


Miscellaneous	
* Asterisks denote mandatory information	
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Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
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**>> Announcement Details**  
 The details of the announcement start here ...

Announcement Title *	Announcement by subsidiary company, City e-Solutions Limited : Major Transaction - Disposal of 50% Equity Interest in MindChamps Holdings Pte. Limited and Resumption of Trading
Description	We attach herewith a copy of the subject announcement issued by our subsidiary, City e-Solutions Limited on 17 March 2009, for your information.
<b>Attachments</b>	 CES.pdf Total size = <b>45K</b> (2048K size limit recommended)

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## **City e-Solutions Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 557)**

### **MAJOR TRANSACTION DISPOSAL OF 50% EQUITY INTEREST IN MINDCHAMPS HOLDINGS PTE. LIMITED AND RESUMPTION OF TRADING**

On 13 March 2009, CES Education Holdings Pte. Ltd., a wholly owned subsidiary of the Company, entered into an agreement to dispose of its 50% shareholding interest in MindChamps Holdings Pte. Limited to the other 50% shareholder, Champion Minds Pte. Limited, of whom Mr. David Chiem Phu An and Ms. Catherine Du are collectively the majority beneficial owners, at the total cash consideration of S\$3.5 million (about HK\$17.75 million).

MindChamps Holdings Pte. Limited and its subsidiaries are principally engaged in offering “How-to-Learn” programmes, comprising of specialized accelerated learning and memorization technique programmes taught to children and young people ranging from pre-school to tertiary level.

The MindChamps Disposal Agreement constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules as the revenue ratio in respect of it exceeds 25% but is less than 75%. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiry, no Shareholders or any of their respective associates have any material interest in the MindChamps Disposal Agreement. As such, no Shareholder is required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the MindChamps Disposal Agreement. City Developments Limited, through its relevant wholly owned subsidiaries, is currently holding about 52.52% of the issued Shares of the Company. Pursuant to

Rule 14.44 of the Listing Rules, the Relevant CDL Subsidiaries had issued a written shareholders' approval to approve the MindChamps Disposal Agreement in lieu of holding an extraordinary general meeting of the Company and no extraordinary general meeting will be convened by the Company to approve the MindChamps Disposal Agreement.

A major transaction circular in connection with the MindChamps Disposal Agreement will be dispatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was temporarily suspended at the request of the Company with effect from 9:30 a.m. on 16 March 2009 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 17 March 2009.

## **A. THE MINDCHAMPS DISPOSAL AGREEMENT**

The material terms of the MindChamps Disposal Agreement are summarized below:

### *1. Date*

13 March 2009

### *2. Parties*

Seller: CES Education Holdings Pte. Ltd., which is a limited liability company incorporated in Singapore and is wholly owned by the Company;

Purchaser: Champion Minds Pte. Limited, which is a limited liability company incorporated in Singapore; and

Principals: Mr. David Chiem Phu An and Ms. Catherine Du, the principals of the Purchaser. The Principals together with the Purchaser provided warranties and covenants in favour of the Seller.

The principal business of the Purchaser is holding 50% shareholding interest in MindChamps JVC, and the Principals are collectively the majority beneficial shareholders of the Purchaser. To the best of the knowledge of the Directors after making all reasonable enquiry, the Purchaser and its ultimate beneficial owners (including the Principals) are Independent Third Parties.

### 3. *Asset to be disposed of and Consideration*

The Seller will sell its 50% shareholding interest in MindChamps JVC at the total consideration of S\$3.5 million (about HK\$17.75 million). The Consideration will be settled by cash in the following manner:

- (a) S\$0.75 million (about HK\$3.80 million) upon the Completion Date;
- (b) S\$0.25 million (about HK\$1.27 million) by 5 equal monthly instalments of S\$0.05 million (about HK\$0.25 million) each payable on or before the last business day of each month, with the first instalment to be paid in the month immediately following the Completion Date; and
- (c) the remaining S\$2.5 million (about HK\$12.68 million) upon the second anniversary of the date of the MindChamps Disposal Agreement.

As security for the due and punctual settlement of the Deferred Consideration, the Purchaser will charge its equity interests being 100% in MindChamps JVC in favour of the Seller on completion of the MindChamps Disposal Agreement. The MindChamps Disposal Agreement provided for various events (including disposal of any interest in MindChamps JVC at any time before the expiry of the second anniversary of the Completion Date, commencement of winding-up or insolvency proceedings in respect of MindChamps JVC Group or the Purchaser itself, entering into any agreement with the creditors of MindChamps JVC Group or the Purchaser with a view to reducing, or suspending payment of, their indebtedness and breach of warranties, representations and undertakings in the MindChamps Disposal Agreement), the occurrence of any of which shall constitute default on the part of the Purchaser before full settlement of the Deferred Consideration. If any of such events of default occurs, the Seller is entitled to declare that the outstanding Deferred Consideration be immediately due and payable and if such amount is not settled within 3 business days, the Seller may enforce the share charge given by the Purchaser.

