THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in City e-Solutions Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser or the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

CHINA TIAN YUAN MANGANESE LIMITED

(Incorporated in the Cayman Islands with limited liability)

City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY

信誠證券有限公司
Prudential Brokerage Ltd

FOR AND ON BEHALF OF CHINA TIAN YUAN MANGANESE LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF CITY E-SOLUTIONS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY CHINA TIAN YUAN MANGANESE LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to China Tian Yuan Manganese Limited

八方金融有限公司
OCTAL Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Prudential Brokerage Limited containing, among other things, details of the terms of the Offer is set out on pages 6 to 18 of this Composite Document.

A letter from the Board is set out on pages 19 to 24 of this Composite Document.

A letter from the Independent Board Committee is set out on pages 25 to 26 of this Composite Document.

A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 27 to 47 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out on pages 48 to 55 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar by no later than 4:00 p.m. on Friday, 9 September 2016 or such later time and/or date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents or any registration or filing which may be required and the compliance with other necessary formalities or legal requirements and payment of any transfer or other taxes due by such Overseas Shareholder in respect of such jurisdiction. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the Offer.

The Composite Document will remain on the websites of the Stock Exchange at http://www.hkexnews.hk and the Company at www.ceslimited.com as long as the Offer remains open.

19 August 2016

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The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

Event	**Time & Date**
Despatch date of this Composite Document and the Form of Acceptance and the commencement of the Offer *(Notes 1 and 4)*	Friday, 19 August 2016
Latest time and date for acceptance of the Offer *(Notes 2 and 5)*	4:00 p.m. on Friday, 9 September 2016
Closing Date of the Offer *(Note 4)*	Friday, 9 September 2016
Announcement of the results of the Offer (or its extension or revision, if any), to be posted on on the website of the Stock Exchange *(Note 2)*	not later than 7:00 p.m. on Friday, 9 September 2016
Latest date for posting of remittance in respect of valid acceptances received under the Offer *(Notes 3 and 5)*	Wednesday, 21 September 2016

Note 1: The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of being accepted on and from that date until the Closing Date.

Note 2: The latest time for acceptance of the Offer is 4:00 p.m. on Friday, 9 September 2016 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on Friday, 9 September 2016 stating whether the Offer has been extended, revised or has closed for acceptance. In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

Note 3: Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven business days (as defined in the Takeovers Code) after the date of receipt by the Registrar of a duly completed acceptance in accordance with the Takeovers Code.

Note 4: Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 6 headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances maybe withdrawn.

Note 5: If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

(a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or

(b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for the acceptance of the Offer and posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

All references to date and time contained in this Composite Document and the Form of Acceptance refer to Hong Kong date and time.

NOTICE TO SHAREHOLDERS OUTSIDE HONG KONG

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed "Overseas Shareholders" in the "Letter from Prudential Brokerage".

DEFINITIONS

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, those defined terms are not included in the table below:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate(s)"	has the meaning ascribed to it under the Takeovers Code
"Board"	the board of Directors
"Burlington Transfer"	the deemed transfer of the Company's indirect ownership interests of approximately 16% in each of Rich Burlington Hotel, LLC and RBH MEZZ, LLC as a result of a change of control of the Company as contemplated under the Share Purchase Agreement
"Business Day(s)"	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CDL"	City Developments Limited, a company incorporated in the Republic of Singapore, whose shares are listed on the Singapore Exchange Securities Trading Limited, and the controlling shareholder of the Vendors
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Closing Date"	Friday, 9 September 2016, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined and announced jointly by the Offeror and the Company, with consent of the Executive, in accordance with the Takeovers Code
"Company"	City e-Solutions Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 557)

"Completion"	completion of the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement
"Completion Date"	26 July 2016, being the date on which Completion took place
"Composite Document"	this composite offer and response document jointly issued by the Offeror and the Company to all Shareholders in connection with the Offer in accordance with the Takeovers Code containing, amongst other things, detailed terms of the Offer (accompanied by the Form of Acceptance), and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser in respect of the Offer
"connected person"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Covenantor"	Glades Properties Pte. Ltd., a company incorporated in the Republic of Singapore and a wholly-owned subsidiary of CDL
"Deposit"	the deposit of HK$57,880,217 which has been paid by the Purchaser to the Vendors upon signing of a memorandum of understanding dated 27 April 2016 (as amended and restated by the amended and restated memorandum of understanding dated 29 April 2016) in respect of the sale and purchase of the Sale Shares entered into among the Vendors and the Offeror
"Director(s)"	the director(s) of the Company
"Encumbrances"	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
"Executive"	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Facility"	a loan facility of up to HK$513 million granted by Prudential Brokerage to the Offeror to finance the amount payable by the Offeror upon acceptance of the Offer
"Form of Acceptance"	the form of acceptance and transfer of the Shares and in respect of the Offer accompanying this Composite Document

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of The People's Republic of China
"Hong Leong Group Entities"	Hong Leong International (Hong Kong) Limited, Hong Leong Holdings Limited, Hong Leong Enterprises Pte. Ltd., SingAsia Investments Pte Ltd, Heidelberg Company Limited, Starich Investments Pte. Ltd. and Tudor Court Gallery Pte Ltd.
"Independent Board Committee"	an independent committee of the Board, comprising all non-executive Directors (other than Mr. Chan Bernard Charnwut and Mr. Ronald Nathaniel Issen), formed to advise the Independent Shareholders in respect of the Offer
"Independent Financial Adviser" or "First Shanghai"	First Shanghai Capital Limited, a licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee in relation to the Offer
"Independent Shareholders"	Shareholders (including the Hong Leong Group Entities) other than the Offeror and parties acting in concert with it
"Joint Announcement"	the joint announcement issued by the Offeror and the Company dated 22 July 2016 in relation to, among other things, the Share Purchase Agreement and the Offer
"Last Trading Day"	19 July 2016, being the last trading day immediately prior to the suspension of trading in the Shares pending the release of the Joint Announcement
"Latest Practicable Date"	16 August 2016, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained in this Composite Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Octal Capital"	Octal Capital Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO which has been appointed as the financial adviser to the Offeror

"Offer"	the mandatory unconditional cash offer made by Prudential Brokerage for and on behalf of the Offeror for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code
"Offer Period"	the period commencing from 15 April 2016, being the date of the first of the Rule 3.7 Announcements and ending on the Closing Date
"Offer Price"	the price at which the Offer is made, being HK$2.82 per Offer Share
"Offer Share(s)"	any and all of the Share(s), other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it
"Offeror"	China Tian Yuan Manganese Limited, a company incorporated in the Cayman Islands with limited liability on 5 January 2015
"Overseas Shareholders"	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
"PRC"	the People's Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Prudential Brokerage"	Prudential Brokerage Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
"Registrar"	Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
"Relevant Period"	the period from 15 October 2015, being the date falling six months prior to the date of the commencement of the Offer Period and up to and including the Latest Practicable Date
"Rule 3.7 Announcements"	the announcements issued by the Company dated 15 April 2016, 29 April 2016, 27 May 2016, 10 June 2016 and 8 July 2016 in relation to, among other things, the possible sale by the Vendors of their shareholding interests in the Company

"Sale Shares"	an aggregate of 200,854,743 Shares, legally and beneficially owned by the Vendors immediately before Completion, representing approximately 52.52% of the entire issued share capital of the Company as at the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	ordinary share(s) of HK$1.00 each in the share capital of the Company
"Share Charge"	the share charge entered into between Prudential Brokerage and the Offeror whereby the 200,854,743 Shares legally and beneficially owned by the Offeror and the Offer Shares to be acquired by the Offeror through the Offer were charged to Prudential Brokerage as security for the Facility
"Share Purchase Agreement"	the share purchase agreement dated 19 July 2016 entered into among the Vendors, the Offeror and the Covenantor in respect of the Sale Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers as in force and as amended from time to time
"trading day"	a day when the Stock Exchange is open for trading in Hong Kong
"Vendors"	Citydev Investments Pte. Ltd., Educado Company Limited and eMpire Investments Limited
"%"	per cent

信誠證券有限公司
Prudential Brokerage Ltd

19 August 2016

To the Independent Shareholders,

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY PRUDENTIAL BROKERAGE LIMITED FOR AND ON BEHALF OF CHINA TIAN YUAN MANGANESE LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF CITY E-SOLUTIONS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY CHINA TIAN YUAN MANGANESE LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

On 19 July 2016 (after trading hours), the Vendors and the Offeror entered into the Share Purchase Agreement, pursuant to which the Offeror conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, being 200,854,743 Shares, representing approximately 52.52% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK$566,410,375.26, equivalent to HK$2.82 per Sale Share, which was agreed between the Offeror and the Vendors after arm's length negotiations. Completion took place on 26 July 2016.

Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 200,854,743 Shares, representing approximately 52.52% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror and parties acting in concert with it are required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the terms of the Offer and procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

MANDATORY UNCONDITIONAL CASH OFFER

As at the Latest Practicable Date, there were 382,449,524 Shares in issue. The Company did not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Principal terms of the Offer

Prudential Brokerage, on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Offer on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share.. HK$2.82 in cash

The Offer Price of HK$2.82 per Offer Share is the same as the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement, which was agreed between the Offeror and the Vendors after arm's length negotiations and was paid in cash by the Offeror upon Completion.

The Offer Shares to be acquired under the Offer shall be free from all Encumbrances and shall be acquired together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document. The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

The Offer is unconditional in all respects.

As at the Latest Practicable Date, the Hong Leong Group Entities are beneficially interested in the Shares as follows:

	Number of Shares	Approximate Percentage
Hong Leong Holdings Limited	21,356,085	5.58%
Hong Leong International (Hong Kong) Limited	4,718,203	1.23%
Heidelberg Company Limited	95,801	0.03%
Hong Leong Enterprises Pte. Ltd.	2,036,443	0.53%
Starich Investments Pte. Ltd.	375,054	0.10%
Tudor Court Gallery Pte Ltd	375,054	0.10%
SingAsia Investments Pte Ltd	1,151,019	0.30%
Total	30,107,659	7.87%

Each of the Hong Leong Group Entities has irrevocably and unconditionally undertaken to the Offeror that it shall accept or procure the acceptance of the Offer in accordance with the terms set out in the Composite Document in respect of an aggregate of 30,107,659 Shares, representing approximately 7.87% of the entire issued share capital of the Company as at the Latest Practicable Date, that they are beneficially interested in.

Comparisons of value

The Offer Price of HK$2.82 per Offer Share represents:

(a) a premium of approximately 5.22% over the closing price of HK$2.68 per Share as quoted on the Stock Exchange on 19 July 2016, being the Last Trading Day;

(b) a premium of approximately 4.44% over the average closing price of approximately HK$2.70 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(c) a premium of approximately 7.22% over the average closing price of approximately HK$2.63 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;

(d) a premium of approximately 11.02% over the average closing price of approximately HK$2.54 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(e) a discount of approximately 4.73% to the closing price of approximately HK$2.96 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(f) a premium of approximately 118.60% over the consolidated net asset value attributable to Shareholders of approximately HK$1.29 per Share as at 31 December 2015, the date to which the latest audited financial statements of the Group were made up.

Highest and lowest Share prices

During the six-month period preceding the date of the first Rule 3.7 Announcement and the period up to and including the Latest Practicable Date:

(i) the highest closing price of the Shares as quoted on the Stock Exchange was HK$3.28 per Share on 27 July 2016; and

(ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK$1.43 per Share on 26 January 2016.

Value of the Offer

As at the Latest Practicable Date, there are 382,449,524 Shares in issue. Based on the Offer Price of HK$2.82 per Offer Share, the entire issued share capital of the Company is valued at HK$1,078,507,657.68 and the Offer Shares are valued at HK$512,097,282.42. Assuming the Offer is accepted in full by the Independent Shareholders and based on 181,594,781 Offer Shares, the total amount of cash required to effect the Offer will be HK$512,097,282.42.

Financial resources available to the Offeror

The Offeror intends to finance and satisfy the consideration payable under the Offer with the Facility. Under the terms of the Facility, the Sale Shares acquired by the Offeror under the Share Purchase Agreement and the Shares to be acquired pursuant to the Offer shall be charged to Prudential Brokerage as security under the Share Charge. As at the Latest Practicable Date, Prudential Brokerage did not hold any Share.

Octal Capital, the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the Facility will not depend to any significant extent on the business of the Company.

Effect of accepting the Offer

By accepting the Offer, the accepting Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions recommended, declared, made or paid, if any, on or after the date of despatch of this Composite Document. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Independent Shareholders or if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer. The Offeror will bear buyer's ad valorem stamp duty.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with it, the Company, Octal Capital, Prudential Brokerage, First Shanghai and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

Other arrangements

The Offeror confirms that, save as disclosed in this Composite Document, as at the Latest Practicable Date:

(i) save for the undertaking from each of the Hong Leong Group Entities, the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept the Offer;

(ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or any person acting in concert with any of them;

(iii) save for the undertaking from each of the Hong Leong Group Entities in respect of the non-disposal of their respective beneficial interest in the Shares and the acceptance of the Offer and the Share Charge, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);

(iv) save for the Sale Shares, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;

(v) other than the Share Purchase Agreement, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and

(vi) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owners, and/or any person acting in concert with any of them has borrowed or lent.

Dealing and interests in the Company's securities

Save for the Sale Shares, none of the Offeror, its ultimate beneficial owners, nor parties acting in concert with any of them has dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period prior to 15 April 2016, being the date of the first Rule 3.7 Announcement and the period thereafter up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it have not entered into any arrangements or contracts in relation to the derivatives in respect of securities in the Company nor have any of them borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, save for the Sale Shares under the Share Purchase Agreement, the Offeror and parties acting in concert with it do not hold, own or control any Shares, options, derivatives, warrants or other securities which may confer rights on the Offeror and parties acting in concert with it to subscribe for, convert or exchange into Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately following Completion and as at the Latest Practicable Date:

	Immediately before Completion		**Immediately following Completion and as at the Latest Practicable Date**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
The Vendors				
Citydev Investments Pte. Ltd.	2,403,221	0.63	—	—
Educado Company Limited	7,927,703	2.07	—	—
eMpire Investments Limited	190,523,819	49.82	—	—
Sub-total	200,854,743	52.52	—	—
The Offeror and parties acting in concert with it	—	—	200,854,743	52.52
Directors and Chief Executive Officer	6,415,592	1.68	6,415,592	1.68
Independent Shareholders	175,179,189	45.80	175,179,189	45.80
Total	382,449,524	100	382,449,524	100

INFORMATION ON THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed "Information on the Group" in the "Letter from the Board" and in Appendices II and IV to this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the Cayman Islands with limited liability on 5 January 2015. As at the Latest Practicable Date, the Offeror is wholly owned by 寧夏天元錳業有限公司 (transliterated as Ningxia Tianyuan Manganese Industry Co., Ltd) ("**Ningxia Tianyuan**"), a company incorporated in the PRC with limited liability, which is owned as to approximately 77.0% and 22.6% by Mr. Jia Tianjiang (賈天將) and HK Jingjin Int'l Share Group Limited, which is in turn wholly owned by Mr. Cui He (崔鶴) respectively. The sole director of the Offeror is Ms. Jia Yan (賈彥), who is a niece of Mr. Jia Tianjiang (賈天將).

Ningxia Tianyuan is principally engaged in processing of manganese minerals and other metal minerals and sale of electrolytic manganese and other processed metal minerals. Ningxia Tianyuan is a trans-regional, multi-industry private enterprise and the largest electrolytic manganese metal manufacturer in the world. Over the years, with the support from local government of district, city and province and related departments in the PRC, Ningxia Tianyuan wishes to build its brand and strive to achieve the strategic target of manganese manufacturer with international competitiveness.

Ningxia Tianyuan has an annual production capacity in electrolytic manganese metal of 500,000 tons, chromite metal of 300,000 tons, sulphuric acid of 200,000 tons, cement of 2,000,000 tons, restored manganese dioxide of 800,000 tons, treated harmless manganese metal residue of 2,000,000 tons. Ningxia Tianyuan was ranked 375th in the list of Top 500 Enterprises of China in 2015 issued by China Enterprise Confederation with a total revenue of RMB32.6 billion in the year ended 31 December 2015.

Prior to Completion, the Offeror and parties acting in concert with it did not own any Shares, convertible securities, options, warrants or derivatives in the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and were third parties independent of the Group and its connected persons.

FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The existing principal businesses of the Group include investment holding, provision of hospitality solutions, hotel management services, reservation services, risk management services, revenue management consulting, accounting and payroll services, and procurement services. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities in the industry and business areas similar to the existing businesses of the Group and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror has not identified any new business opportunities. Should such corporate actions and/or new business opportunities materialise, further announcement(s) will be made in accordance with the Listing Rules.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

The existing senior management of the Group, namely Mr. Wong Hong Ren, the Chief Executive Officer of the Group, and Mr. Rodrigo Jimenez, the Chief Executive Officer of Sceptre Hospitality Resources, LLC, an indirect non-wholly owned subsidiary of the Company principally engaged in the hotel reservation distribution business, who both have extensive experience and expertise in the existing principal businesses of the Group, will continue to oversee the daily operation of the Group. In addition, Mr. Lawrence Yip Wai Lam, who was appointed as an executive Director of the Company since December 1998, will continue to provide his services to the Group.

PROPOSED CHANGE OF BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprises Mr. Kwek Leng Beng, Mr. Gan Khai Choon and Mr. Lawrence Yip Wai Lam as executive Directors, Mr. Chan Bernard Charnwut and Mr. Ronald Nathaniel Issen as non-executive Directors, and Dr. Lo Ka Shui, Mr. Lee Jackson a.k.a. Li Chik Sin and Mr. Teoh Teik Kee as independent non-executive Directors.

Save for Mr. Lawrence Yip Wai Lam and the independent non-executive Directors, certified true copies of the letters of resignation of all existing executive Directors and non-executive Directors, to be effective from the earliest time as permitted under the Takeovers Code and the Listing Rules, have been delivered to the Offeror upon Completion.

At such time as may be notified by the Offeror to the Vendors, the Vendors shall use their reasonable endeavours to persuade the independent non-executive Directors to give notice to resign as Directors at the earliest time permitted under the Takeovers Code and the Listing Rules.

