

General Announcement::Announcement by Subsidiary Company, City e-Solutions Limited

Issuer & Securities

Issuer/ Manager	CITY DEVELOPMENTS LIMITED
Securities	CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09
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Description (Please provide a detailed description of the event in the box below)	Announcement by Subsidiary Company, City e-Solutions Limited on Unaudited Consolidated Financial Results for the Nine Months Ended 30 September 2014.

Attachments	<p>11112014_CES_results.pdf</p> <p>Total size =45K</p>
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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

UNAUDITED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

SUMMARY

To provide the market with updated information, the Board of City e-Solutions Limited announces the unaudited consolidated financial results of the Company and its subsidiaries, joint arrangements and associates (the “Group”) for the nine months ended 30 September 2014.

The unaudited consolidated loss attributable to equity shareholders of the Company for the nine months ended 30 September 2014 was approximately HK\$12.6 million.

Shareholders of the Company and potential investors should note that all figures contained herein are unaudited and are advised to exercise caution when dealing in the shares of the Company.

To provide the market with updated information, the board (“Board”) of directors (“Directors”) of City e-Solutions Limited (the “Company”) announces the unaudited consolidated financial results of the Company and its subsidiaries, joint arrangements and associates (the “Group”) for the nine months ended 30 September 2014 (the “Period”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (unaudited)

		Nine months ended	
		30 September	
		2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	76,773	77,437
Cost of sales		<u>(14,410)</u>	<u>(14,307)</u>
Gross profit		62,363	63,130
Other net gains	3	1,047	9,360
Administrative expenses	4	<u>(79,679)</u>	<u>(69,767)</u>
(Loss)/Profit from operating activities		(16,269)	2,723
Finance costs	5	(1,194)	(659)
Share of profit of a joint venture		1,108	2,078
Share of profit/(losses) of associates		<u>1,085</u>	<u>(101)</u>
(Loss)/Profit before taxation		(15,270)	4,041
Income tax credit/(expense)		<u>3,651</u>	<u>(1,394)</u>
(Loss)/Profit for the period	6	<u><u>(11,619)</u></u>	<u><u>2,647</u></u>
Attributable to:			
Equity shareholders of the Company		(12,584)	3,511
Non-controlling interests		<u>965</u>	<u>(864)</u>
(Loss)/Profit for the period		<u><u>(11,619)</u></u>	<u><u>2,647</u></u>
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
Basic (losses)/earnings per share		<u><u>(3.29)</u></u>	<u><u>0.92</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

	<i>Note</i>	As at 30 September 2014 HK\$'000	As at 31 December 2013 HK\$'000
Non-current assets			
Property, plant and equipment		40,974	41,903
Intangible assets		11,567	13,588
Goodwill		8,939	8,937
Available-for-sale financial assets		33,004	32,996
Long term bank deposits		15,475	9,495
Interest in a joint venture		—	9,340
Interest in associates		9,218	8,673
Deferred tax assets		24,677	20,804
Total non-current assets		143,854	145,736
Current assets			
Trading securities		107,509	114,042
Trade and other receivables		28,741	34,467
Short term bank deposits		20,894	35,112
Current tax recoverable		3,341	3,721
Cash and cash equivalents		<u>370,340</u>	<u>347,953</u>
		<u>530,825</u>	<u>535,295</u>
Current liabilities			
Trade and other payables		(23,919)	(33,450)
Interest-bearing borrowings	7	<u>(954)</u>	<u>(884)</u>
		<u>(24,873)</u>	<u>(34,334)</u>
Net current assets		<u>505,952</u>	<u>500,961</u>
Total assets less current liabilities		649,806	646,697
Non-current liabilities			
Employee benefits		(109)	(1,632)
Dividends received in excess of earnings from equity-method accounted joint venture		(16,816)	—
Interest-bearing borrowings	7	<u>(30,592)</u>	<u>(31,229)</u>
		<u>(47,517)</u>	<u>(32,861)</u>
NET ASSETS		<u>602,289</u>	<u>613,836</u>
CAPITAL AND RESERVES			
Share capital		382,450	382,450
Reserves		<u>174,077</u>	<u>186,586</u>
Total equity attributable to equity shareholders of the Company		556,527	569,036
Non-controlling interests		<u>45,762</u>	<u>44,800</u>
TOTAL EQUITY		<u>602,289</u>	<u>613,836</u>

Notes:-

1. Accounting policies

The Group's unaudited consolidated financial results for the nine months ended 30 September 2014 have not been reviewed by the Company's auditors but have been reviewed by the Company's Audit Committee.