The Consideration was determined after arm's length negotiations between the parties. It was agreed to by the Company primarily with reference to the audited net asset value of MindChamps JVC Group as at 31 December 2008 and after taking into consideration certain adjustment factors, including (a) the illiquidity of the Group's investment in MindChamps JVC as the shareholding comprises of private non-quoted shares and (b) exiting discount for non-majority (i.e. 50%) control conferred by the Sale Shares.

#### 4. *Completion*

Completion of the sale and purchase of the Sale Shares under the MindChamps Disposal Agreement is conditional upon the approval of the Shareholders to the transactions contemplated under the MindChamps Disposal Agreement being obtained in accordance with the Listing Rules. This condition having been satisfied by way of the written approval issued by the Relevant CDL Subsidiaries holding about 52.52% of the entire issued share capital of the Company, the completion of the MindChamps Disposal Agreement is currently expected to take place on 23 March 2009.

The Sale Shares represent all the indirect shareholding interest of the Company in MindChamps JVC, and the Group will no longer have any such equity interests upon completion of the sale and purchase of the Sale Shares.

#### 5. *Information on MindChamps JVC and its principal business*

MindChamps JVC Group is principally engaged in offering “How-to-Learn” programmes, comprising of specialized accelerated learning and memorization technique programmes taught to children and young people ranging from pre-school to tertiary level.

Based on the audited financial statements of MindChamps JVC Group as at 31 December 2008, the net asset value of MindChamps JVC Group was approximately S\$8 million (about HK\$40.58 million). The table below summarises the audited operating results of MindChamps JVC Group for the following accounting periods:

	<b>Year ended 31/12/2008</b>	<b>Period from 22/5/2007 (date of incorporation) to 31/12/2007</b>
	<i>S\$'000</i>	<i>S\$'000</i>
Turnover	17,056	8,752
Profit/(Loss) before taxation	(7,919)	718
Profit/(Loss) after taxation and extraordinary items	(8,022)	1,085

The loss after taxation and extraordinary items of MindChamps JVC Group for the financial year ended 31 December 2008 was primarily due to operating losses of approximately S\$1.8 million (about HK\$9.13 million) and one-time non-cash impairment to the valuation of intellectual property of approximately S\$6.1 million (about HK\$30.94 million).

In view of the losses of MindChamps JVC Group in 2008 and the uncertain macro-economic environment, the Directors adopted a valuation of the intellectual property of MindChamps JVC based on conservative assumptions, resulting in the Group recording a nil net carrying value of its interest in MindChamps JVC as at 31 December 2008. As a result of this lower valuation of the intellectual property of MindChamps JVC, the Group recorded a total impairment loss of HK\$37.3 million for the financial year ended 31 December 2008, as disclosed in the Company's recent announcement of results for the financial year ended 31 December 2008 on 23 February 2009.

## **B. REASONS FOR, AND BENEFITS OF, THE MINDCHAMPS DISPOSAL AGREEMENT**

The Group's principal business includes investment holding and provision of hospitality related services.

The Sale Shares were acquired by the Group in 2007 for S\$7.5 million (about HK\$38.5 million at that time). Although the Consideration represents only approximately half of the original acquisition price, the growth assumptions at the time of the original investment have now changed as the business of Mindchamps JVC is being affected by the reduction in consumer discretionary spending caused by the current recession. The Directors are of the opinion that the sale of the Group's 50% shareholding interest in MindChamps JVC at the Consideration is in the interests of the Company and the Shareholders as a whole in view of the losses of MindChamps JVC Group in 2008 and the uncertain macro-economic environment ahead. The Directors are of the view that the disposal would enable the Group and its management to focus on hospitality services and other more attractive investments. Due to the challenging economic climate, the Directors believe that it is prudent for the Group to participate in investments where it can exercise greater management control in order to be able to respond more quickly to changes in the operating environment. The Directors also anticipate that the severe economic downturn should give rise to investment opportunities at attractive valuations. The divestment of its shareholding interest in MindChamps JVC would enable the Group to focus its attention and resources on uncovering investment opportunities (if any) that may offer higher returns.

At Completion Date, the net gain expected to accrue to the Group from the disposal of the Sale Shares would be about S\$0.8 million (about HK\$4.06 million), subject to finalisation of the financial statements of MindChamps JVC Group for the period from 1 January 2009 to the Completion Date. The gain represents the difference between (i) the Initial Consideration received at Completion Date less expenses estimated to be S\$0.2 million (about HK\$1.01 million) related to the MindChamps Disposal Agreement and (ii) the nil net carrying value of the Group's 50% interest in MindChamps JVC in its audited financial statements as at 31 December 2008, as adjusted for the Group's expected share of the operating loss (of about S\$0.25 million (about HK\$1.27 million)) of MindChamps JVC Group for the period from 1 January 2009 to the Completion Date. The Group would record additional gains as and when parts of the Deferred Consideration are received by the Seller. Accordingly, if the full amount of Deferred Consideration is received by the Group, the expected total gain from the disposal of the Sale Shares would be S\$3.55 million (about HK\$ 18.01 million). The net proceeds received by the Group are intended to be used as working capital.