The Offeror proposes to nominate new Directors to the Board subject to compliance with all the applicable regulatory requirements, including the Takeovers Code and the Listing Rules. There have been changes in the composition of the proposed Directors as disclosed in the Joint Announcement. Mr. Zhang Shihong has been replaced by Ms. Zhang Xian as the proposed Director. As at the Latest Practicable Date, it is proposed by the Offeror that, following the despatch of the Composite Document, Ms. Zhang Xian and Mr. Jiang Yulin will be appointed as executive Directors and Mr. Hu Baihe, Mr. Yuen Kwok Kuen and Mr. Guo Jingbin as independent non-executive Directors.

Set out below are the biographic details of the above-mentioned nominees for appointment as executive Directors and independent non-executive Directors. Further details required by Rule 13.51(2) of the Listing Rules will be announced after the appointments take effect:

Ms. Zhang Xian (張嫻女士)

Ms. Zhang, aged 31, holds a Master's degree in Economics. Ms. Zhang engages in investment banking and private equity investment industries for 8 years with wealth of experiences in domestic and overseas transaction execution. She has worked for China International Capital Corporation for more than four years, mainly responsible for merger and acquisition.

Save as disclosed above, Ms. Zhang (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Ms. Zhang does not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Jiang Yulin (蔣玉林先生)

Mr. Jiang, aged 57, holds a doctorate degree in Economics. Mr. Jiang has over 36 years of experience in large scale financial institution in the PRC, and has extensive experience in financing, investment and management. Mr. Jiang is the non-executive director of Industrial and Commercial Bank of China (Asia) Limited (Shanghai Stock Exchange Stock Code: 601398; Hong Kong Stock Exchange Stock Code: 1398), the shares of which are listed on Shanghai Stock Exchange and the Stock Exchange.

Save as disclosed above, Mr. Jiang (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Jiang does not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Hu Baihe (胡柏和先生)

Mr. Hu, aged 53, graduated from Jiangxi University of Finance and Economics. He is a senior accountant, certified public accountant, certified public valuer and certified tax agent in the PRC. He has extensive experience in finance field. Mr. Hu is currently the general manager of Peking Certified Public Accountants. Before he joined Peking Certified Public Accountants in 1993, he had over seven years working experience with Ministry of Finance of the PRC. Mr. Hu is the independent non-executive director of China Ocean Industry Group Limited (Stock Code: 651), the shares of which are listed on the Stock Exchange.

Save as disclosed above, Mr. Hu (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Hu does not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Yuen Kwok Kuen (阮國權先生)

Mr. Yuen, aged 42, obtained the Bachelor of Business from Monash University (Australia) in 1998 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia respectively. Mr. Yuen has 17 years of experience in audit, tax, initial public offering, merger and acquisition and corporate services. Mr. Yuen is the company secretary of China Household Holdings Limited (Stock Code: 692), the shares of which are listed on the Stock Exchange.

Save as disclosed above, Mr. Yuen (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Yuen does not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Guo Jingbin (郭景彬先生)

Mr. Guo, aged 58, graduated from Shanghai Construction Materials College in 1980. In 1998, Mr. Guo received a Master of Business Administration degree from the Post-graduate College of the Social Science Institute of China (中國社會科學院).

Mr. Guo is an executive director of Anhui Conch Group Company Limited. Mr. Guo has been an executive director of Anhui Conch Cement Company Limited (Shanghai Stock Exchange Stock Code: 600585; Stock Exchange Stock Code: 914), the shares of which are listed on Shanghai Stock Exchange and Stock Exchange, from September 1997 to June 2014 and was re-designated as a non-executive director of Anhui Conch Cement Company Limited until May 2016.

Mr. Guo has been a non-executive director and chairman of China Conch Venture Holdings Limited (Stock Code: 586), the shares of which are listed on the Stock Exchange, from June 2013 to June 2014. Since then, Mr. Guo has been the executive director and the chairman of China Conch Venture Holdings Limited (Stock Code: 586). He is primarily responsible for overall strategic development of China Conch Venture Holdings Limited (Stock Code: 586). Mr. Guo is also an independent non-executive director of China Logistics Property Holdings Co., Ltd. (Stock Code: 1589), the shares of which are listed on the Stock Exchange. Mr. Guo has over 30 years' experience in the building materials industry and rich experience in capital markets, particularly specializing in corporate strategic planning, marketing planning and general and administration management.

Save as disclosed above, Mr. Guo (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Guo does not hold any Share interests within the meaning of Part XV of the SFO.

Under the Share Purchase Agreement, the Vendors have agreed to procure that Board resolutions be passed to approve the appointment of such persons as may be nominated by the Offeror as new Directors, such appointment to take effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. It is proposed that other new Directors will be nominated to the Board. However, the proposed changes have not yet been finalised as at the Latest Practicable Date and a further announcement will be made in respect of changes to the composition to the Board.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offer.

In the event that the public float of the Company falls below 25% following the close of the Offer, the director of the Offeror and the new Directors (who have been nominated by the Offeror) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares following the close of the Offer.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances to the Independent Shareholders will be sent by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members. None of the Offeror and parties acting in concert with it, the Company, Octal Capital, Prudential Brokerage, First Shanghai, the Registrar or any of their respective directors or associates or professional advisers or any other party involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Composite Document which form part of this Composite Document. You are reminded to read carefully the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from the Independent Financial Adviser" and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Prudential Brokerage Limited
Lau Shing Ngon
Managing Director

City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

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

Non-executive Directors:
Mr. Chan Bernard Charnwut
Mr. Ronald Nathaniel Issen (*Deputy Chairman*)

Independent non-executive Directors:
Dr. Lo Ka Shui
Mr. Lee Jackson (also known as Li Chik Sin)
Mr. Teoh Teik Kee

Principal Office:
Room 2803, 28th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Registered office:
c/o Maples and Calder
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

19 August 2016

To the Independent Shareholders,

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY PRUDENTIAL BROKERAGE LIMITED FOR AND ON BEHALF OF CHINA TIAN YUAN MANGANESE LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF CITY E-SOLUTIONS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY CHINA TIAN YUAN MANGANESE LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the Joint Announcement.

The Company and the Offeror jointly announced on 22 July 2016 that, among other things, on 19 July 2016 (after trading hours), the Vendors and the Offeror had entered into the Share Purchase Agreement, pursuant to which the Offeror conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, being 200,854,743 Shares, representing approximately 52.52% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK$566,410,375.26, equivalent to HK$2.82 per Sale Share, which was agreed between the Offeror and the Vendors after arm's length negotiations.

Completion took place on 26 July 2016. Immediately after Completion, the Offeror and parties acting in concert with it became interested in an aggregate of 200,854,743 Shares, representing approximately 52.52% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, Prudential Brokerage is making, on behalf of the Offeror, the Offer to the Independent Shareholders for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it. The terms of the Offer are set out in the "Letter from Prudential Brokerage" and Appendix I to this Composite Document and the accompanying Form of Acceptance.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all non-executive Directors (other than Mr. Chan Bernard Charnwut and Mr. Ronald Nathaniel Issen), has been formed to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Mr. Chan Bernard Charnwut's family is interested in The Philippine Fund Limited, a 60% owned subsidiary of Millennium & Copthorne Hotels plc, which in turn is a subsidiary of CDL. Mr. Chan Bernard Charnwut is thus not considered independent for the purpose of advising the Independent Shareholders in respect of the Offer. Mr. Ronald Nathaniel Issen is a non-independent non-executive director on the board of the manager for CDL Hospitality Real Estate Investment Trust ("H-REIT") and the board of the trustee-manager for CDL Hospitality Business Trust ("HBT"). Both H-REIT and HBT form the stapled group, CDL Hospitality Trusts, which is listed on the Singapore Exchange Securities Trading Limited and is a subsidiary of Millennium & Copthorne Hotels plc, which in turn is a subsidiary of CDL. Mr. Ronald Nathaniel Issen is therefore not considered independent for the purpose of advising the Independent Shareholders in respect of the Offer.

As announced on 1 August 2016, First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee in relation to the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Offeror, the Offer and the Group; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in relation to the Offer and as to its acceptance.

THE OFFER

The terms of the Offer summarised below are set out in detail in the "Letter from Prudential Brokerage" contained in this Composite Document and Appendix I to this Composite Document as well as the accompanying Form of Acceptance. You are recommended to refer to them for further details.

Principal terms of the Offer

Prudential Brokerage is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share .... HK$2.82 in cash

The Offer Price of HK$2.82 per Offer Share is the same as the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement, which was agreed between the Offeror and the Vendors after arm's length negotiations and was paid in cash by the Offeror upon Completion.

The Offer Shares to be acquired under the Offer shall be free from all Encumbrances and shall be acquired together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document. The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

The Offer is unconditional in all respects.

Financial resources available to the Offeror

Octal Capital, the financial adviser to the Offeror in respect of the Offer, has confirmed in the "Letter from Prudential Brokerage" that it is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

Effects of accepting the Offer

By validly accepting the Offer, the Shareholders will sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

As set out in the "Letter from Prudential Brokerage", the following table sets out the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately following Completion and as at the Latest Practicable Date:

	Immediately before Completion		**Immediately following Completion and as at the Latest Practicable Date**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
The Vendors				
Citydev Investments Pte. Ltd.	2,403,221	0.63	—	—
Educado Company Limited	7,927,703	2.07	—	—
eMpire Investments Limited	190,523,819	49.82	—	—
Sub-total	200,854,743	52.52	—	—
The Offeror and parties acting in concert with it	—	—	200,854,743	52.52
Directors and Chief Executive Officer	6,415,592	1.68	6,415,592	1.68
Independent Shareholders	175,179,189	45.80	175,179,189	45.80
Total	382,449,524	100	382,449,524	100

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Group's principal businesses include investment holding, provision of hospitality solutions, hotel management services, reservation services, risk management services, revenue management consulting, accounting and payroll services, and procurement services.

The Company has set out in Appendix II to this Composite Document the relevant financial information relating to the Group as required by the Takeovers Code.

INFORMATION ON THE OFFEROR AND FUTURE INTENTIONS REGARDING THE GROUP

Your attention is drawn to the "Letter from Prudential Brokerage" in this Composite Document for the information on the Offeror, its intention regarding the Group and the forthcoming change in composition of the Board including appointment of new Directors nominated by the Offeror.

In particular, as stated in the "Letter from Prudential Brokerage", the Offeror intends to continue the existing principal businesses of the Group. The existing principal businesses of the Group include investment holding, provision of hospitality solutions, hotel management services, reservation services, risk management services, revenue management consulting, accounting and payroll services, and procurement services. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group.

The Offeror may look into business opportunities in the industry and business areas similar to the existing businesses of the Group and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror has not identified any new business opportunities. Other than the disclosed intentions stated in the "Letter from Prudential Brokerage", the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

The Board is aware of the Offeror's intention in relation to the Group and the proposed change of the Board composition, and is willing to render co-operation with the Offeror and would continue to act in the best interests of the Group and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY AND COMPULSORY ACQUISITION

The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offer. The Offeror also states it does not intend to avail itself of any power of compulsory acquisition.

In the event that the public float of the Company falls below 25% following the close of the Offer, the director of the Offeror and the new Directors (who have been nominated by the Offeror) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares following the close of the Offer.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by the Company. Under the Listing Rules, the Stock Exchange has the power to aggregate a series of transactions entered into by the Company within 24 months after a change in control and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirement for new applicants as set out in the Listing Rules.

RECOMMENDATION

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

First Shanghai has been appointed by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee as to whether the Offer is, or is not, fair and reasonable and as to its acceptance.

Your attention is drawn to (i) the "Letter from the Independent Board Committee" set out on pages 25 to 26 of this Composite Document, which contains its recommendation to the Independent Shareholders in relation to the Offer; and (ii) the "Letter from the Independent Financial Adviser" set out on pages 27 to 47 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

The Independent Shareholders are urged to read these letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is also drawn to the "Letter from Prudential Brokerage" and the additional information contained in the Appendices to this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
By Order of the Board
City e-Solutions Limited
Kwek Leng Beng
Chairman and Managing Director

Set out below is the text of the letter from the Independent Board Committee in respect of the Offer.

City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

19 August 2016

To the Independent Shareholders,

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY PRUDENTIAL BROKERAGE LIMITED FOR AND ON BEHALF OF CHINA TIAN YUAN MANGANESE LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF CITY E-SOLUTIONS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY CHINA TIAN YUAN MANGANESE LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)

We refer to the Composite Document dated 19 August 2016 jointly issued by the Company and the Offeror, of which this letter forms part. Terms defined in the Composite Document shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee under the Takeovers Code to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to its acceptance. First Shanghai has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the "Letter from the Independent Financial Adviser" set out on pages 27 to 47 of the Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from Prudential Brokerage" and the additional information set out in the Appendices to the Composite Document.

Taking into account the terms of the Offer and the independent advice from First Shanghai, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. Independent Shareholders are recommended to read the full text of the "Letter from the Independent Financial Adviser" set out on pages 27 to 47 of the Composite Document.

Yours faithfully,
The Independent Board Committee

Dr. Lo Ka Shui	**Mr. Lee Jackson a.k.a. Li Chik Sin**	**Mr. Teoh Teik Kee**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders in relation to the Offer, which has been prepared for the purpose of inclusion in this Composite Document.

FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED
第一上海融資有限公司

19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

19 August 2016

To: The Independent Board Committee and
the Independent Shareholders

City e-Solutions Limited
2803, 28th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER BY PRUDENTIAL BROKERAGE LIMITED FOR AND ON BEHALF OF CHINA TIAN YUAN MANGANESE LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF CITY E-SOLUTIONS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY CHINA TIAN YUAN MANGANESE LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Offer, details of which are set out in the "Letter from Prudential Brokerage" and the "Letter from the Board" contained in the Composite Document dated 19 August 2016 to the Independent Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

THE SHARE PURCHASE AGREEMENT

The Company was informed by the Vendors that, on 19 July 2016 (after trading hours), the Vendors and the Offeror entered into the Share Purchase Agreement, pursuant to which the Offeror conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, being 200,854,743 Shares, representing approximately 52.52% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK$566,410,375.26, equivalent to HK$2.82 per Sale Share, which was agreed between the Offeror and the Vendors after arm's length negotiations. Completion took place on 26 July 2016.

MANDATORY UNCONDITIONAL CASH OFFER

On 22 July 2016, being the date of the Joint Announcement, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any Shares in the share capital or voting rights of the Company. Immediately after Completion on 26 July 2016, the Offeror and parties acting in concert with it own a total of 200,854,743 Shares, representing approximately 52.52% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it).

As at the Latest Practicable Date, the Company has 382,449,524 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Prudential Brokerage, on behalf of the Offeror and in compliance with the Takeovers Code, makes the Offer on the terms set out in the Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share	HK$2.82 in cash

The Offer Price of HK$2.82 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the non-executive Directors (other than Mr. Chan Bernard Charnwut and Mr. Ronald Nathaniel Issen who are related to CDL and therefore excluded from the Independent Board Committee), has been formed to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We, First Shanghai, have been appointed by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee on the Offer.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or any interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser in relation to the Offer, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Given (i) our independent role in this appointment; (ii) none of the members of our parent group is a direct party to the Share Purchase Agreement and the Offer; and (iii) our fees for this appointment represented an insignificant percentage of revenue of our parent group, we consider that this appointment as the Independent Financial Adviser would not affect our independence and objectivity to provide advice and form our opinion in respect of the Offer.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors, which we have assumed to be true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date and up to the end of the Offer Period, Independent Shareholders would be notified as soon as possible. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and that the information which we have received is sufficient to enable us to reach our opinion and provide the advice set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Composite Document were true as at the Latest Practicable Date. However, we have not conducted any independent investigation into the businesses and affairs of the Group.

We have not considered the tax implications on the Independent Shareholders who accept the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

In formulating our opinion, we have also made reference to some comparable companies and the subject companies of the Comparables (as defined hereafter), which are listed on the Main Board of the Stock Exchange for analysis purpose and the relevant information was obtained from the website of the Stock Exchange (www.hkex.com.hk). We have assumed the truthfulness and accuracy of the information available to us regarding the Comparables. We have not, however, carried out any independent verification of the information available to us regarding the subject companies of the Comparables, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of these companies. Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date.

Independent Shareholders are advised to refer to the paragraph headed "Material Change" in the Appendix II to the Composite Document, and there have been certain adverse changes in the operating performance and financial position of the Group after 31 December 2015 up to the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Offer and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background of the Group

The Company is incorporated in the Cayman Islands with limited liability and its shares have been listed on the Main Board of the Stock Exchange since 29 December 1989. The Group's principal businesses include investment holding, provision of hospitality solutions, hotel management services, reservation services, risk management services, revenue management consulting, accounting and payroll services, and procurement services.

2. Historical financial performance and prospects of the Group

The following table summarises the consolidated results, operating cash flows and financial positions of the Group for each of the three financial years (the "**FY(s)**") ended 31 December 2015 which are extracted from the audited financial statements of the Group and as set forth in its annual reports; and consolidated results, operating cash flow and financial position for the six months ended 30 June 2016 which are extracted from the interim results announcement of the Group. More details of the latest two FYs ended 31 December 2015 are set out in the Appendix II to the Composite Document.

FY ended 31 December or period ended 30 June 2016	Turnover/ revenue	Gross profit	Profit/(loss) before tax	Profit/(loss) attributable to equity shareholder of the Company	Operating cash inflow/ (outflow) before changes in working capital	Net asset value (excluding non-controlling interests)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
FY 2013	102,838	83,857	16,304	17,169	(8,022)	569,036
FY 2014	100,130	81,673	(23,478)	(18,978)	(17,341)	550,234
FY 2015	92,207	74,032	(48,336)	(55,067)	(21,296)	492,103
Six months ended 30 June 2016	50,212	39,995	(12,015)	(17,255)	(11,441)	475,039

Overview

During the past three FYs, the Group's scale of business operation in terms of turnover/revenue had generally been contracting from its peak level in the recent five years of approximately HK$102.8 million in the FY 2013 to that of approximately HK$92.2 million in the FY 2015, while its profitability had also been declining during the same period with net profit of approximately HK$17.2 million in the FY 2013 to net losses of approximately HK$19.0 million and HK$55.1 million in the FYs 2014 and 2015 respectively, mainly due to the (i) lower hotel management fee income received by the Group because of (a) the decline in the managed hotels' operating results as a consequence of global economic downturn over the years as well as (b) the fierce competition from hotel operators with established brands to acquire new hotel management contracts, (ii) net unrealised valuation losses from the Group's securities holding; and (iii) reduction of the Group's deferred tax assets following an assessment of the availability of future taxable profit against which the tax losses can be utilised. Meanwhile, the Group had also incurred persistent operating losses for the past two FYs since the FY 2014 and the six months ended 30 June 2016.