The Group's unaudited consolidated financial results for the nine months ended 30 September 2014 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 2013, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out below.

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

- Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The adoption of the above amendment 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. Turnover

	Nine months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Revenue from external customers		
- Investment holding	3,070	1,513
- Hospitality	72,095	73,607
Interest income	<u>1,608</u>	<u>2,317</u>
	<u>76,773</u>	<u>77,437</u>

3. Other net gains

	Nine months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Net realised and unrealised foreign exchange (losses)/gains	(2,423)	1,251
Net realised and unrealised valuation (losses)/gains on trading securities	(786)	7,566
Miscellaneous proceeds	4,264	—
(Loss)/Gain on disposal of property, plant and equipment	(8)	518
Others	—	25
	<u>1,047</u>	<u>9,360</u>

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

	Nine months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Amortisation of capitalised transaction costs	93	54
Interest expenses on borrowings	<u>1,101</u>	<u>605</u>
	<u>1,194</u>	<u>659</u>

6. (Loss)/Profit for the period is arrived after charging/(crediting)

	Nine months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	2,102	1,925
Amortisation of intangible assets	2,023	2,024
Operating lease charges — rental of properties	1,248	1,295
Dividend and interest income	<u>(4,678)</u>	<u>(3,830)</u>

7. Interest-bearing borrowings

	As at 30 September 2014 <i>HK\$'000</i>	As at 31 December 2013 <i>HK\$'000</i>
Term loan (secured)	31,282	31,756
Finance lease liabilities	<u>264</u>	<u>357</u>
	<u>31,546</u>	<u>32,113</u>
Repayable:		
- Within 1 year	954	884
- Between 1 and 5 years	2,659	4,573
- After 5 years	<u>27,933</u>	<u>26,656</u>
	<u>31,546</u>	<u>32,113</u>

The Group's interest in the term loan is secured by:

- a first priority mortgage of Sheraton Chapel Hill Hotel, its improvements, equipment and fixtures with a carrying amount of HK\$38.7 million as at 30 September 2014;
- 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\$1.9 million as at 30 September 2014; and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

Non-recourse Carveout Guarantees

As of 30 September 2014, RHI and SWAN USA, Inc ("the Guarantors"), both being indirect subsidiaries of the Group, are guarantors for certain indebtedness relating to the Group's joint operation, joint venture and associate, as set out below:

- RHI is a guarantor of indebtedness of the term loan entered into by SWAN Carolina Investor, LLC and SFI Carolina TIC SPE, LLC for Sheraton Chapel Hill Hotel as mentioned above. The term guarantee is through 6 May 2023.
- RHI and SWAN USA, Inc are guarantors of indebtedness of the term loan entered into by the Group's joint venture, Richfield Syracuse Hotel Partners, LLC. The term guarantee is through 1 February 2016.

- RHI and SWAN USA, Inc are guarantors of indebtedness of the term loans entered into by RBH Mezz, LLC and Rich Burlington Hotel, LLC, which are underlying investments of S-R Burlington Partners, LLC.

The above indebtedness are non-recourse in nature and the Group's liabilities are limited to the collaterals on which the individual loans are secured. The guarantees entered by the Guarantors provides the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages. The obligations of the Guarantors are to the extent which the collaterals are insufficient to meet the lender's losses and expenses. These guarantees do not impose liability on the Guarantors for any other event such as the non-payment of loan by the borrower. The maximum potential liability of the Group under the guarantees is HK\$297.9 million as at 30 September 2014.

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.

8. Capital commitments contracted but not provided for

	As at 30 September 2014 <i>HK\$'000</i>	As at 31 December 2013 <i>HK\$'000</i>
Commitment to make an investment in BEA Blue Sky Real Estate Fund L.P.	<u>—</u>	<u>160,778</u>

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.

