	personal	1,290
Gan Khai Choon	family	247
Name of Chief Executive		
Sherman Kwek Eik Tse	personal	1,174

**Millennium & Copthorne Hotels
New Zealand Limited**

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	3,000,000

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

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

Name of Director	Date Awarded	Number of Performance Shares	Vesting Date
Lawrence Yip Wai Lam	01/09/2006	9,622	01/09/2009
	27/03/2007	5,698	27/03/2010
	25/06/2008	15,877	25/06/2011
	30/03/2009	42,322	30/03/2012

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 2009, 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 2009, the following corporations were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

Notes:

1. Of the 200,854,743 shares beneficially owned by wholly-owned subsidiaries of City Developments Limited ("CDL") representing approximately 52.52% of the issued share capital of the Company, 190,523,819 shares are held by eMpire Investments Limited.
2. The interests of CDL and Hong Leong Holdings Limited in 200,854,743 shares and 21,356,085 shares respectively, are included in the aggregate number of shares disclosed.
3. The deemed interest of Hong Leong Investment Holdings Pte. Ltd. in 230,866,817 shares, representing approximately 60.37% of the issued share capital of the Company, is included in the aggregate number of shares disclosed.
4. Mr Kwek Leng Kee is deemed to have an interest in the 230,866,817 shares in which Davos Investment Holdings Private Limited ("Davos") is deemed to have an interest in, by virtue of his entitlement to exercise or control the exercise of one-third or more of the voting power at general meetings of Davos.

5. Farallon Capital Offshore Investors, Inc. is interested in these shares in its capacity as the beneficial owner.
6. Aberdeen Asset Management Plc is interested in these shares in its capacity as the investment manager and includes shares in which wholly owned controlled corporations of Aberdeen Asset Management Plc are interested.

Save as stated above, no person or corporation was interested in or had a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2009.

By Order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 11 August 2009