Considering another performance indicator, the Group had never generated meaningful operating cash inflow from its business operations since the FY 2013 and the six months ended 30 June 2016. In particular, the Group incurred the largest operating cash outflow of approximately HK$21.3 million in the FY 2015, with an accumulated operating cash outflow in aggregate of approximately HK$58.1 million over the past three FYs up to the FY 2015 and the six months ended 30 June 2016.

Further, the Group's net asset value (excluding non-controlling interests) had dropped from approximately HK$569.0 million as at 31 December 2013 to that of approximately HK$492.1 million as at 31 December 2015, representing an obvious decrease in net asset value by approximately 16.5% during the past three FYs up to the six months ended 30 June 2016 between the said two year/period end dates mainly due to the accumulated net losses of approximately HK$91.3 million. However, the Group had strong working capital positions (i.e. which is calculated as current assets to be divided by current liabilities) of approximately 17.3 times, 16.3 times and 15.8 times as at 31 December 2014 and 2015 and 30 June 2016, respectively. Furthermore, the Group had relatively low gearing positions (i.e. to be defined as interest-bearing bank borrowings over net asset value) close to and not more than 6.4% as at 31 December 2014 and 2015 and 30 June 2016. Such working capital and gearing positions had demonstrated that the Group's liquidity and financial stability had been safe over the past few years.

Owing to the persistence of the global macroeconomic uncertainty, resulting in weak market conditions spreading all over the world, the Group had experienced its own transitional period. However, the Group will continue to grow the hospitality reservation business and to adopt a prudent approach in managing the hospitality related businesses by ensuring costs are kept in line with the level of business activities. Looking forward, we consider that the prospects and outlook of the Group would remain challenging in the absence of a dramatic turnaround prospect.

FY 2013 versus FY 2014

As extracted from the Company's annual report for the FY 2014, the Group recorded revenue of approximately HK$100.1 million for the FY 2014, representing a decrease of approximately HK$2.7 million or 2.6% from that of HK$102.8 million in the FY 2013. For the FY 2014, the Group reported a net loss attributable to the equity shareholders of the Company of approximately HK$19.0 million as compared with a net profit attributable to equity shareholders of the Company of approximately HK$17.2 million in FY2013, mainly due to (i) a decrease in the net unrealised valuation gain from the Group's securities holding as at 31 December 2014; and (ii) an increase in the net unrealised foreign exchange losses as a result of the unfavourable currency movement in the Group's securities and cash portfolio as at 31 December 2014.

The Group generally financed its operations through a combination of internally generated cash flows, shareholders' equity and bank borrowings. As at 31 December 2014, the Group had net asset value of approximately HK$550.2 million (approximately HK$569.0 million as at 31 December 2013) and interest-bearing bank borrowings of approximately HK$31.4 million (approximately HK$32.1 million as at 31 December 2013), representing a gearing ratio of approximately 5.7% (approximately 5.6% as at 31 December 2013).

As at 31 December 2014, the Group had current assets of approximately HK$536.0 million (approximately HK$535.3 million as at 31 December 2013), and current liabilities of approximately HK$30.9 million (approximately HK$34.3 million as at 31 December 2013), representing a net current asset position and current ratio of approximately HK$505.1 million (approximately HK$501.0 million as at 31 December 2013) and 17.3 times (approximately 15.6 times as at 31 December 2013), respectively. The Group's current ratio was far above one times, this level can be regarded as very healthy.

FY 2014 versus FY 2015

As extracted from the Company's annual report for the FY 2015, the Group recorded revenue of approximately HK$92.2 million for the FY 2015, representing a decrease of approximately HK$7.9 million or 7.9% from that of approximately HK$100.1 million in the FY 2014 mainly due to the lower hotel management fee income.

The Group reported a net loss attributable to the equity shareholders of the Company of approximately HK$55.1 million for the FY 2015 as compared with a net loss attributable to equity shareholders of the Company of approximately HK$19.0 million in FY 2014, mainly due to the (i) net unrealised valuation losses from the Group's securities holding as at 31 December 2015; and (ii) reduction of the Group's deferred tax assets following an assessment of the availability of future taxable profit against which the tax losses can be utilised.

The Group generally financed its operations through a combination of internally generated cash flows, shareholders' equity and bank borrowings. As at 31 December 2015, the Group had net asset value of approximately HK$492.1 million (approximately HK$550.2 million as at 31 December 2014) and interest-bearing bank borrowings of approximately HK$30.5 million (approximately HK$31.4 million as at 31 December 2014), representing a gearing ratio of approximately 6.2% (approximately 5.7% as at 31 December 2014).

As at 31 December 2015, the Group had current assets of approximately HK$494.1 million (approximately HK$536.0 million as at 31 December 2014), and current liabilities of approximately HK$30.4 million (approximately HK$30.9 million as at 31 December 2014), representing a net current asset position and current ratio of approximately HK$463.7 million (approximately HK$505.1 million as at 31 December 2014) and 16.3 times (approximately 17.3 times as at 31 December 2014), respectively. On such basis, the Group's liquidity position had been slightly deteriorating over the past two FYs, but was still at a very healthy level of 16.3 times, which was far above a general safe level at one times.

Six months ended 30 June 2016 versus six months ended 30 June 2015

During the six months ended 30 June 2016, the Group had recorded revenue of approximately HK$50.2 million, representing an increase of approximately HK$4.8 million or 10.5% as compared with that of approximately HK$45.4 million for the corresponding period in FY 2015. The major contributors of the slight rebound due to revenue received from the Group's hospitality reservation business during the period.

The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$17.3 million for the six months ended 30 June 2016 as compared with a net loss attributable to the equity shareholders of the Company of approximately HK$7.8 million for the corresponding period of FY 2015, mainly due to the material increases in other losses suffered by the Group comprising the net realised and unrealised (i) valuation loss on trading securities of approximately HK$10.7 million; and (ii) foreign exchange loss of approximately HK$6.9 million mainly arose from the Sterling Pound denominated securities holdings and Renminbi denominated cash deposits during the six months ended 30 June 2016.

According to the interim results announcement of the Company for the six months ended 30 June 2016, the net asset value of the Group was approximately HK$475.0 million as at 30 June 2016, representing a decrease of approximately 3.5% from the net asset value of approximately HK$492.1 million as at 31 December 2015, mainly resulting from the net loss of approximately HK$17.3 million recorded during the same period.

Prospects and outlook

The Group remains cautious in the midst of the global uncertainty, though in the United States' real estate and hospitality markets have remained active. The Group is in consultation with its joint venture partners to respond to market interests in its investments.

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

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

Conclusion

In view of the facts that (i) the Group's turnover/revenue had been declining from its peak level of approximately HK$102.8 million in the FY 2013 to that of approximately HK$92.2 million in the FY 2015; (ii) the Group had basically incurred persistent net losses for the past two FYs up to the FY 2015 and the six months ended 30 June 2016; (iii) the Group had never generated meaningful operating cash inflow (before changes in working capital) from its business operations since the FY 2013 up to the six months ended 30 June 2016; (iv) the Group's current ratios had been slightly deteriorating but still very healthy at 17.3 times, 16.3 times and 15.8 times as at 31 December 2014 and 2015 and 30 June 2016, respectively; and (v) the Group had gearing positions close to and not more than 6.4% as at 31 December 2014 and 2015 and 30 June 2016, we consider that the Group's operating performance in terms of revenue, profitability and liquidity had been deteriorating, but its liquidity and financial stability positions are still at very healthy and acceptable levels, whilst its prospects and outlook would remain uncertain and challenging going forward.

3. **Basic terms of the Offer**

Prudential Brokerage, on behalf of the Offeror, makes the Offer at HK$2.82 in cash for each Offer Share.

The Offer Price of HK$2.82 per Offer Share equals to the purchase price paid by the Offeror to the Vendors for each Sale Share under the Share Purchase Agreement, and represents:

		Price/value per Share approximately	Premium over/ (discount) to at approximately
		HK$	*%*
(i)	The closing price as quoted on the Stock Exchange on the Last Trading Day	2.68	5.22
(ii)	The average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day	2.70	4.44
(iii)	The average closing price of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day	2.63	7.22
(iv)	The average closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day	2.54	11.02
(v)	The consolidated net asset value of the Group attributable to the Shareholders per Share as at 31 December 2015 (based on 382,449,524 issued Shares as at the Latest Practicable Date), being the date to which the latest audited financial statements of the Group were made up	1.29	118.60
(vi)	The consolidated net asset value of the Group attributable to the Shareholders per Share as at 30 June 2016 (based on 382,449,524 issued Shares as at the Latest Practicable Date)	1.24	127.42
(vii)	The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date	2.96	(4.73)

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the "Letter from Prudential Brokerage" and the Appendix I to the Composite Document.

Historical price performance of the Shares

The monthly highest and lowest closing prices and the monthly average daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 July 2015 to 19 July 2016 (i.e. for a period of at least 12 complete calendar months) up to and including the Last Trading Day (the "**Review Period**"), and further up to and including the Latest Practicable Date are shown as follows:

	Highest closing price *HK$*	**Lowest closing price** *HK$*	**Average daily closing price** *HK$*	**Number of trading days in each month**
2015				
July	1.80	0.99	1.47	22
August	1.44	1.02	1.30	21
September	1.75	1.18	1.44	20
October	1.72	1.60	1.67	20
November	1.73	1.60	1.67	21
December	1.67	1.50	1.58	22
2016				
January	1.61	1.43	1.51	20
February	1.60	1.48	1.53	18
March	2.17	1.55	1.78	21
April *(Note 1)*	2.82	2.17	2.63	17
May	2.69	2.51	2.63	21
June	2.64	2.39	2.51	21
July (from 1 July and to the Last Trading Day)	2.75	2.41	2.60	12
July (from 25 July to 31 July) *(Note 2)*	3.28	3.03	3.16	5
August (from 1 August up to the Latest Practicable Date)	3.13	2.92	3.02	11

Notes:

1. Trading in the Shares was suspended for three trading days on 15, 28 and 29 April 2016.

2. Trading in the Shares was suspended for three trading days from 20 to 22 July 2016 pending release of the Joint Announcement.

Source: the website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the closing price of the Shares had been fluctuating considerably between the lowest of HK$0.99 per Share, which was recorded on 8 July 2015 for the Shares during the period, to the highest of HK$2.82 recorded on 11 April 2016, being the fourth trading day immediately prior to the Company's suspension of trading in the Shares for one trading day on 15 April 2016 pending an announcement disclosing that the controlling Shareholder (i.e. CDL) was approached by certain independent third parties regarding the possibility of the sale of its entire interests in the Company held through its subsidiaries (the "**CDL Subsidiaries**") of approximately 52.52% of the Shares in issue, which may lead to a possible change of control of the Company (the "**Change of Control Announcement**"). On 28 and 29 April 2016, trading of Shares was further suspended pending another announcement disclosing that the CDL Subsidiaries and the potential purchaser entered into a memorandum of understanding, which contemplated a possible sale by the CDL Subsidiaries of all the Shares held by them comprising an aggregate of 200,854,743 Shares, and representing approximately 52.52% of the Shares in issue for a consideration of HK$2.82 per Sale Share. In addition, the potential purchaser paid a deposit of HK$57,880,217 to the CDL Subsidiaries and had been granted an exclusivity period of 45 days from 27 April 2016 whether to proceed with the possible sale of that batch of Shares. The Company resumed its trading of Shares on 3 May 2016, meanwhile, the closing price of the Shares was transacted within a narrow range between HK$2.51 to HK$2.69 per Share, and there had been no obvious increase in trading volume, throughout the month of May 2016.

It was also the fact that none of the Shares was transacted for 27 trading days, mainly during the seven months from August 2015 to February 2016, out of the 256 trading days during the Review Period. We consider such quiet trading atmosphere during such period may, to certain extent, affect the Share price performance. The Offer Price of HK$2.82 had been considerably above the average closing price of the Shares of approximately HK$1.84 per Share during the Review Period. The Shares had experienced a sudden increase in trading volume and an upsurge in Share price starting from the end of March 2016 and throughout the whole month of April 2016 to the daily highest trading price at HK$2.86 per Share on 11 April 2016, being the fourth trading day immediately prior to the publication of the Change of Control Announcement dated 15 April 2016. Afterwards, the closing prices of the Shares had experienced a gradual, but not very obvious, decreasing trend from the end of April 2016 up to the Last Trading Day with closing price of around HK$2.68 per Share on that day. During such period, the trading price of the Shares had fluctuated within the range from HK$1.90 to HK$2.86 per Share.

Save for the Change of Control Announcement dated 15 April 2016 and its ancillary subsequent announcements in the similar nature and four profit warning announcements made by the Company during the Review Period, we are not aware of any other public announcements made by the Company that were price sensitive in nature and thus, we believe that the surge in the Share price upon the publications of the Change of Control Announcement and the Joint Announcement, to a large extent, may likely be due to the market speculation. Based on such scenario, we consider that the recent Share price level may not be a closely reliable and meaningful benchmark for the purpose of analysing the fairness and reasonableness of the Offer Price.

We are aware that the Offer Price was closely comparable to the recent market prices of the Shares immediately prior to the Last Trading Day with slight premium generally and might not appear to be very attractive for the Independent Shareholders, however, we consider that the determination of the Offer Price is justifiable taking into account the facts that (i) the Group had basically incurred continuous net losses for the past two FYs since the FY 2014 and the six months ended 30 June 2016; (ii) the Group had never generated positive operating cash inflow (before changes in working capital) from its business operations for the three FYs since the FY 2013 and the six months ended 30 June 2016; (iii) the uncertain prospects and outlook of the Group as detailed in the section headed "Historical financial performance and prospects of the Group" above; and (iv) the Offer Price of HK$2.82 is equivalent to the purchase price for the Sale Shares paid by the Offeror. Also given the relatively low liquidity of the Shares as detailed in the section headed "Liquidity of the Shares" below, we consider that the prevailing market price of the Shares might not truly reflect the value of the Shares.

However, we note that the closing price of the Shares has been considerably above the Offer Price during the period after the Last Trading Day up to and including the Latest Practicable Date with closing prices of the Shares ranging from HK$2.92 to HK$3.28. In particular, the lowest closing price of the Shares during such period was HK$2.92 per Share recorded on 15 August 2016, which was approximately 3.5% slightly above the Offer Price. Independent Shareholders who wish to dispose of their Shares may consider selling their Shares in the stock market rather than accepting the Offer if the net proceeds from a sale of their Shares in the stock market would, after deducting all transaction costs, yield a higher consideration than the net amount to be received under the Offer.

We would like to remind the Independent Shareholders that although the Offer Price is below the recent closing prices of the Shares, and represents a considerable discount to the closing price of the Shares after the Last Trading Day and up to the Latest Practicable Date, there is no guarantee that the trading price of the Shares will sustain and be higher than the Offer Price during and after the Offer Period. The Independent Shareholders, in particular those who may wish to realise their investments in the Shares, are thus reminded to closely monitor the market price of the Shares during the Offer Period for acceptance.

Liquidity of the Shares

The average daily number of Shares traded per month, and the respective percentages of the Shares' monthly trading volume during the Review Period as compared to (i) the total number of issued Shares held by the public as at the Last Trading Day and further up to the Latest Practicable Date; and (ii) the total number of issued Shares as at the Last Trading Day and further up to the Latest Practicable Date, are tabulated as follows:

	Total monthly trading volume of the Shares	Average trading volume of the Shares per trading day during the month	% of average daily trading volume of the Shares to the average total issued Shares *(Note 1)*	% of average daily trading volume of the Shares to average public float Shares *(Note 2)*	Number of trading days in each month
2015					
July	15,064,000	684,727	0.18%	0.39%	22
August	3,843,799	183,038	0.05%	0.10%	21
September	3,441,376	172,069	0.04%	0.10%	20
October	3,525,950	176,298	0.05%	0.10%	20
November	3,496,074	166,480	0.04%	0.10%	21
December	1,181,008	53,682	0.01%	0.03%	22
2016					
January	3,498,289	174,914	0.05%	0.10%	20
February	2,750,834	152,824	0.04%	0.09%	18
March	31,040,494	1,478,119	0.39%	0.84%	21
April	113,654,622	6,685,566	1.75%	3.82%	17
May	13,361,730	636,273	0.17%	0.36%	21
June	9,792,266	466,298	0.12%	0.27%	21
July (from 1 July to the Last Trading Day)	10,106,886	842,241	0.22%	0.48%	12
July (from 25 July to 31 July)	230,505,962	46,101,192	12.05%	26.32%	5
August (from 1 August up to the Latest Practicable Date)	11,276,460	1,025,133	0.27%	0.59%	11

Notes:

1. Based on the 382,449,524 Shares throughout the Review Period and up to the Latest Practicable Date.

2. Based on 175,179,189 Shares throughout the Review Period and up to the Latest Practicable Date, after excluding the aggregate of 207,270,335 Shares held by the Vendors and the Directors and Chief Executive Officer of the Company.

Source: the website of the Stock Exchange (www.hkex.com.hk)

The above table illustrates that the average daily trading volume of the Shares per month was extremely thin during the Review Period. Save and except for April 2016, the average daily trading volume of the Shares was below 1.0% of the total number of issued Shares held by the public Shareholders from time to time during the entire Review Period. None of the Shares was transacted for 17 trading days during the seven months from August 2015 to February 2016. Other than the Change of Control Announcement and its ancillary subsequent announcements in the similar nature and four profit warning announcements made by the Company during the Review Period, the Directors are not aware of any other reasons which might materially affect the fluctuation of trading volume of the Shares during the Review Period. On 26 July 2016, when Completion took place, there were 200,854,743 Shares transferred from the Vendors to the Offeror, causing (i) a sudden upsurge of total trading volume of the Shares to 207,863,211 Shares on that day; and (ii) a drastic increase in average daily trading volume of the Shares to the average total issued Shares and average public float Shares to approximately 12.05% and 26.32%, respectively. Given that the Shares were generally illiquid during the Review Period even after the publication of the Joint Announcement and up to the Latest Practicable Date, we consider that Independent Shareholders who may wish to realise their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Therefore, we consider that the Offer provides an alternative for the Independent Shareholders who would like to realise their investment in the Shares.