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 China Fund to cover its operational and organizational 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.

BUSINESS REVIEW AND PROSPECTS

The Group recorded a net loss attributable to the equity shareholders of the Company of HK\$12.6 million as compared with a net profit attributable to the equity shareholders of the Company of HK\$3.5 million in the previous corresponding period due mainly to the unrealised valuation losses from the Group's securities holding as at 30 September 2014.

The Group's Investment Holding segment reported net realised and unrealised valuation loss of HK\$0.6 million from the Group's securities holding as at 30 September 2014. Net realised and unrealised foreign exchange loss of HK\$2.4 million was also recorded, which mainly arose from the Sterling Pound denominated security holdings and cash deposits and Renminbi denominated cash deposits. Overall, the total net realised and unrealised losses of HK\$3.0 million was recorded for the period under review as compared with the total net realised and unrealised gains of HK\$8.9 million in the previous corresponding period.

On the Group's Hospitality segment, the Group's U.S. hotel management arm, Richfield Hospitality, recorded lower management fee income of HK\$17.7 million, down by HK\$7.5 million or 29.9% from HK\$25.2 million in the previous corresponding period. News of the potential sale of the Group to an interested third party from late 2013 to February 2014 caused several adverse effects, such as the loss of management contracts and the departure of several senior executives. Higher administrative expenses were incurred due to the reorganisation, though a new management team has been put in place and it is anticipated that the new team will perform strongly over time. Consequently, a loss before tax of HK\$12.1 million was incurred for the period under review as compared with a loss of HK\$0.9 million in the previous corresponding period.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of HK\$18.4 million, down by HK\$0.6 million from the previous corresponding period. The profit contribution was HK\$1.7 million as compared to HK\$2.8 million in the previous corresponding period, mainly due to higher operating expenses incurred by the hotel and higher loan interest expense arising from the re-financing of the hotel property.

The Group's 51% equity interest in Sceptre Hospitality Resources ("SHR"), the hospitality industry's leading platform for reservations connectivity, online channel marketing and revenue/channel-management services, recorded revenue amounting to HK\$33.1 million, up by 22.6% from HK\$27.0 million in the previous corresponding period. Consequently, SHR reported a lower operating loss of HK\$1.3 million for the period under review as compared with operating loss of HK\$2.7

million in the previous corresponding period. SHR also received one-time proceeds of HK\$4.3 million (US\$0.55 million) as final settlement of a contractual obligation arising from the acquisition of Whiteboard Labs, LLC, the original owner of the Windsurfer CRS.

The Group's jointly-controlled entity, Richfield Syracuse Hotel Partners, LLC, which owns the Crowne Plaza Syracuse Hotel, contributed a share of profit of HK\$1.1 million for the period under review as compared with a share of profit of HK\$2.1 million in the previous corresponding period. The lower share of profit is mainly due to decreased revenue as a result of lower average daily rates achieved by the hotel for the period under review as compared to the previous corresponding period.

The Group also recognised share of profit from its associates, S-R Burlington Partners, LLC. and Cosmic Hospitality China Limited, of HK\$1.1 million for the period under review, as compared to a share of losses of HK\$0.1 million in the previous corresponding period.

Consequently, the Group's Hospitality segment reported pre-tax loss of HK\$5.2 million for the period under review as compared with a pre-tax profit of HK\$1.2 million in the previous corresponding period.

The Group remains cautious in the midst of the global uncertainty, though there are signs of improvement in the U.S. real estate and hospitality market.

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.

Shareholders of the Company and potential investors should note that all figures contained herein are unaudited and are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 11 November 2014

As at the date of this announcement, the Board is comprised of 9 directors, of which 4 are executive directors, namely Mr. Kwek Leng Beng, Mr. Kwek Leng Joo, Mr. Gan Khai Choon and Mr. Lawrence Yip Wai Lam, 2 are non-executive directors, namely Mr. Chan Bernard Charnwut and Mr. Ronald Nathaniel Issen, and 3 are independent non-executive directors, namely Dr. Lo Ka Shui, Mr. Lee Jackson a.k.a. Li Chik Sin and Mr. Teoh Teik Kee.