For the above reason, there is no guarantee that Independent Shareholders would be able to realise their investments in the Shares (especially those with relatively sizeable shareholdings) at the price level prior to the Last Trading Day or at a price much higher than the Offer Price.

Furthermore, those Independent Shareholders who, after considering the information about the Offeror's intention in respect of the Group as detailed in the Composite Document and briefly set forth under the section headed "Information on the Offeror" and "Future intentions of the Offeror regarding the Group" of this letter, are optimistic about the prospects of the Group after the Offer, may, having regard to their own circumstances, consider retaining all or any part of their Shares. However, we note that the Offeror has no intention or concrete plan for any acquisition of assets and/or business by the Group as at the Latest Practicable Date.

Comparable analysis

In assessing the fairness and reasonableness of the Offer Price, it is the general practice to apply commonly used benchmarks for evaluating the value of companies. We have not considered applying (i) the price-earnings ratios (the "**P/E Ratios**") as the Group has generally been at a loss-making position since the FY 2014 and no meaningful earnings could then be applied to calculate the P/E Ratio; and (ii) the dividend approach as the Company has not declared and distributed any cash dividends since the FY 2008, failing which, the remaining net asset approach (i.e. by computing the price-to-book ratio(s), the "**P/B Ratios**") can only be considered for our evaluation analysis.

Based on our research from the Stock Exchange's website and further confirmation by the Directors, none of the companies listed on the Stock Exchange is engaging in business activities which are directly comparable to those of the Group on the following grounds:

(i) the Group's provision of hospitality related solutions and management services is unique, it provides such solutions and management services to its immediate customers who are hotel operators;

(ii) to a large extent, the Group's hotel management revenue is distinct from other listed hotel operators, whose hotel operations are letting hotel rooms and providing food and beverage services directly to their end-customers who are individuals and families;

(iii) the Group does not directly own hotel buildings, whilst typical hotel operators are asset-based companies directly and physically holding hotel buildings and the related facilities on their own in different cities/countries for day-to-day hotel operations; and

(iv) the Group's major assets substantially comprise of cash and cash equivalents, long-term and short-term bank deposits and short-term trading securities, the aggregate amount of which accounted for approximately 75.9% and 94.0% of its consolidated total assets and net assets respectively as at 31 December 2015, whilst typical hotel operators are physically holding a number of hotel buildings for their day-to-day hotel operations.

However, we have identified two companies listed on the Stock Exchange, the business nature of which are rather relatively comparable to the Group (the "**Comparables**") and shall be exhaustive, on the basis that both of which (i) had generated over 90% of their turnover/revenue from hotel business/operations in Hong Kong or elsewhere regardless whether they are profitable or loss-making; (ii) with smaller market capitalisation below HK$1,000 million as at the Last Trading Day; and (iii) with smaller net asset value below HK$2,500 million as at their latest full financial year end date. Other hotel industry players which are relatively larger hotel groups under our research having their very much larger net asset value when compared to that of the Group, which we consider incomparable and therefore inappropriate to be included in our analysis. Accordingly, we consider to apply the net asset approach (i.e. by computing the P/B Ratio) in making analysis for the Independent Shareholders' indication and reference for how the P/B Ratios of the hotel operation industry performed, even though which may not be highly comparable to that of the Group. To the best of our knowledge, effort and endeavour and based on our researches conducted, the list of only two Comparables shall be exhaustive; and we consider the Comparables are fair and representative comparables to the Group on the grounds that we have included all the relatively meaningful available Comparables in the market, and their principal business activities are also hotel operations. Independent Shareholders should note that the business, scale of operation, trading prospect, target market, service mix and capital structure of the Company are not exactly the same as those of the Comparables and we have not conducted any in-depth investigation into business and operations of the Comparables save for the aforesaid selection criteria. Nevertheless, we consider that the Comparables can still be meaningful for Independent Shareholders' additional reference in assessing the fairness and reasonableness of the Offer Price. Our relevant findings are summarised in the table below.

Company name (Stock Code)	**Principal business activities**	**Share price as at the Last Trading Day**	**Market capitalisation as at the Last Trading Day**	**Approximate net asset value**	**P/B Ratios**
		HK$	*HK$' million*	*HK$' million*	*Times*
				(Note 1)	*(Notes 2 & 3)*
Centric (Holdings) Limited (542)	Property development and hotel business in the PRC	0.14	795.4	511.5	1.56
Rosedale Hotel Holdings Limited (1189)	Hotel operation and trading of securities	0.42	331.5	2,246.6	0.15
			Maximum		**1.56**
			Average		**0.86**
			Median		**0.86**
			Minimum		**0.15**
		Offer Price			
The Company (557) *(Note 3)*		**2.82**	**1,078.5**	**492.1**	**2.19**

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. The net asset values attributable to owners of the Comparables are extracted from their respective latest annual reports prior to the Last Trading Day.

2. P/B Ratios of the Comparables are calculated based on their respective closing prices as at the Last Trading Day and the net asset values attributable to owners of the Comparables, divided by the total number of issued shares as at the Last Trading Day.

3. The implied P/B Ratio of the Company is calculated based on the Offer Price multiplied by 382,449,524 Shares in issue of the Company as at Last Trading Day over the consolidated net asset value attributable to owners of the Company of approximately HK$492.1 million.

As illustrated in the above table, the P/B Ratios of the Comparables ranged from approximately 0.15 times to 1.56 times. The average P/B Ratios of the Comparables are approximately 0.86 times. The implied P/B Ratio of the Company, based on the Offer Price of HK$2.82, is approximately 2.19 times, which is well above the maximum of approximately 1.56 times of the range of the Comparables' P/B Ratios.

Given the Group's major assets substantially comprise cash and cash equivalents, bank deposits and short-term marketable securities, the aggregate amount of which accounted for approximately 75.9% and 94.0% of its consolidated total assets and net assets respectively as at 31 December 2015 and should have already reflected their fair market value as at the balance sheet date; whilst the consolidated total liabilities merely accounted for approximately 16.1% of the net asset value of the Group as at 31 December 2015, if the Group having its P/B Ratio at around 1.00 times shall basically be seen as reasonable on the basis that such cash equivalent assets are usually not directly productive and revenue-generating in nature in its normal business operation and therefore generally equivalent to their original cash value, subject to the quality of assets being held and the prevailing stock market sentiment for valuation of listed companies from time to time. Based on our review of the Share price during the Review Period, the average closing price of the Shares between the period from 1 July 2015 to 14 April 2016 (i.e. being the last trading day prior to the publication of the Change of Control Announcement on 15 April 2016) was HK$1.60 per Share, representing an implied P/B Ratio of 1.24 times when compared to the net asset value per Share of approximately HK$1.29 per Share as at 31 December 2015, which we consider more realistically reflected the true market value of the Shares without being influenced by a possible change of control of the Company at that time.

Having considered that (i) the implied P/B Ratio by the Offer Price at about 2.19 times is well above the maximum of approximately 1.56 times of the range of the Comparables' P/B Ratios; (ii) the generally loss-making operating performance of the Group during the past two FYs since the FY 2014 and the six months ended 30 June 2016; and (iii) the future outlook and prospects of the Group are still uncertain and challenging, we consider the Offer Price, with reference to the above implied P/B Ratios, is fair and reasonable when compared to the Group's own asset structure, the current market valuation and pricing of shares of the other listed companies in the same industry.

4. **Information on the Offeror**

The Offeror is an investment holding company incorporated in the Cayman Islands with limited liability on 5 January 2015. As at the Latest Practicable Date, the Offeror is wholly owned by 寧夏天元錳業有限公司 (transliterated as Ningxia Tianyuan Manganese Industry Co., Ltd) ("**Ningxia Tianyuan**"), a company incorporated in the PRC with limited liability, which is owned as to approximately 77.0% and 22.6% by Mr. Jia Tianjiang (賈天將) and HK Jingjin Int'l Share Group Limited, which is in turn wholly owned by Mr. Cui He (崔鶴) respectively. The sole director of the Offeror is Ms. Jia Yan (賈彥), who is a niece of Mr. Jia Tianjiang (賈天將).

Ningxia Tianyuan is principally engaged in processing of manganese minerals and other metal minerals and sale of electrolytic manganese and other processed metal minerals. Ningxia Tianyuan is a trans-regional, multi-industry private enterprise and the largest electrolytic manganese metal manufacturer in the world. Over the years, with the support from local government of district, city and province and related departments in the PRC, Ningxia Tianyuan wishes to build its brand and strive to achieve the strategic target of manganese manufacturer with international competitiveness.

Ningxia Tianyuan has an annual production capacity in electrolytic manganese metal of 500,000 tons, chromite metal of 300,000 tons, sulphuric acid of 200,000 tons, cement of 2,000,000 tons, restored manganese dioxide of 800,000 tons, treated harmless manganese metal residue of 2,000,000 tons. Ningxia Tianyuan was ranked 375th in the list of Top 500 Enterprises of China in 2015 issued by China Enterprise Confederation with a total revenue of RMB32.6 billion in the year ended 31 December 2015.

5. **Future intentions of the Offeror regarding the Group**

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The existing principal businesses of the Group include investment holding, provision of hospitality solutions, hotel management services, reservation services, risk management services, revenue management consulting, accounting and payroll services, and procurement services. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities in the industry and business areas similar to the existing businesses of the Group and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror has not identified any new business opportunities. Should such corporate actions and/or new business opportunities materialise, further announcement(s) will be made in accordance with the Listing Rules.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

The existing senior management of the Group, namely Mr. Wong Hong Ren, the Chief Executive Officer of the Group, and Mr. Rodrigo Jimenez, the Chief Executive Officer of Sceptre Hospitality Resources, LLC, an indirect non-wholly owned subsidiary of the Company principally engaged in the hotel reservation distribution business, who both have extensive experience and expertise in the existing principal businesses of the Group, will continue to oversee the daily operation of the Group. In addition, Mr. Lawrence Yip Wai Lam, who was appointed an executive Director since December 1998, will continue to provide his services to the Group.

6. **Proposed change of Board composition**

As at the Latest Practicable Date, the Board comprises Mr. Kwek Leng Beng, Mr. Gan Khai Choon and Mr. Lawrence Yip Wai Lam as executive Directors, Mr. Chan Bernard Charnwut and Mr. Ronald Nathaniel Issen as non-executive Directors, and Dr. Lo Ka Shui, Mr. Lee Jackson a.k.a. Li Chik Sin and Mr. Teoh Teik Kee as independent non-executive Directors.

Save for Mr. Lawrence Yip Wai Lam and the independent non-executive Directors, certified true copies of the letters of resignation of all existing executive Directors and non-executive Directors, to be effective from the earliest time as permitted under the Takeovers Code and the Listing Rules, had been delivered to the Offeror upon Completion.

At such time as may be notified by the Offeror to the Vendors, the Vendors shall use their reasonable endeavours to persuade the independent non-executive Directors to give notice to resign as Directors at the earliest time permitted under the Takeovers Code and the Listing Rules.

The Offeror proposes to nominate new Directors to the Board subject to compliance with all the applicable regulatory requirements, including the Takeovers Code and the Listing Rules. There have been changes in the composition of the proposed Directors as disclosed in the Joint Announcement. Mr. Zhang Shihong has been replaced by Ms. Zhang Xian as the proposed Director. As at the Latest Practicable Date, it is proposed by the Offeror that, following the despatch of the Composite Document, Ms. Zhang Xian and Mr. Jiang Yulin will be appointed as executive Directors and Mr. Hu Baihe, Mr. Yuen Kwok Kuen and Mr. Guo Jingbin as independent non-executive Directors.

For biographic details of the above-mentioned nominees for appointment as executive Directors and independent non-executive Directors, as the case maybe, please refer to the "Letter from Prudential Brokerage" of the Composite Document.

Under the Share Purchase Agreement, the Vendors have agreed to procure that Board resolutions be passed to approve the appointment of such persons as may be nominated by the Offeror as new Directors, such appointment to take effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. It is proposed that other new Directors will be nominated to the Board. However, the proposed changes have not yet been finalised as at the Latest Practicable Date and a further announcement will be made in respect of changes to the composition to the Board.

In light of the above, among other things, the Offeror will explore and consider any other investment and business opportunities which may arise in the market from time to time thereafter and intends to significantly change the Board composition, we are of the view that the future prospects of the Group are not certain as at the Latest Practicable Date.

7. **Public float and maintaining the listing status of the Company**

The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offer.

In the event that the public float of the Company falls below 25% following the close of the Offer, the director of the Offeror and the new Directors (who have been nominated by the Offeror) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares following the close of the Offer.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

RECOMMENDATION

Taking into consideration the above-mentioned principal factors and reasons of the Offer, being:

- the Independent Shareholders are treated even-handedly by the Offeror who is offering to acquire the Shares of the Independent Shareholders at the Offer Price of HK$2.82 per Share, which is the same as the price paid for each Sale Share under the Share Purchase Agreement;

- the Group basically had incurred persistent net losses over the past two FYs since the FY 2014 and six months ended 30 June 2016;

- the Group had not generated meaningful operating cash inflow (i.e. before changes in working capital) over the past three FYs since the FY 2013 and the six months ended 30 June 2016;

- the prospects and outlook of the Group would remain uncertain and challenging in the near future;

- the Company has not distributed any dividends since the FY 2008;

- the Offer Price of HK$2.82 per Share was closely comparable with the recent closing price of the Shares immediately prior to the Last Trading Day, and had been considerably above the average closing price of the Shares of approximately HK$1.84 per Share during the Review Period;

- the trading liquidity of the Shares had been extremely thin during the Review Period; and

- the Offer Price of HK$2.82 per Share represents an implied P/B Ratio of the Company of approximately 2.19 times, which is well above the maximum of approximately 1.56 times of the range of the Comparables' P/B Ratios,

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

As different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

The Independent Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the Share price after the release of the Joint Announcement, and that there is no guarantee that the current market price will or will not sustain, and will or will not be higher than the Offer Price, during and after the close of the Offer Period. The Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period for acceptance and shall, having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Offer.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Fanny Lee
Managing Director

Nicholas Cheng
Director

Note:

Ms. Fanny Lee and Mr. Nicholas Cheng have been the Responsible Officers of Type 6 (advising on corporate finance) regulated activity under the SFO and have over 15 years of experience in corporate finance industry. Both of them have participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which forms part of the terms of the Offer.

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Share(s) in respect of which you intend to accept the Offer, by post or by hand, to the Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Share(s) (whether in full or in part), you must either:

   (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

   (ii) arrange for the Share(s) to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereat) to the Registrar; or

   (iii) if your Share(s) has/have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Share(s) has/have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

(c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Share(s), the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Share(s) for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Share(s), you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Prudential Brokerage or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

(e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code) and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Share(s); or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share(s) which is/are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) inserted in the Form of Acceptance, the total number of Shares equal to that represented by the certificates for Shares tendered for acceptance of the Offer. If no number is inserted or a number inserted in excess or smaller than that represented by the certificates for Shares tendered for acceptance of the Offer, the Form of Acceptance will be returned to you for correction and resubmission. Any corrected Form of Acceptance must be resubmitted and received by the Registrar on or before the latest time of acceptance of the Offer; or

(iv) certified by the Registrar or the Stock Exchange. If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(f) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFER

Provided that a valid Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount due to each of the Shareholders who accept the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Offer will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholders is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholders.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been revised or extended with the consent of the Executive in accordance with the Takeovers Code, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.

(b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating whether the Offer has been revised or extended.

(c) If the Offeror revises the terms of the Offer (in accordance with the relevant requirements under the Takeovers Code), all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

(d) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or, if the Offer has become unconditional as to acceptances, include a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.

(e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

(f) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Independent Shareholder who accepted the Offer becomes entitled to withdraw their acceptance under the paragraph headed "6. Right of Withdrawal" below duly do so.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. ANNOUNCEMENTS

(a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of their decision in relation to the revision or extension of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised or extended. The announcement will state the total number of Shares:

(i) for which acceptances of the Offer has been received;

(ii) held, controlled or directed by the Offeror or persons acting in concert with any of them before the Offer Period; and

(iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold. The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

(b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and satisfy the acceptance conditions set out in paragraph 1 of this Appendix and which have been received by the Registrar or the Company (as the case may be) no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

(c) As required under the Takeovers Code, all announcements in respect of listed companies must be made in accordance with the requirement of the Listing Rules and will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.ceslimited.com.

6. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "5. Announcements" above, the Executive may require that the Independent Shareholders, who have tendered acceptances of the Offer to be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholder(s) withdraw(s) the acceptances, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title lodged with the Form of Acceptance to the relevant Independent Shareholders at their own risks.

7. OVERSEAS SHAREHOLDERS

The Offer will be made available to all the Independent Shareholders, including the Overseas Shareholders. The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

8. STAMP DUTY AND OTHER FEES

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer (or part thereof) at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Shareholders, or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those relevant Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders who accept the Offer and the Offeror will bear its own portion of the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

9. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Octal Capital, Prudential Brokerage, First Shanghai and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

(a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with the Offeror, the Company, Octal Capital, Prudential Brokerage, First Shanghai and any of their respective directors nor the Registrar or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.

(c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.

(d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Forms of Acceptance will constitute an authority to the Offeror, Octal Capital, Prudential Brokerage or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.

(f) By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching or accruing thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document. The making of the Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

(g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.

(h) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.

(i) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.

(j) In making their decision, the Independent Shareholders, in addition to considering the information contained in the ''Letter from Prudential Brokerage ", "Letter from the Board', "Letter from the Independent Board Committee" and "Letter from the Independent Financial Adviser" as set out in this Composite Document, must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, its ultimate beneficial owners, the Company, Octal Capital, Prudential Brokerage and First Shanghai. The Independent Shareholders should consult their own professional advisers for professional advice.

(k) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

1. THREE-YEAR FINANCIAL SUMMARY

The following is a summary of the financial information of the Group for each of the past three financial years ended 31 December 2015 and the financial information of the Group for the past six months ended 30 June 2016, as extracted from the published annual reports for the respective financial years and the interim results announcement of the Company dated 10 August 2016.

	For the six months ended 30 June 2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	50,212	92,207	100,130	102,838
(Loss)/Profit before tax	(12,015)	(48,336)	(23,478)	16,304
Income tax (expenses)/credit	(5,302)	(13,638)	4,964	(442)
(Loss)/Profit for the year/period	(17,317)	(61,974)	(18,514)	15,862
Attributable to:				
Equity shareholders of the Company	(17,255)	(55,067)	(18,978)	17,169
Non-controlling interests	(62)	(6,907)	464	(1,307)
	(17,317)	(61,974)	(18,514)	15,862
	HK cents	HK cents	HK cents	HK cents
Earnings per share : Basic (losses)/earnings per share *(Note(4))*	(4.51)	(14.40)	(4.96)	4.49

Notes:

(1) The reports of KPMG LLP, the auditors of the Company, on the audited financial statements of the Group for the three financial years ended 31 December 2015 did not have any qualification.

(2) There were neither extraordinary nor exceptional items because of size, nature or incidence in any of the three financial years ended 31 December 2015 and the six months ended 30 June 2016.

(3) No dividends were declared or paid in respect of any of the three financial years ended 31 December 2015 and the six months ended 30 June 2016.

(4) Diluted losses per share is not applicable as there are no dilutive potential ordinary shares during any of the three financial years ended 31 December 2015 and the six months ended 30 June 2016.

2. AUDITED RESULTS FOR THE LAST FINANCIAL YEAR ENDED 31 DECEMBER 2015

The following is the summary of the consolidated financial statements of the Group for the year ended 31 December 2015 as extracted from the published annual report of the Company for 2015.

Consolidated Statement of Profit or Loss
for the year ended 31 December 2015

		2015	**2014**
	Note	*HK$'000*	*HK$'000*
Revenue	2	92,207	100,130
Cost of sales		(18,175)	(18,457)
Gross profit		74,032	81,673
Other net losses	3	(25,316)	(559)
Administrative expenses		(96,720)	(105,383)
Loss from operating activities		(48,004)	(24,269)
Finance costs	4	(1,542)	(1,582)
Share of profit of a joint venture		1,008	1,489
Share of profit of associates		202	884
Loss before taxation	4	(48,336)	(23,478)
Income tax (expense)/credit	5a	(13,638)	4,964
Loss for the year		(61,974)	(18,514)
Attributable to:			
Equity shareholders of the Company	8	(55,067)	(18,978)
Non-controlling interests		(6,907)	464
Loss for the year		(61,974)	(18,514)
		HK cents	**HK cents**
Earnings per share			
Basic losses per share	9	(14.40)	(4.96)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Loss for the year		(61,974)	(18,514)
Other comprehensive income for the year (after taxation):	10		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(306)	206
Exchange differences on monetary item forming net investment in a foreign operation		(31)	(18)
Reclassification adjustment of exchange differences to profit or loss on striking-off of subsidiary		(2,779)	—
Total comprehensive income for the year		(65,090)	(18,326)
Attributable to:			
Equity shareholders of the Company		(58,131)	(18,802)
Non-controlling interests		(6,959)	476
Total comprehensive income for the year		(65,090)	(18,326)

Consolidated Statement of Financial Position
as at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	12	43,351	41,904
Intangible assets	13	8,167	10,873
Goodwill	14	8,934	8,942
Available-for-sale financial assets	15	32,985	33,016
Long term bank deposits		3,797	9,780
Interest in associates	17	8,322	8,880
Deferred tax assets	18	10,183	24,632
Total non-current assets		115,739	138,027
Current assets			
Trading securities	19	87,498	111,197
Trade and other receivables	20	32,507	30,274
Short term bank deposits		5,974	17,101
Current tax recoverable	5c	2,681	4,630
Cash and cash equivalents	21	365,481	372,824
		494,141	536,026
Current liabilities			
Trade and other payables	22	(29,461)	(29,924)
Interest-bearing borrowings	23	(899)	(969)
Provision for taxation		(22)	—
		(30,382)	(30,893)
Net current assets		463,759	505,133
Total assets less current liabilities		579,498	643,160
Non-current liabilities			
Dividends received in excess of earnings from equity-method accounted joint venture	24	(19,487)	(17,256)
Interest-bearing borrowings	23	(29,591)	(30,394)
		(49,078)	(47,650)
NET ASSETS		530,420	595,510

Consolidated Statement of Financial Position
as at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CAPITAL AND RESERVES	26		
Share capital		382,450	382,450
Reserves		109,653	167,784
Total equity attributable to equity shareholders of the Company		492,103	550,234
Non-controlling interests	27	38,317	45,276
TOTAL EQUITY		530,420	595,510

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

	Attributable to equity shareholders of the Company						
	Share capital	Capital redemption reserve	Exchange reserve	Revenue reserve	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2014	382,450	676	2,295	183,615	569,036	44,800	613,836
Changes in equity for 2014:							
(Loss)/Profit for the year	—	—	—	(18,978)	(18,978)	464	(18,514)
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of financial statements of foreign operations	—	—	194	—	194	12	206
Exchange differences on monetary item forming net investment in a foreign operation	—	—	(18)	—	(18)	—	(18)
Total other comprehensive income	—	—	176	—	176	12	188
Total comprehensive income for the year	—	—	176	(18,978)	(18,802)	476	(18,326)
Balance at 31 December 2014	382,450	676	2,471	164,637	550,234	45,276	595,510

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

	Attributable to equity shareholders of the Company						
	Share capital	Capital redemption reserve	Exchange reserve	Revenue reserve	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2015	382,450	676	2,471	164,637	550,234	45,276	595,510
Changes in equity for 2015:							
Loss the year	—	—	—	(55,067)	(55,067)	(6,907)	(61,974)
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of financial statements of foreign operations	—	—	(254)	—	(254)	(52)	(306)
Exchange differences on monetary item forming net investment in a foreign operation	—	—	(31)	—	(31)	—	(31)
Reclassification adjustment of exchange differences to profit or loss on striking-off of subsidiary	—	—	(2,779)	—	(2,779)	—	(2,779)
Total other comprehensive income	—	—	(3,064)	—	(3,064)	(52)	(3,116)
Total comprehensive income for the year	—	—	(3,064)	(55,067)	(58,131)	(6,959)	(65,090)
Balance at 31 December 2015	382,450	676	(593)	109,570	492,103	38,317	530,420

Consolidated Statement of Cash Flows
for the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Operating activities			
Loss for the year		(61,974)	(18,514)
Income tax expense/(credit)	5a	13,638	(4,964)
Loss before taxation		(48,336)	(23,478)
Adjustments for:			
Amortisation of intangible assets	4	2,697	2,699
Depreciation of property, plant and equipment	4	3,527	2,824
Dividend income	2	(1,860)	(3,379)
Finance costs	4	1,542	1,582
Loss/(Gain) on disposal of property, plant and equipment	3	100	(27)
Gain on striking-off a dormant subsidiary	3	(2,779)	—
Impairment loss on intangible assets	4	—	23
Interest income	2	(3,313)	(2,484)
Net realised and unrealised foreign exchange loss	3	8,814	11,561
Net realised and unrealised valuation loss/(gain) on trading securities	3	19,902	(6,631)
Share of profit of a joint venture		(1,008)	(1,489)
Share of profit of associates		(202)	(884)
(Reversal)/Recognition of impairment loss on trade and other receivables	4	(380)	2,342
		27,040	6,137
Operating loss before changes in working capital		(21,296)	(17,341)
Changes in working capital			
Trade and other receivables		(2,157)	2,055
Trade and other payables		(659)	(4,997)
Cash used in operations		(24,112)	(20,283)
Interest received		3,519	2,245
Dividend received		1,860	3,379
Tax refunded — overseas tax		2,759	249
Net cash used in operating activities		(15,974)	(14,410)

	Note	2015 HK$'000	2014 HK$'000
Investing activities			
Dividends received from a joint venture		3,255	28,090
Dividends received from associates		674	644
Decrease in bank deposits		17,110	17,726
Payment for purchase of property, plant and equipment		(4,437)	(2,823)
Payment for purchase of trading securities		(512)	(5,599)
Proceeds from disposal of property, plant and equipment		—	42
Proceeds from sale of trading securities		1,492	10,348
Net cash generated from investing activities		17,582	48,428
Financing activities			
Decrease/(Increase) in cash pledged		730	(745)
Interest paid		(1,418)	(1,458)
Repayment of interest-bearing borrowings		(1,627)	(893)
Net cash used in financing activities		(2,315)	(3,096)
Net (decrease)/increase in cash and cash equivalents		(707)	30,922
Cash and cash equivalents at 1 January		370,870	346,744
Effect of foreign exchange rate changes		(5,906)	(6,796)
Cash and cash equivalents at 31 December	21	364,257	370,870

Notes to the Financial Statements
31 December 2015

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint arrangements.

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

- financial instruments classified as available-for-sale or as trading securities (Note 1(i))

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainties are discussed in note 35.

(c) **Changes in Accounting Policies**

The HKICPA has issued the following amendments to HKFRS that are effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*

- *Annual Improvements to HKFRSs 2010-2012 Cycle*

- *Annual Improvements to HKFRSs 2011-2013 Cycle*

The adoption of the above amendments did not have any significant effect on the financial statements.

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

(d) **Subsidiaries and Non-controlling Interests**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

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

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

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

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

(e) **Joint Arrangements**

A joint arrangement is a contractual arrangement between the Group and other parties, where they have contractually agreed to share joint control, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

(f) **Joint Operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses relating to its interest with similar items on a line by line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group recognises its interest in the joint operation from the date that joint control commences until the date on which the Group ceases to have joint control over the joint operation.

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

When the Group ceases to have joint control over the joint operation, it is accounted for as a disposal of the entire interest in the joint operation, with a resulting gain or loss being recognised in profit or loss.

(g) **Associates and Joint Ventures**

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 1(m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 1(i)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (Note 1(m)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(h) **Goodwill**

Goodwill represents the excess of:

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

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

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

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

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

(i) **Other Investments in Debt and Equity Securities**

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

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

Investments in securities which do not fall into held-for-trading or held-to-maturity categories are classified as available-for-sale securities. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. The cumulative gain or loss in fair value reserve is reclassified to profit or loss when derecognised or impaired (Note 1(m)). As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (Note 1(m)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(t)(iv) and 1(t)(v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

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

(j) **Property, Plant and Equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (Note 1(m)).

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

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

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

No depreciation is provided on freehold land.

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

(k) **Intangible Assets (Other Than Goodwill)**

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 1(m)).

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

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

— Trade name	1 to 15 years
— Trademarks	15 years
— Franchise application	10 years
— Technology	5 to 11 years
— Customer relations	7 to 11 years

Both the period and method of amortisation are reviewed annually.

(l) **Leased Assets**

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

(i) *Classification of assets leased to the Group*

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

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Operating lease charges*

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

(m) **Impairment of Assets**

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

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

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

— For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (Note 1(g)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities carried at fair value, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities carried at fair value are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

— For unquoted available-for-sale equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

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

(ii) *Impairment of other assets*

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

— property, plant and equipment;

— intangible assets;

— goodwill; and

— investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversal of impairment losses*

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

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

(iii) *Interim financial reporting and impairment*

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

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(n) **Trade and Other Receivables**

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

(o) **Trade and Other Payables**

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

(p) **Cash and Cash Equivalents**

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

(q) **Interest-bearing Borrowings**

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

(r) **Employee Benefits**

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

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

(ii) *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) **Income Tax**

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

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

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

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

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

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

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

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

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

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

(t) **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) *Hotel management revenue*

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

(ii) *Hotel operations*

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

(iii) *Insurance and risk management revenue*

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

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

(iv) *Dividends*

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

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

(v) *Interest income*

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

(u) **Translation of Foreign Currencies**

(i) *Foreign currency transactions*

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

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

(ii) *Translation of foreign currencies*

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

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

(iii) *Net investment in a foreign operation*

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

(v) **Finance Costs**

Finance costs comprise interest expenses on borrowings and expenses incurred in connection with the arrangement of debt facilities.

Interest expenses on borrowings are recognised in the statement of profit or loss using the effective interest method. Expenses incurred in connection with the arrangement of debt facilities are recognised in the statement of profit or loss on an effective interest basis over the period for which the debt facilities are granted.

(w) **Related Parties**

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(x) **Segment Reporting**

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

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

(y) **Provisions and Contingent Liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. REVENUE

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

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

	2015	**2014**
	HK$'000	*HK$'000*
Dividend income	1,860	3,379
Hospitality related services	87,034	94,267
Interest income	3,313	2,484
	92,207	100,130

Further details regarding the Group's principal activities are disclosed in note 28 to these financial statements.

3. OTHER NET LOSSES

	2015	2014
	HK$'000	*HK$'000*
Net realised and unrealised foreign exchange loss	(8,814)	(11,561)
Net realised and unrealised valuation (loss)/gain on trading securities	(19,902)	6,631
Gain on striking-off a dormant subsidiary	2,779	—
(Loss)/Gain on disposal of property, plant and equipment	(100)	27
Miscellaneous proceeds	721	4,344
	(25,316)	(559)

Miscellaneous proceeds for the year ended 31 December 2014 comprised mainly one-time proceeds received as final settlement of a contractual obligation arising from the acquisition of Whiteboard Labs, LLC.

4. LOSS BEFORE TAXATION

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

	2015	2014
	HK$'000	*HK$'000*
Finance costs		
Amortisation of capitalised transaction costs	124	124
Interest expenses on borrowings	1,418	1,458
	1,542	1,582
Staff costs		
Salaries, wages and other benefits	62,956	67,177
Other items		
Amortisation of intangible assets	2,697	2,699
Auditors' remuneration		
- audit services	3,798	3,679
- tax services	61	1,188
- non-audit services:		
- review of continuing connected transactions	55	55
- review of half-year financial statements	590	601
- review of the compilation of financial information	155	116
Depreciation of property, plant and equipment	3,527	2,824
Impairment loss on intangible assets	—	23
(Reversal)/Recognition of impairment loss on trade and other receivables	(380)	2,342
Operating lease charges - rental of properties	3,178	1,691

5. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2015	2014
	HK$'000	*HK$'000*
Current tax - Overseas		
Provision for the year	(876)	(1,171)
Under-provision in respect of prior years	85	23
	(791)	(1,148)
Deferred tax		
Origination and reversal of temporary differences	13,964	(4,522)
Under-provision in respect of prior years	465	706
	14,429	(3,816)
Income tax expense/(credit)	13,638	(4,964)

The provision for Hong Kong Profits Tax for the year ended 31 December 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year. No provision has been made for Hong Kong Profits Tax, as the Group did not earn any income subject to Hong Kong Profits Tax during the year. Taxation for overseas subsidiaries has been provided on estimated assessable profits at the rates of taxation ruling in the relevant countries.

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

As at 31 December 2015, the Group had not recognised deferred tax assets in respect of tax losses of approximately HK$55.6 million (2014: HK$4.2 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. The tax losses do not expire under the current tax legislations.

(b) **Reconciliation between tax expense/(credit) and accounting loss at applicable tax rates:**

	2015	**2014**
	HK$'000	*HK$'000*
Loss for the year	(61,974)	(18,514)
Income tax expense/(credit)	13,638	(4,964)
Loss before taxation	(48,336)	(23,478)
Income tax using Hong Kong tax rates	(7,974)	(3,874)
Tax effect of non-taxable income	(55)	(2,002)
Tax effect of non-deductible expenses	5,703	3,611
Effect of tax rates in foreign jurisdictions	(3,092)	(2,319)
Effect of tax on non-controlling interest's share of loss/(profit) pass through different taxpayer	450	(217)
Effects of US federal tax credit	(1,473)	(892)
Unrecognised deferred tax assets	19,529	—
Under-provision in respect of prior years	550	729
Actual income tax expense/(credit)	13,638	(4,964)

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

	2015	**2014**
	HK$'000	*HK$'000*
Recoverable for overseas tax for the year	899	1,179
Recoverable overseas tax relating to prior years	1,782	3,451
	2,681	4,630

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2015				
Executive Directors				
Kwek Leng Beng	375	—	—	375
Kwek Leng Joo (passed away on 16 November 2015)	88	—	—	88
Gan Khai Choon	100	—	—	100
Lawrence Yip Wai Lam	50	—	—	50
Non-Executive Directors				
Chan Bernard Charnwut	194	—	—	194
Ronald Nathaniel Issen	100	—	—	100
Independent Non-Executive Directors				
Dr. Lo Ka Shui	100	—	—	100
Lee Jackson @ Li Chik Sin	194	—	—	194
Teoh Teik Kee	288	—	—	288
	1,489	—	—	1,489
Chief Executive Officer*				
Sherman Kwek Eik Tse (stepped down on 2 March 2015)	—	297	—	297
Wong Hong Ren (appointed on 2 March 2015)	—	2,608	—	2,608
	—	2,905	—	2,905

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2014				
Executive Directors				
Kwek Leng Beng	375	—	—	375
Kwek Leng Joo	100	—	—	100
Gan Khai Choon	100	—	—	100
Lawrence Yip Wai Lam	50	—	—	50
Non-Executive Directors				
Chan Bernard Charnwut	194	—	—	194
Ronald Nathaniel Issen	100	—	—	100
Independent Non-Executive Directors				
Dr. Lo Ka Shui	100	—	—	100
Lee Jackson @ Li Chik Sin	194	—	—	194
Teoh Teik Kee	288	—	—	288
	1,501	—	—	1,501
Chief Executive Officer*				
Sherman Kwek Eik Tse	—	2,140	—	2,140

* In accordance with Paragraph 24 of Appendix 16 to the Hong Kong Exchange Listing Rules, references to 'Director' include a Chief Executive Officer who is not a director.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none (2014: none) are directors whose emolument is disclosed in note 6. The aggregate of the emoluments in respect of the other five (2014: five) individuals are as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and other emoluments	8,128	7,197
Discretionary bonuses	153	1,348
	8,281	8,545

The emoluments of the five (2014: five) individuals with the highest emoluments are within the following bands:

	2015 *Number of individuals*	2014 *Number of individuals*
HK$Nil — HK$1,000,000	—	—
HK$1,000,001 — HK$1,500,000	3	2
HK$1,500,001 — HK$2,000,000	1	2
HK$2,000,001 — HK$2,500,000	—	1
HK$2,500,001 — HK$3,000,000	1	—
HK$3,000,001 — HK$3,500,000	—	—
HK$3,500,001 — HK$4,000,000	—	—

8. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$34,118,000 (2014: profit of HK$6,233,000) which has been dealt with in the financial statements of the Company.

9. EARNINGS PER SHARE

(a) Basic losses per share

The calculation of basic losses per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$55,067,000 (2014: HK$18,978,000) and on the weighted average number of ordinary shares of 382,449,524 (2014: 382,449,524 shares) in issue during the year, calculated as follows:

	2015	2014
Weighted average number of ordinary shares at 1 January and 31 December	382,449,524	382,449,524

(b) Diluted losses per share

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

10. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2015			2014		
	Before tax amount	**Tax expenses**	**Net of tax amount**	**Before tax amount**	**Tax expenses**	**Net of tax amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation of financial statements of foreign operations	(306)	—	(306)	206	—	206
Exchange differences on monetary item forming net investment in a foreign operation	(31)	—	(31)	(18)	—	(18)
Reclassification adjustment of exchange differences to profit or loss on striking-off of subsidiary	(2,779)	—	(2,779)	—	—	—
	(3,116)	—	(3,116)	188	—	188

11. 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 equitable 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 includes equity securities listed on the London Stock Exchange, NASDAQ Stock Market and The Philippines Stock Exchange, Inc. and investment portfolio in United States and Hong Kong.
- Hospitality	:	This segment primarily derives the revenue from the provision of hotel management, hotel reservation, revenue management services, risk management services and procurement services to the hospitality industry as well as owning and managing hotels. Currently, the Group's activities in this segment are carried out in the United States.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, goodwill and current assets with the exception of deferred tax assets and current tax recoverable. Segment 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 sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's 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, impairment losses, foreign exchange gain/loss, gain/loss on trading securities and additions to non-current segment assets used by the segments in their operations.

(b) **Information about reportable segments**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below:

	Investment Holding		**Hospitality**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	1,860	3,379	87,034	94,267	88,894	97,646
Interest income	3,127	2,227	186	257	3,313	2,484
Reportable segment revenue	4,987	5,606	87,220	94,524	92,207	100,130
Reportable segment loss	(31,178)	(13,970)	(17,158)	(9,508)	(48,336)	(23,478)
Depreciation and amortisation	1	1	6,223	5,522	6,224	5,523
Net realised and unrealised valuation (loss)/gain on trading securities	(19,831)	6,755	(71)	(124)	(19,902)	6,631
Net realised and unrealised foreign exchange loss	(8,798)	(11,561)	(16)	—	(8,814)	(11,561)
Additions to non-current assets	27	—	5,069	2,823	5,096	2,823
Reportable segment assets	418,542	456,027	178,474	188,764	597,016	644,791
Reportable segment liabilities	6,278	9,629	73,160	68,914	79,438	78,543

(c) **Reconciliations of reportable segment assets and liabilities**

	2015	**2014**
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	597,016	644,791
Deferred tax assets	10,183	24,632
Current tax recoverable	2,681	4,630
Consolidated total assets	609,880	674,053
Liabilities		
Reportable segment liabilities	79,438	78,543
Provision for taxation	22	—
Consolidated total liabilities	79,460	78,543

(d) **Geographical segments**

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

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

(e) **Geographical information**

	Revenue HK$'000	Non-current assets HK$'000
2015		
Hong Kong	4,795	10
China	—	1,573
United States	87,406	70,977
Cayman Islands	—	32,985
Singapore	6	11
	92,207	105,556
2014		
Hong Kong	5,459	—
China	—	1,705
United States	94,671	78,674
Cayman Islands	—	33,016
	100,130	113,395

Major customer

Revenue from the largest customer of the Group's hospitality segment amounting to HK$8,884,000 (2014: HK$7,455,000) represents approximately 10% (2014: 7%) of the Group's total revenue.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Building	Plant, machinery and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2014	5,058	34,457	13,910	563	53,988
Additions	—	132	2,691	—	2,823
Disposals	—	—	(2,650)	(563)	(3,213)
Written off	—	—	(1,015)	—	(1,015)
Reclassifications between assets categories	—	(108)	108	—	—
Exchange adjustments	—	22	6	—	28
At 31 December 2014	5,058	34,503	13,050	—	52,611
At 1 January 2015	5,058	34,503	13,050	—	52,611
Additions	—	698	4,398	—	5,096
Disposals	—	—	(397)	—	(397)
Exchange adjustments	—	(37)	(4)	—	(41)
At 31 December 2015	5,058	35,164	17,047	—	57,269

	Freehold land	Building	Plant, machinery and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment losses					
At 1 January 2014	28	2,505	8,989	563	12,085
Depreciation for the year	—	915	1,909	—	2,824
Disposals	—	—	(2,635)	(563)	(3,198)
Written off	—	—	(1,015)	—	(1,015)
Reclassifications between assets categories	—	(68)	68	—	—
Exchange adjustments	—	1	10	—	11
At 31 December 2014	28	3,353	7,326	—	10,707
At 1 January 2015	28	3,353	7,326	—	10,707
Depreciation for the year	—	961	2,566	—	3,527
Disposals	—	—	(297)	—	(297)
Exchange adjustments	—	(3)	(16)	—	(19)
At 31 December 2015	28	4,311	9,579	—	13,918
Net book value					
At 1 January 2014	5,030	31,952	4,921	—	41,903
At 31 December 2014	5,030	31,150	5,724	—	41,904
At 31 December 2015	5,030	30,853	7,468	—	43,351

Freehold land is situated outside Hong Kong and is being held for own use.

During the year ended 31 December 2015, the Group acquired property, plant and equipment amounting to HK$5,096,000 (2014: HK$2,823,000), of which HK$659,000 (2014: nil) was acquired via finance leases. The cash outflow on acquisition of property, plant and equipment amounted to HK$4,437,000 (2014: HK$2,823,000).

At 31 December 2015, property, plant and equipment of the Group with a carrying amount of HK$37,848,000 (2014: HK$38,348,000) were pledged as security to secure bank loans (Note 23).

13. INTANGIBLE ASSETS

	Trade name *HK$'000*	Trademarks *HK$'000*	Franchise application *HK$'000*	Technology *HK$'000*	Customer relations *HK$'000*	Total *HK$'000*
Cost						
At 1 January 2014	1,604	1,056	329	14,921	1,674	19,584
Written off	—	(23)	—	—	—	(23)
Exchange adjustments	1	—	1	13	1	16
At 31 December 2014	1,605	1,033	330	14,934	1,675	19,577
At 1 January 2015	1,605	1,033	330	14,934	1,675	19,577
Exchange adjustments	(1)	—	2	(18)	(1)	(18)
At 31 December 2015	1,604	1,033	332	14,916	1,674	19,559
Accumulated amortisation and impairment losses						
At 1 January 2014	190	1,035	47	4,352	372	5,996
Charge for the year	107	—	16	2,368	208	2,699
Impairment loss	—	23	—	—	—	23
Written off	—	(23)	—	—	—	(23)
Exchange adjustments	—	(2)	1	10	—	9
At 31 December 2014	297	1,033	64	6,730	580	8,704
At 1 January 2015	297	1,033	64	6,730	580	8,704
Charge for the year	107	—	16	2,366	208	2,697
Exchange adjustments	4	—	1	(21)	7	(9)
At 31 December 2015	408	1,033	81	9,075	795	11,392
Net book value						
At 1 January 2014	1,414	21	282	10,569	1,302	13,588
At 31 December 2014	1,308	—	266	8,204	1,095	10,873
At 31 December 2015	1,196	—	251	5,841	879	8,167

The amortisation charge for the Group's trade name, trademarks, technology and customer relations and the Group's share of the joint operation's franchise application are included in "administrative expenses" in the consolidated statement of profit or loss.

14. GOODWILL

	HK$'000
At 1 January 2014	8,937
Translation differences	5
At 31 December 2014	8,942
Translation differences	(8)
At 31 December 2015	8,934

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to hotel operations of Sheraton Chapel Hill Hotel and hotel reservation business of Sceptre Hospitality Resources, LLC which is included in the hospitality segment.

Recoverable amount determined is based on the following:

(a) As at the reporting date, the Group has determined the recoverable amount of the hotel operations of Sheraton Chapel Hill Hotel based on value in use calculation. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent budgets and forecasts approved by the management covering 4 years and the discount rate of 21.10% (2014: 21.97%). The terminal value is calculated by applying an exit multiple to the projected terminal period Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") and applying the discount rate of 21.10% (2014: 21.97%). The key assumptions are those relating to risk free rate of return, current risk premium, size premium, beta, expected changes in average room rates and occupancy and direct costs. The exit multiple for the terminal value is based on the Enterprise Value/EBITDA of comparable business enterprises.

(b) As at 31 December 2015, the Group determined the recoverable amount of the hotel reservation business of Sceptre Hospitality Resources, LLC based on the fair value less cost to sell method. The fair value is estimated using the market approach where a range of revenue multiples based upon a set of comparable companies were used against the revenue in 2015.

    As at 31 December 2014, the Group has determined the recoverable amount of the hotel reservation business of Sceptre Hospitality Resources, LLC based on value in use calculation. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent budgets and forecasts approved by the management covering 6 years and the discount rate of 40.28%. The terminal value is calculated utilising the Gordon Growth method and applying the discount rate of 40.28%. The key assumptions are those relating to risk-free rate of return, current risk premium, size premium, beta, revenue growth and costs growth. The Gordon Growth model assumes that cash flow will increase at the long-term growth rate of 4% and a capitalisation rate of 36.3%.

Management believes that any reasonable plausible changes in above key assumptions applied are not likely to cause the recoverable amounts to be lower than its carrying amount.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	HK$'000	*HK$'000*
Available-for-sale equity securities:		
Unlisted shares, at cost	32,985	33,016

On 3 June 2013, the Group's direct wholly-owned subsidiary, CES Capital Limited, had committed to make an investment of US$25.0 million (approximately HK$194.0 million) in BEA Blue Sky Real Estate Fund L.P. (the "Fund"), by way of a subscription for a limited partnership interest in the Fund. As at 31 December 2015, CES Capital Limited has contributed US$4.3 million (approximately HK$33.0 million) to the Fund.

On 15 April 2014, the investment period of the Fund was terminated in accordance with the partnership agreements. Accordingly, no further capital contributions will be called from the Group except to the extent necessary to cover, among other things, operating expenses of the Fund, to fund the payment of management fees payable by the Fund, to fund drawdown requests from the BEA/AGRE China Real Estate Fund, L.P. (the "China Fund") to cover its operational and organisational expenses and to fund committed investments.

The Fund is a closed-ended private equity fund structured as a Cayman Islands exempted limited partnership, organised for the sole purpose of subscribing for a limited partnership interest in the China Fund. The China Fund is a real estate private equity fund established for the purpose of making investments in real estate assets and real estate-related assets in Greater China.

16. INTEREST IN A JOINT OPERATION

	2015	2014
	HK$'000	*HK$'000*
Line-by-line interest in net assets of joint operation that are combined to the Group, including line-by-line interest in goodwill as below	10,633	10,063
Line-by-line interest in goodwill that is combined to the Group	1,694	1,696

Details of the Group's net interest in the joint operation, which is accounted for in the consolidated financial statements using the accounting policy in note 1(f), are as follows:

Name of joint operation/ Principal activities	Form of business structure	Place of operation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by subsidiary
			%	%
Sheraton Chapel Hill Hotel (Provision of hospitality related services)	Tenant-in-common agreement	United States of America	43	50

The Group, through an indirect subsidiary, SWAN Carolina Investor, LLC ("SCI"), entered into a tenant-in-common agreement with SFI Carolina TIC SPE, LLC, a wholly-owned subsidiary of Shelbourne Falcon Investors, LP, to own an equal 50% tenant-in-common interest in Sheraton Chapel Hill Hotel (the "Property") for the purpose of owning and operating the Property as a hotel and as an investment.

The table below summarised the Group's line-by-line interest in the results, assets and liabilities of the joint operation that had been combined into the Group's statement of financial position and consolidated statement of profit or loss.

	2015	**2014**
	HK$'000	*HK$'000*
Non-current assets	39,801	40,311
Current assets	3,380	3,420
Non-current liabilities	(29,585)	(30,326)
Current liabilities	(2,963)	(3,342)
Net assets	10,633	10,063
Revenue	24,925	24,846
Expenses	(23,896)	(23,607)
Profit for the year	1,029	1,239

17. INTEREST IN ASSOCIATES

	2015	2014
	HK$'000	*HK$'000*
Share of net assets	8,322	8,880

Details of the Group's interests in the associates are as follows:

Name of associate/ principal activities	Form of business structure	Place of incorporation and operation	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by subsidiary
			US$	*%*	*%*
Cosmic Hospitality China Limited (Provision of hospitality related services)	Incorporated	China	400,000	43	50
S-R Burlington Partners, LLC (Provision of hospitality related services)	Incorporated	United States of America	2,970,281	27	32

All of the above associates are accounted for using the equity method in the consolidated financial statements. None of the associates are individually material to the Group. Aggregate information of the associates that are not individually material as follows:

	2015	2014
	HK$'000	*HK$'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	8,322	8,880
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operations	202	884
Other comprehensive income	—	—
Total comprehensive income	202	884

18. DEFERRED TAX ASSETS

(a) Deferred tax assets recognised

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

	Tax losses	Deductible temporary differences	Total
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax arising from:			
At 1 January 2014	16,300	4,504	20,804
Charged to profit or loss	3,072	744	3,816
Exchange adjustments	9	3	12
At 31 December 2014	19,381	5,251	24,632
At 1 January 2015	19,381	5,251	24,632
Charged to profit or loss	(12,135)	(2,294)	(14,429)
Exchange adjustments	(15)	(5)	(20)
At 31 December 2015	7,231	2,952	10,183

(b) Deferred tax assets not recognised

The following temporary differences have not been recognised:

	2015	2014
	HK$'000	*HK$'000*
Tax losses	55,559	4,166

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

19. TRADING SECURITIES

	2015	2014
	HK$'000	*HK$'000*
Equity securities (at market value)		
- Listed outside Hong Kong		
- fellow subsidiaries	61,894	82,263
- non-related company	10,053	7,685
- Unlisted	15,551	21,249
	87,498	111,197

Included in trading securities is an amount of HK$1,619,000 (2014: HK$1,683,000) relating to investment securities held in respect of the Group's defined contribution plan (Note 25).

20. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Third-party trade receivables	17,736	15,922
Less: Allowance for doubtful debts (Note 20(b))	(147)	(527)
	17,589	15,395
Other receivables and deposits	3,648	7,190
Amounts owing by affiliated companies, trade	4,714	1,094
Loans and receivables	25,951	23,679
Prepayments	6,556	6,595
Trade and other receivables	32,507	30,274

The amounts owing by affiliated companies are unsecured and interest-free, and are repayable on demand. There is no allowance for impairment loss arising from these balances.

Affiliated companies comprise subsidiaries of the holding company.

(a) **Ageing analysis**

The ageing analysis of third-party trade receivables (net of allowance for doubtful debts) and trade amounts owing by affiliated companies based on invoice date is as follows:

	2015	2014
	HK$'000	*HK$'000*
Less than 1 month	10,675	10,587
1 to 3 months	8,816	4,173
3 to 12 months	2,812	1,729
	22,303	16,489

The Group's credit policy is set out in note 30. Trade receivables are due within 1 month from the date of billing.

(b) **Impairment of trade receivables**

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

The movements in the allowance for doubtful debts during the year are as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	527	—
(Reversal)/Recognition of impairment loss	(380)	527
At 31 December	147	527

(c) **Trade receivables that are not impaired**

The ageing analysis of third-party trade receivables and trade amounts owing by affiliated companies that are neither individually nor collectively considered to be impaired is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Neither past due nor impaired	12,481	10,494
1 to 3 months overdue	7,300	2,559
3 to 12 months overdue	487	520
	7,787	3,079
	20,268	13,573

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

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

21. CASH AND CASH EQUIVALENTS

	2015	**2014**
	HK$'000	*HK$'000*
Deposits with banks and other financial institutions	313,030	272,917
Cash at bank and on hand	52,451	99,907
Cash and cash equivalents in the consolidated statement of financial position	365,481	372,824
Less: Cash pledged for interest-bearing borrowings (Note 23)	(1,224)	(1,954)
Cash and cash equivalents in the consolidated statement of cash flows	364,257	370,870

The weighted average effective interest rates per annum relating to cash and cash equivalents at the end of the reporting period for the Group is 1.394% (2014: 1.875%). Interest rates re-priced within twelve months.

22. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	7,516	512
Other payables and accrued charges	16,645	21,067
	24,161	21,579
Deferred income	5,300	8,345
	29,461	29,924

All of the trade and other payables are expected to be settled within one year.

Deferred income relates to amounts billed in advance.

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

	2015	2014
	HK$'000	*HK$'000*
Due within 1 month or on demand	18,358	11,596
Due 1 to 3 months	2,054	1,303
Due 3 to 12 months	3,749	8,680
	24,161	21,579

23. INTEREST-BEARING BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Bank loans - secured	30,428	31,130
Finance lease liabilities	62	233
	30,490	31,363
Repayable:		
- Within 1 year	899	969
- After 1 year but within 2 years	873	907
- After 2 years but within 5 years	2,846	2,745
- After 5 years	25,872	26,742
	29,591	30,394
	30,490	31,363

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$37.8 million (2014: HK$38.3 million) as at 31 December 2015 (Note 12);
- 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$1.2 million (2014: HK$2.0 million) as at 31 December 2015 (Note 21); and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

Covenant

The Group's banking facilities are subject to the fulfillment of covenants relating to certain Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(c). As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached.

Non-recourse Carveout Guarantees

As of 31 December 2015, RHI and SWAN USA, Inc (the "Guarantors"), both being indirect subsidiaries of the Group, are guarantors for certain indebtedness relating to the Group's joint operation, joint venture and associate, as below:

(a) 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. The term guarantee expires on 6 May 2023.

(b) RHI and SWAN USA, Inc are guarantors of indebtedness of the term loan entered into by the Group's joint venture, Richfield Syracuse Hotel Partners, LLC. The term guarantee which was originally due to expire on 1 February 2016, has been extended to 1 March 2016.

(c) 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.

The above indebtedness are non-recourse in nature and the Group's liabilities are limited to the collaterals on which the individual loans are secured. The guarantees entered by the Guarantors provide the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages. The obligations of the Guarantors are to the extent which the collaterals are insufficient to meet the lender's losses and expenses. These guarantees do not impose liability on the Guarantors for any other event such as the non-payment of loan by the borrower. The maximum potential liability of the Group under the guarantees as at 31 December 2015 is HK$290.8 million (2014: HK$296.6 million).

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

24. DIVIDENDS RECEIVED IN EXCESS OF EARNINGS FROM EQUITY-METHOD ACCOUNTED JOINT VENTURE

	2015	2014
	HK$'000	*HK$'000*
Dividends in excess of earnings	19,487	17,256

Details of the Group's net interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture/ principal activities	Form of business structure	Place of incorporation and operation	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by subsidiary
			US$	%	%
RSF Syracuse Partners, LLC (Provision of hospitality related services)	Incorporated	United States of America	6,911,000	43	50

Summarised financial information of RSF Syracuse Partners, LLC and reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2015	2014
	HK$'000	*HK$'000*
Gross amounts of RSF Syracuse Partners, LLC's		
Current assets	13,846	11,658
Non-current assets	74,589	82,097
Current liabilities	(127,410)	(5,954)
Non-current liabilities	—	(122,313)
Equity	(38,975)	(34,512)
Included in the above assets and liabilities:		
Cash and cash equivalents	8,143	7,317
Current financial liabilities (excluding trade and other payables and provisions)	(119,788)	—
Non-current financial liabilities (excluding trade and other payables and provisions)	—	(122,313)
Revenue	76,150	79,478
Profit for the year	2,008	2,979
Dividend received from RSF Syracuse Partners, LLC	3,255	28,090
Included in the above profit:		
Depreciation and amortisation	(8,619)	(9,081)
Interest expense	(3,479)	(4,049)
Reconciled to the Group's interest in RSF Syracuse Partners, LLC		
Gross amounts of net liabilities	38,975	34,512
Group's interest	50%	50%
Group's share of net liabilities, representing the carrying amount in the consolidated financial statements	19,487	17,256

25. EMPLOYEE RETIREMENT BENEFITS

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

At the end of the reporting period, the contributions by the Group and its employees amounting to HK$1,619,000 (2014: HK$1,683,000) have been invested in securities and included within trading securities on the consolidated statement of financial position (Note 19).

On 1 January 2015, in compliance with the new Affordable Care Act regulations that were issued, the Group terminated the Plan. Arrangements were made in January 2016 to dispose all trading securities under the Plan so as to refund the affected employees.

26. CAPITAL AND RESERVES

(a) Movements in components of equity

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

	Share capital	Capital redemption reserve	Revenue reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Company				
Balance at 1 January 2014	382,450	676	190,797	573,923
Changes in equity for 2014:				
Total comprehensive income for the year	—	—	6,233	6,233
Balance at 31 December 2014	382,450	676	197,030	580,156
Balance at 1 January 2015	382,450	676	197,030	580,156
Changes in equity for 2015:				
Total comprehensive income for the year	—	—	(34,118)	(34,118)
Balance at 31 December 2015	382,450	676	162,912	546,038

(b) **Share capital**

(i) *Authorised and issued share capital*

	The Company			
	2015		2014	
	No. of shares ('000)	*HK$'000*	*No. of shares ('000)*	*HK$'000*
Authorised:				
Ordinary shares of HK$1 each	2,720,615	2,720,615	2,720,615	2,720,615
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	382,450	382,450	382,450	382,450

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

(ii) *Purchase of own shares*

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

(iii) *Share option scheme*

The Share Option Scheme (the "2005 Scheme") for eligible persons, including employees (including the Executive Directors) and non-executive Directors of the Company and its associates, was adopted by the Company on 27 April 2005 (the "Adoption Date"). The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Under the 2005 Scheme, the maximum number of shares that may be granted by the Directors shall not exceed 10% of the share capital of the Company in issue at the Adoption Date unless the Company obtains a fresh approval from its shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options and yet to be exercised under the 2005 Scheme and any other option scheme(s) of the Company shall not in aggregate exceed 30% of the shares in issue from time to time. The subscription price of shares under the 2005 Scheme shall not be less than the highest of: (i) the official closing price of the shares as stated in daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Offer Date; (ii) the average of the official closing price of the shares as stated in daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the Offer Date; and (iii) the nominal value of a share. The Executive Share Option Scheme (the "1997 Scheme") adopted by the Company on 11 June 1997 was terminated upon the 2005 Scheme becoming effective. The 2005 Scheme was valid and effective for a period of ten years ended on 26 April 2015, after which no further options would be granted.

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

During the financial year, the 2005 Scheme has lapsed. There were no options to take up unissued shares of the Company and no unissued shares of the Company under option.

(c) **Nature and purpose of reserves**

(i) *Capital redemption reserve*

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

(ii) *Exchange reserve*

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

(d) **Distributability of reserves**

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$162,912,000 (2014: HK$197,030,000).

(e) **Capital management**

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

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

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

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

27. NON-CONTROLLING INTERESTS

The following table lists out the information relating to the consolidated results and financial position of SWAN Holdings Limited, its subsidiaries, joint arrangements and associates ("Swan"). Swan is the only subsidiary of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter- company elimination.

	2015	**2014**
	HK$'000	*HK$'000*
NCI percentage	15%	15%
Current assets	198,035	202,445
Non-current assets	82,733	105,011
Current liabilities	(24,720)	(21,832)
Non-current liabilities	(49,078)	(47,650)
Net assets	206,970	237,974
NCI of Swan's subsidiaries	(8,554)	(11,269)
Net assets attributable to equity shareholders of Swan	198,416	226,705
Carrying amount of NCI of Swan	29,763	34,007
Add: NCI of Swan's subsidiaries (as above)	8,554	11,269
Total carrying amount of NCI	38,317	45,276
Revenue	87,034	94,671
Loss for the year	(30,714)	(4,537)
Loss/(Profit) attributable to NCI of Swan's subsidiaries	2,705	(1,342)
Loss for the year attributable to equity shareholders of Swan	(28,009)	(5,879)
Loss allocated to NCI of Swan	(4,202)	(878)
Cash flows (used in)/generated from operating activities	(6,944)	3,426
Cash flows generated from investing activities	16,562	38,844
Cash flows used in financing activities	(2,317)	(903)

28. PRINCIPAL SUBSIDIARIES

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

Company name/ Principal activities	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest		
			Group's effective interest	Held by Company	Held by Subsidiary
			%	%	%
Principal direct and indirect subsidiaries					
CES Capital Limited (Investment holding)	British Virgin Islands	1 share of US$1 each	100	100	—
SWAN Holdings Limited (Investment holding)	Bermuda	33,345,333 shares of US$1 each	85	85	—
SWAN USA, Inc. (Holding company)	United States of America	100 common stocks of US$0.01 each	85	—	100
Richfield Hospitality Inc. (Investment holding and provision of hospitality related services)	United States of America	100 common stocks of US$1,000.01 each	85	—	100
Sceptre Hospitality Resources, LLC. (Provision of reservation system services)	United States of America	100 common stocks of US$0.01 each	43	—	51

29. FINANCIAL INSTRUMENTS BY CATEGORY

An analysis of the Group's financial instruments is set out below:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Liabilities at amortised cost
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2015					
Assets					
Available-for-sale financial assets	15	—	—	32,985	—
Trading securities	19	—	87,498	—	—
Trade and other receivables, excluding prepayments	20	25,951	—	—	—
Bank deposits		9,771	—	—	—
Cash and cash equivalents	21	365,481	—	—	—
		401,203	87,498	32,985	—
Liabilities					
Trade and other payables, excluding deferred income	22	—	—	—	24,161
Interest-bearing borrowings	23	—	—	—	30,490
		—	—	—	54,651
2014					
Assets					
Available-for-sale financial assets	15	—	—	33,016	—
Trading securities	19	—	111,197	—	—
Trade and other receivables, excluding prepayments	20	23,679	—	—	—
Bank deposits		26,881	—	—	—
Cash and cash equivalents	21	372,824	—	—	—
		423,384	111,197	33,016	—

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Liabilities at amortised cost
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities					
Trade and other payables, excluding deferred income	22	—	—	—	21,579
Interest-bearing borrowings	23	—	—	—	31,363
		—	—	—	52,942

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

Investments are normally only in liquid securities and with counterparties that have a credit rating equal to or better than the Group. Given their high credit ratings, management does not expect any investment counterparty to fail to meet its obligations.

Bank deposits placed with a financial institution have maturity dates ranging from four to sixteen (2014: two to twenty-eight) months from the end of the reporting period. Given its high credit rating, management does not expect the financial institution to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, 21% (2014: 5%) and 58% (2014: 58%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the hospitality business segment.

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

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 20.

(b) **Equity price risk**

The Group is exposed to equity price changes arising from equity investments classified as trading securities (Note 19).

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

At 31 December 2015, a 3% (2014: 3%) increase in the underlying equity prices of the equity investments listed on the London Stock Exchange at the end of the reporting period would increase the Group's profit after tax and increase the Group's revenue reserve by approximately HK$2,121,000 (2014: HK$2,442,000). There is no impact on the other components of consolidated equity for both years. The analysis assumes that all other variables remain constant.

A 3% (2014: 3%) decrease in the underlying equity prices of the equity investments listed on the London Stock Exchange at the end of the reporting period, with all other variables held constant, would have an equal but opposite effect on the Group's profit after tax and revenue reserve.

At 31 December 2015, a 3% (2014: 3%) increase in the underlying equity prices of the equity investments listed on the NASDAQ Stock Market at the end of the reporting period would increase the Group's profit after tax and increase the Group's revenue reserve by approximately HK$374,000 (2014: HK$231,000).

A 3% (2014: 3%) decrease in the underlying equity prices of the equity investments listed on the NASDAQ Stock Market at the end of the reporting period, with all other variables held constant, would have an equal but opposite effect on the Group's profit after tax and revenue reserve.

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

The Group also holds investments in unlisted marketable equity mutual funds. Included in such investments is an amount of HK$1,619,000 (2014: HK$1,683,000) relating to investments held in respect of the Group's defined contribution plan (Note 25). Any movement in the equity price would not have any impact on the Group's profit after tax as there would be an equal and opposite change in the staff costs (Note 4) in response to the changes in the equity price.

At 31 December 2015, a 3% (2014: 3%) increase in the net asset value of the remaining balance of the investments in unlisted marketable equity mutual funds at the end of the reporting period would increase the Group's profit after tax and increase the Group's revenue reserve by approximately nil (2014: HK$587,000). There is no impact on the other components of consolidated equity for both years. The analysis assumes that all other variables remain constant.

A 3% (2014: 3%) decrease in the net asset value of the remaining balance in unlisted marketable equity mutual funds at the end of the reporting period, with all other variables held constant, would have had the equal but opposite effect on the Group's profit after tax and revenue reserve.

The sensitivity analysis has been determined assuming that the reasonably possible changes in stock prices, net asset values or other risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock price, net asset value or the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2014.

(c) **Liquidity risk**

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

Except for the interest-bearing borrowings, the total contractual undiscounted cash flows of the Group's non-derivative financial liabilities are the same as their carrying amounts as their remaining contractual maturities are within one year.

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

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**After 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative contractual liabilities					
2015					
Interest-bearing borrowings	(2,219)	(8,628)	(29,396)	(40,243)	(30,490)
2014					
Interest-bearing borrowings	(2,383)	(8,721)	(31,583)	(42,687)	(31,363)

(d) **Interest rate risk**

The Group's interest rate risk arises primarily from its bank deposits and interest-bearing borrowings. Bank deposits and borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The effective interest rates per annum relating to the bank deposits at the end of reporting period are within 0.45% to 1.10% (2014: 0.20% to 1.10%). The weighted average effective interest rates per annum relating to cash and cash equivalents at the end of the reporting period is set out in note 21.

The weighted average effective interest rates per annum relating to the borrowings at the end of the reporting period is 4.21% (2014: 4.21%).

(e) **Currency risk**

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

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

(i) *Recognised assets and liabilities*

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

(ii) *Exposure to foreign currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate to. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the exchange rate ruling at the end of the reporting period.

	Sterling Pound	**Singapore Dollar**	**Philippine Peso**	**Renminbi**	**US Dollar**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015					
Trading securities	61,314	—	582	—	10,049
Trade and other receivables	—	—	—	57	7
Cash and cash equivalents	369	5,200	—	66,438	132,150
Trade and other payables	—	(862)	—	—	(271)
Overall exposure arising from recognised assets and liabilities	61,683	4,338	582	66,495	141,935
2014					
Trading securities	81,399	—	861	—	7,685
Trade and other receivables	48	—	—	213	—
Cash and cash equivalents	66,181	15,416	—	98,150	38,871
Trade and other payables	—	(5,134)	—	—	(271)
Overall exposure arising from recognised assets and liabilities	147,628	10,282	861	98,363	46,285

(iii) *Sensitivity analysis*

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

A 10% (2014: 10%) strengthening of the following foreign currencies against the functional currency of each of the Group's entities at the end of the reporting period would impact the Group's profit after tax and revenue reserve by the amounts shown below. There is no impact on the other components of consolidated equity. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	Increase in profit after tax and increase in revenue reserve 2015	**Increase in profit after tax and increase in revenue reserve 2014**
	HK$'000	*HK$'000*
Sterling Pound	6,168	14,763
Singapore Dollar	434	1,028
Philippine Peso	58	86
Renminbi	6,650	9,836
US Dollar	14,194	4,629

A 10% (2014: 10%) weakening of the above currencies against the functional currency of each of the Group's entities at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables, in particular, interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent the effect of the Group's profit after tax and revenue reserve measured in the respective foreign currencies, translated into Hong Kong dollar at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2014.

(f) **Fair value measurement**

(i) *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 measurements as at 31 December 2015 categorised into				Fair value measurements as at 31 December 2014 categorised into		
	Fair value at 31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Fair value at 31 December 2014**	**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	71,947	71,947*	—	—	89,948	89,948*	—	—
- Unlisted	15,551	1,619**	—	13,932***	21,249	1,683**	—	19,566***
	87,498	73,566	—	13,932	111,197	91,631	—	19,566

* Fair value of listed equity securities is based on quoted market prices of the listed equity securities at the end of the reporting period without any deduction for transactions costs.

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

*** The fair value of this unlisted held-for-trading equity securities is determined based on the net asset value of the fund, which had underlying unlisted investments categorised as Level 3 in the fair value hierarchy. The fair value of such underlying investments is determined based on inputs such as contractual agreements, current and projected operating performance, rounds of financing and third-party transactions, discounted cash flow analysis and market-based information, including comparable company transactions, trading multiples and changes in market outlook, among other factors.

During the years ended 31 December 2015 and 31 December 2014, there were no transfers between levels.

The movements in the Level 3 financial instruments measured at fair value are as follows:

Financial assets at fair value through profit or loss

	2015	**2014**
	HK$'000	*HK$'000*
At 1 January	19,566	12,528
Net unrealised (loss)/gain recognised in profit or loss	(5,634)	7,038
At 31 December	13,932	19,566

The (loss)/gain for the period recognised in profit or loss of the unlisted equity securities is presented in "other net losses" 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:

		Effect on fair value	
	Fair value	**Favourable changes**	**Unfavourable changes**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss			
2015			
Equity securities	13,932	139	(139)
2014			
Equity securities	19,566	16	(16)

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

(ii) *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 31 December 2015 and 31 December 2014 except for available-for-sale equity securities and fixed rate borrowings.

- Fair value information has not been disclosed for the Group's available-for-sale equity securities that are carried at cost of HK$33.0 million (2014: HK$33.0 million) because 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 this investment in the foreseeable future.

- The carrying amounts, fair values and the level of fair value hierarchy of the fixed rate borrowings are as follows:

			Fair value measurements categorised into		
	Carrying amounts	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015	(30,490)	(30,955)	—	(30,955)	—
2014	(31,363)	(31,669)	—	(31,669)	—

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

	2015	**2014**
Fixed rate borrowings	4.17%	4.24%

31. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere, there were the following material related party transactions entered into in terms agreed between the parties during the year:

	2015	**2014**
	HK$'000	*HK$'000*
Dividend income received from affiliated companies	1,860	3,379
Income received from provision of hospitality and other related services to affiliated companies	8,884	7,118
Income received from provision of hospitality and other related services to a joint operation	859	857
Income received from provision of hospitality and other related services to a joint venture	5,021	4,399
Tax service fee paid to an affiliated company	(407)	(509)
Secretarial service fee paid to an affiliated company	(449)	(1,392)
Consultation fee paid to an affiliated company	—	(611)
Accounting fee paid to an affiliated company	(339)	(367)

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Short-term employee benefits	7,096	6,424

Total remuneration is included in the administrative expenses.

32. COMMITMENTS

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

	2015	**2014**
	HK$'000	*HK$'000*
Within 1 year	2,774	1,494
After 1 year but within 5 years	6,749	1,191
After 5 years	7,121	—
	16,644	2,685

The above leases run for an initial period of between one to ten (2014: one to three) years. One of the leases includes an option to renew the lease on expiry. The leases do not include any contingent rental.

33. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2015** *HK$'000*	**2014** *HK$'000*
Non-current assets			
Property, plant and equipment		10	—
Other receivables		32,989	33,019
Interests in subsidiaries		220,860	220,860
Total non-current assets		253,859	253,879
Current assets			
Trading securities		85,879	109,514
Trade and other receivables		6,942	2,845
Cash and cash equivalents		208,435	223,498
		301,256	335,857
Current liabilities			
Trade and other payables		(9,077)	(9,580)
		(9,077)	(9,580)
Net current assets		292,179	326,277
Total assets less current liabilities		546,038	580,156
NET ASSETS		546,038	580,156
CAPITAL AND RESERVES	26		
Share capital		382,450	382,450
Reserves		163,588	197,706
TOTAL EQUITY		546,038	580,156

Approved and authorised for issue by the board of directors on 24 February 2016.

Kwek Leng Beng
Chairman

Gan Khai Choon
Director

34. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

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

35. ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 14 contains information about the assumptions and the risk factors relating to impairment of goodwill.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKAS 27, *Equity method in separate financial statements*	1 January 2016
Amendments to HKFRS 10, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of the expected impact of these amendments in the period of initial application.

3. UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The following is the summary of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2016 as extracted from the interim results announcement of the Company dated 10 August 2016.

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2016 - unaudited

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

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**
	HK$'000	*HK$'000*
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)
Total other comprehensive income for the period	225	(2,881)
Total comprehensive income for the period	(17,092)	(13,481)
Attributable to:		
Equity shareholders of the Company	(17,064)	(10,668)
Non-controlling interests	(28)	(2,813)
Total comprehensive income for the period	(17,092)	(13,481)

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	10	26,972	32,507
Short term bank deposits		—	5,974
Current tax recoverable		2,660	2,681
Cash and cash equivalents		369,242	365,481
		468,535	494,141
Current liabilities			
Trade and other payables	11	(28,848)	(29,461)
Interest-bearing borrowings	12	(830)	(899)
Provision for taxation		(23)	(22)
		(29,701)	(30,382)
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	12	(29,265)	(29,591)
		(29,296)	(49,078)
NET ASSETS		513,328	530,420
CAPITAL AND RESERVES			
Share capital		382,450	382,450
Reserves		92,589	109,653
Total equity attributable to equity shareholders of the Company		475,039	492,103
Non-controlling interests		38,289	38,317
TOTAL EQUITY		513,328	530,420

Notes:-

1. Accounting policies

The interim financial results for the six months ended 30 June 2016 are unaudited, but have been reviewed by KPMG LLP in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Federation of Accountants. In addition, these financial results have been reviewed by the Company's Audit Committee.

The interim financial results for the six months ended 30 June 2016 have been prepared in accordance with the same accounting policies adopted by the Group as disclosed in the annual report for the year ended 31 December 2015, except for the amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are expected to be effective for the financial year ending 31 December 2016. Details of these changes in accounting policies are set out below.

The Hong Kong Institute of Certified Public Accountants has issued a number of amendments to HKFRSs and Hong Kong Accounting Standards ("HKAS") that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*
- Amendments to HKAS 16 and HKAS 38, *Clarification 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 interests in joint operations*
- *Annual Improvements to HKFRSs 2012-2014 Cycle*

The adoption of the above amendments did not have any significant effect on the Group's financial statements.

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

2. Segment reporting

Included in reportable segment revenue are dividend and interest income amounting to HK$2.7 million (2015: HK$3.7 million). 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*
For the six months ended 30 June:						
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
As at 30 June / 31 December:						
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

3. Other net (losses)/gains

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'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
	(17,645)	527

4. 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.

5. 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
	730	760

6. 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)
	(109)	(284)
Deferred tax		
Origination and reversal of temporary differences	(5,193)	4,442
Income tax (expense)/credit from continuing operations	(5,302)	4,158

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.

7. Loss for the period

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

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
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)

8. 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 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.

9. 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.

10. 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	As at 31 December 2015
	HK$'000	*HK$'000*
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
	26,972	32,507

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.

11. Trade and other payables

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

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

	As at 30 June 2016	**As at 31 December 2015**
	HK$'000	*HK$'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
	23,783	24,161

12. Interest-bearing borrowings

	As at 30 June 2016	**As at 31 December 2015**
	HK$'000	*HK$'000*
Bank loan (secured)	30,095	30,428
Finance lease liabilities	—	62
	30,095	30,490
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
	29,265	29,591
	30,095	30,490

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 by the Guarantors provides the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages ("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.

13. 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.

4. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had the following indebtedness:

	Note	*HK$'000*
Interest-bearing borrowings:		
Term loans (secured)	(a)	30,939
Guarantees:		
Non-recourse carveout guarantees	(b)	138,524

Notes:

(a) The Group's term loan is secured by:

- a fixed 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;
- assignment 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; and
- guarantee by Richfield Hospitality Inc ("RHI"), an indirect subsidiary of the Group.

(b) 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 below:

- RHI is a guarantor of indebtedness of the term loan entered into by SWAN Carolina Investor, LLC and SFI Carolina TIC SPE, LLC as mentioned in Note (a). 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.

The above indebtedness are non-recourse in nature and the Group's liabilities are limited to the collaterals on which the individual loans are secured. The guarantees entered by the Guarantors provide the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages. The obligations of the Guarantors are to the extent which the collaterals are insufficient to meet the lender's losses and expenses. These guarantees do not impose liability on the Guarantors for any other event such as the non-payment of loan by the borrower.

Save as aforesaid, as at 30 June 2016, the Group did not have any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees, or other material contingent liabilities.

5. MATERIAL CHANGE

The Directors confirmed that, save and except as disclosed below, there was no material change in the financial and trading position or outlook of the Group since 31 December 2015 (being the date to which the latest published audited financial statements of the Group have been made up) and up to the Latest Practicable Date:

(i) as disclosed in the interim results announcement of the Company for the six months ended 30 June 2016, the Group suffered from material increases in other net losses comprising the net realised and unrealised (a) valuation loss on trading securities of approximately HK$10.7 million; and (b) foreign exchange loss of approximately HK$6.9 million mainly arose from the Sterling Pound denominated securities holdings and Renminbi denominated cash deposits, during the six months ended 30 June 2016. Accordingly, the Group's balance of trading securities as at 30 June 2016 decreased by approximately HK$17.8 million, which would ultimately lead to the Group still having loss-making results for the same period;

(ii) as disclosed in the interim results announcement of the Company for the six months ended 30 June 2016, the Group recorded a material increase in income tax expenses of approximately HK$5.3 million for the six months ended 30 June 2016 as compared to an income tax credit of approximately HK$4.2 million for the corresponding period in 2015, due to the origination and reversal of temporary differences of deferred tax, which would further deteriorate the Group's net loss results for the same period;

(iii) as disclosed in the interim results announcement of the Company for the six months ended 30 June 2016, the Group's share of profit of a joint venture amounted to approximately HK$19.5 million for the six months ended 30 June 2016 as compared to share of a loss of approximately HK$0.5 million for the corresponding period in 2015, this favourable performance had partially set-off the above adverse effects; and

(iv) based on the foregoing, and among other things, the Group reported a loss attributable to equity shareholders of the Company of approximately HK$17.3 million for the six months ended 30 June 2016, and accordingly, its net asset value decreased by approximately HK$17.1 million or 3.5% between the period/year end dates on 30 June 2016 and 31 December 2015.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purposes of providing information to the Shareholders with regard to the Offeror and the Offer.

The sole director of the Offeror, Mr. Jia Tianjiang and Mr. Cui He jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group, its associates, and parties acting in concert with the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, its associates and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. DEALING IN SECURITIES

As at the Latest Practicable Date,

(a) save for the entering into of the Share Purchase Agreement and the Share Charge, none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them had dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into Shares during the Relevant Period;

(b) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror, or parties acting in concert with it or the Offeror's associates, and any other person;

(c) no person owning or controlling any shareholding in the Company with whom the Offeror or any person acting in concert with the Offeror had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(d) none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(e) save for the undertaking from each of the Hong Leong Group Entities, none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them had received any irrevocable commitment to accept or not to accept the Offer;

(f) save for the undertaking from each of the Hong Leong Group Entities in respect of the non-disposal of their respective beneficial interest in the Shares and the acceptance of the Offer and the Share Charge, as at the Latest Practicable Date, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);

(g) there was no agreement or arrangement to which the Offeror, its ultimate beneficial owners or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;

(h) none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them had entered into any arrangements or contracts in relation to the outstanding derivatives in respect of securities in the Company;

(i) save for the Share Charge, the Offeror and parties acting in concert with it have no agreement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offer to any other persons;

(j) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer; and

(k) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.

3. CONSENTS AND QUALIFICATIONS

The following are the names and the qualifications of the experts who have been named in this Composite Document or whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Prudential Brokerage	a licensed corporation permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Octal Capital	a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of Prudential Brokerage and Octal Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinions, advices, letters and references to its name in the form and context in which they appear.

4. GENERAL

As at the Latest Practicable Date,

(a) the Offeror is China Tian Yuan Manganese Limited. The registered office of the Offeror is situated at the office of NovaSage Incorporations (Cayman) Limited, Floor 4, Willow House, Cricket Square, P.O. Box 2582, Grand Cayman KY1-1103, Cayman Islands. As at the Latest Practicable Date, there is one director of the Offeror, namely Ms. Jia Yan, who is a niece of Mr. Jia Tianjiang;

(b) the Offeror is wholly owned by 寧夏天元錳業有限公司 (transliterated as Ningxia Tianyuan Manganese Industry Co., Ltd), a company incorporated in the PRC with limited liability, which is owned as to approximately 77.0% and 22.6%, respectively by Mr. Jia Tianjiang and HK Jingjin Int'l Share Group Limited, which is in turn wholly owned by Mr. Cui He. The registered address of Ningxia Tianyuan is located at Shikong Town, Zhongning County, Ningxia Province, China;

(c) the registered office of Prudential Brokerage is located at 9/F., Worldwide House, 19 Des Voeux Road Central, Hong Kong;

(d) the registered office of Octal Capital is located at 802-805, 8/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong; and

(e) the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection, during the period from 19 August 2016, being the date of this Composite Document for so long as the Offer remains open for acceptance, (i) on the website of the SFC (www.sfc.hk); (ii) during normal business hours from 9:30 a.m. to 5:30 p.m., from Monday to Friday, other than Hong Kong public holidays, at the office of King & Wood Mallesons, legal adviser to the Offeror in respect of the Offer, at 13/F Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong:

(a) the memorandum and articles of association of the Offeror;

(b) the "Letter from Prudential Brokerage", the text of which is set out in this Composite Document;

(c) the written consents referred to in the paragraph headed "3. Consents and qualifications" in this Appendix; and

(d) this Composite Document.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purposes of providing information to the Shareholders with regard to the Company and the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, any director of the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Offeror and parties acting in concert with it) not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The share capital of the Company as at the Latest Practicable Date was as follows:

	HK$
Authorised:	
2,720,615,042 Shares	2,720,615,042
Issued and fully paid up:	
382,449,524 Shares	382,449,524

As at the Latest Practicable Date, there were no outstanding options, warrants or conversion rights affecting Shares (including any derivatives or other securities which may confer any rights to the holders thereof to subscribe for, convert or exchange into Shares).

All of the Shares currently in issue rank pari passu in all respects with each other, including all rights in respect of capital, dividends and voting.

All of the Shares in issue are listed on the Stock Exchange. None of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

There were 382,449,524 Shares in issue at 31 December 2015, being the end of the last financial year of the Company. Since that date and up to the Latest Practicable Date:

(a) the Company had not issued any Shares, options, warrants or conversion rights affecting Shares (including any derivatives or other securities which may confer any rights to the holders thereof to subscribe for, convert or exchange into Shares) and has not entered into any agreement for the issue of any of such securities; and

(b) no Shares have been issued or repurchased by the Company or any of its subsidiaries.

There was no re-organisation of the capital of the Company during the last two financial years preceding the date of the first Rule 3.7 Announcement.

3. MARKET PRICES

(a) During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$3.28 per Share on 27 July 2016 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$1.43 per Share on 26 January 2016.

(b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on: (i) the Latest Practicable Date; (ii) the Last Trading Date; and (iii) the last trading day of each of the calendar months during the Relevant Period:

Date	**Closing Price** *(HK$)*
30 October 2015	1.69
30 November 2015	1.67
31 December 2015	1.63
29 January 2016	1.51
29 February 2016	1.54
31 March 2016	2.17
14 April 2016 (the last trading day immediately preceding the date of the first Rule 3.7 Announcement)	2.74
27 April 2016 (*Note*)	2.69
31 May 2016	2.69
30 June 2016	2.40
The Last Trading Date	2.68
29 July 2016	3.16
The Latest Practicable Date	2.96

Note: Trading of the Shares on the Stock Exchange was suspended from 28 April 2016 to 29 April 2016.

4. SHAREHOLDINGS AND DEALINGS IN SHAREHOLDINGS AND PERSONS ACTING IN CONCERT

(a) In this paragraph:

(i) any reference to "associate" has the meaning ascribed to that expression in the definitions of the Takeovers Code;

(ii) any reference to "shareholdings" is a reference to (a) in the case of shareholdings in the Company, holdings of (i) Shares (being securities which are being offered for under the Offer or which carry voting rights); and (ii) convertible securities, warrants, options or derivatives in respect of (i); and (b) in the case of shareholdings in the Offeror, holdings of (i) its equity share capital; and (ii) convertible securities, warrants, options or derivatives in respect of (i);

(iii) any reference to "disclosure period" is a reference to the period beginning 6 months prior to the Offer Period and ending with the Latest Practicable Date;

(iv) any reference to Directors being "interested" in shareholdings is interpreted in the manner described in Part XV of the SFO; and

(v) any reference to a "dealing arrangement" is a reference to an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, including any arrangement involving rights over shares, any indemnity agreement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

(b) As at the Latest Practicable Date, Mr. Kwek Leng Beng, Mr. Gan Khai Choon and Mr. Lawrence Yip Wai Lam (all of them being executive Directors) and Mr. Chan Bernard Charnwut (being a non-executive Director) were interested, as beneficial owners, in 3,286,980 Shares, 1,041,100 Shares, 520,550 Shares and 53,850 Shares (representing approximately 0.86%, 0.27%, 0.14% and 0.01% of the entire issued share capital of the Company as at the Latest Practicable Date) respectively and Mr. Wong Hong Ren, Chief Executive Officer of the Company, was interested, as beneficial owner, in 1,513,112 Shares (representing approximately 0.40% of the entire issued share capital of the Company, as at the Latest Practicable Date).

(c) Hong Leong Group Entities have irrevocably undertaken to accept or procure the acceptance of the Offer in respect of their respective beneficial holdings in an aggregate of 30,107,659 Shares, representing approximately 7.87% of the existing issued share capital of the Company as at the Latest Practicable Date.

(d) As at the Latest Practicable Date, the Company had no shareholdings of the Offeror and the Company has not dealt for value in the shareholdings in the Offeror during the disclosure period.

(e) Save as disclosed in (b) above, as at the Latest Practicable Date, there was no shareholdings in the Company or in the Offeror in which any of the Directors were interested; and none of the Directors has dealt for value in shareholdings in the Company or in the Offeror during the disclosure period.

(f) As at the Latest Practicable Date, there was no shareholding in the Company which was owned or controlled by a subsidiary of the Company, by a pension fund of the Company or of a subsidiary of the Company, or by an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code, there being no exempt principal traders of the Company for the purposes of such disclosure under paragraph 2(ii) of Schedule II to the Takeovers Code; nor has any of such persons whose shareholdings in the Company are required to be disclosed as aforesaid dealt for value in shareholdings in the Company or in the Offeror during the Offer Period and ending with the Latest Practicable Date.

(g) Save as disclosed in (c) above, as at the Latest Practicable Date, no person had a dealing arrangement with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code.

(h) As at the Latest Practicable Date, there were no shareholdings in the Company managed on a discretionary basis by fund managers connected with the Company, there being no exempt fund managers connected with the Company for the purposes of such disclosure under paragraph 2(v) of Schedule II to the Takeovers Code; nor has any of such persons whose shareholdings in the Company are required to be disclosed as aforesaid dealt for value in shareholdings in the Company during the Offer Period and ending on the Latest Practicable Date.

(i) The relevant Directors as named in (b) above indicated that they intended to accept the Offer in respect of their own beneficial holdings in the Shares.

(j) As at the Latest Practicable Date, no shareholdings in the Company had been borrowed or lent by the Company or the Directors nor were there any such borrowed Shares which have been either on-lent or sold.

5. OTHER DISCLOSURES AND DIRECTORS' SERVICE CONTRACTS

(a) As at the Latest Practicable Date :

(i) no benefit will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;

(ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(iii) there was no material contract entered into by the Offeror in which any Director has a material personal interest.

(b) As at the Latest Practicable Date, there was no service contract with the Company or any of its subsidiaries or associated companies in force for Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the commencement of the Offer Period; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

The Group did not enter into any contract which are or may be material (other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) within the two years immediately preceding the date on which the Offer Period commenced.

8. EXPERT

The following are the qualifications of the expert who has given opinion or advice contained in this Composite Document:

Name	Qualification
First Shanghai	a licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee in relation to the Offer.

The expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its advice, letter and recommendation and the references to its name and logo in the form and context in which they respectively appear.

9. MISCELLANEOUS

(a) The registered office of the Company is at c/o Maples and Calder, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is at Room 2803, 28th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

(c) As at the date of this Composite Document, the Board comprises three executive Directors, namely Mr. Kwek Leng Beng, Mr. Gan Khai Choon and Mr. Lawrence Yip Wai Lam, two non-executive Directors, namely Mr. Chan Bernard Charnwut and Mr. Ronald Nathaniel Issen and three independent non-executive Directors, namely Dr. Lo Ka Shui, Mr. Lee Jackson a.k.a. Li Chik Sin and Mr. Teoh Teik Kee. Mr. Wong Hong Ren is the Chief Executive Officer of the Company.

(d) As at the date of this Composite Document, the company secretary of the Company is Ms. Leung Wing Han Sharon.

(e) The Hong Kong share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. The branch share registrar of the Company in the Cayman Islands is Maples and Calder at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(f) The Offer is not a securities exchange offer.

(g) The Offer does not involve issue of any unlisted securities.

(h) This Composite Document is prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are on display at the websites of the SFC (www.sfc.hk) and the Company (www.ceslimited.com) during the period from the date of this Composite Document up to and including the Closing Date:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the two years ended 31 December 2014 and 31 December 2015 and the announcement dated 10 August 2016 in respect of the interim results of the Company for the six months ended 30 June 2016;

(iii) the "Letter from the Board", the text of which is set out in this Composite Document, in respect of the Offer;

(iv) the "Letter from the Independent Board Committee", the text of which is set out in this Composite Document, in respect of its advice and recommendation to the Independent Shareholders in respect of the Offer;

(v) the "Letter from the Independent Financial Adviser", the text of which is set out in this Composite Document, in respect of its advice to the Independent Board Committee in respect of the Offer;

(vi) the written consent from the Independent Financial Adviser as referred to in the paragraph headed "Expert" in this Appendix; and

(viii) the irrevocable undertakings dated 19 July 2016 from Hong Leong Group Entities as referred to in (c) in the paragraph headed "Shareholdings and Dealings in Shareholdings and Persons Acting in Concert" above in this Appendix.