The Directors believe that the terms of the MindChamps Disposal Agreement are on normal commercial terms and fair and reasonable, and are also in the interests of the Company and the Shareholders as a whole.

### **C. LISTING RULES IMPLICATIONS**

The MindChamps Disposal Agreement constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules as the revenue ratio in respect of it exceeds 25% but is less than 75%.

CDL, through its wholly owned subsidiaries, is currently holding about 52.52% of the entire issued share capital of the Company. As none of CDL and its subsidiaries and associates has any material interests in the MindChamps Disposal Agreement (save in the same manner as any other Shareholders generally), the Relevant CDL Subsidiaries are permitted to vote at a general meeting of the Company that may be convened for the purposes of considering and approving the MindChamps Disposal Agreement under the Listing Rules. The Purchaser has confirmed that it and its associates do not have any interests in the Shares and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiry, no Shareholders or any of their respective associates have any material interest in the MindChamps Disposal Agreement. As such, no Shareholder is required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the MindChamps Disposal Agreement. As the Relevant CDL Subsidiaries holding such 52.52% issued Shares are a closely allied group of Shareholders under Rule 14.45 of the Listing Rules, they have issued a written

confirmation approving the MindChamps Disposal Agreement. As this written shareholders' approval is accepted under Rule 14.44 of the Listing Rules in lieu of holding an extraordinary general meeting of the Company, no extraordinary general meeting will be convened by the Company to approve the MindChamps Disposal Agreement.

A major transaction circular in connection with the MindChamps Disposal Agreement will be dispatched to the Shareholders as soon as practicable.

#### **D. RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was temporarily suspended at the request of the Company with effect from 9:30 a.m. on 16 March 2009 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 17 March 2009.

#### **E. DEFINITIONS**

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“associate”	has the meaning ascribed to such term in the Listing Rules
“Board”	the board of Directors
“CDL”	City Developments Limited, a company incorporated in Singapore and whose shares are listed on the Singapore Exchange Securities Trading Limited. CDL, through its wholly owned subsidiaries, is currently holding about 52.52% of the issued Shares of the Company
“CES Education” or “Seller”	CES Education Holdings Pte. Ltd., which is a company incorporated in Singapore and is a wholly owned subsidiary of the Company
“Company”	City e-Solutions Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange
“Completion Date”	the date of completion of the sale and purchase of the Sale Shares under the MindChamps Disposal Agreement, currently expected to be 23 March 2009



“connected person”	has the meaning ascribed to such term in the Listing Rules
“Consideration”	the amount of S\$3.5 million (about HK\$17.75 million)
“Deferred Consideration”	the sum of S\$2.75 million (about HK\$13.95 million) of the Consideration, to be settled by cash installments within 2 years from the date of the MindChamps Disposal Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	a party who, together with its ultimate beneficial owner(s), is (to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiry) not a connected person of the Company and is also independent of the Company and its connected persons
“Initial Consideration”	the sum of S\$0.75 million (about HK\$3.80 million) of the Consideration, to be settled in cash on the Completion Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MindChamps Disposal Agreement”	the share disposal agreement dated 13 March 2009 between the Seller, the Purchaser and the Principals relating to the sale of the Sale Shares
“MindChamps JVC”	MindChamps Holdings Pte. Limited, a limited liability company incorporated in Singapore on 22 May 2007, the entire issued share capital of which is currently owned as to 50% by the Seller and 50% by the Purchaser
“MindChamps JVC Group”	MindChamps JVC and its subsidiaries and associates
“Principals”	David Chiem Phu An and Catherine Du, the principals of the Purchaser

“Purchaser”	Champion Minds Pte. Limited, a company incorporated in Singapore and which is currently holding 50% of the entire issued share capital of MindChamps JVC
“Relevant CDL Subsidiaries”	wholly owned subsidiaries of CDL which own in aggregate a 52.52% shareholding interest in the issued share capital of the Company
“S\$”	Singapore dollars, the lawful currency of Singapore
“Sale Shares”	7.5 million ordinary shares, representing 50% of the entire issued share capital of MindChamps JVC as held by the Seller currently
“Share”	ordinary share of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 16 March 2009

*As at the date of this announcement, the Board is comprised of 11 directors, of which 6 are executive directors, namely Mr. Kwek Leng Beng, Mr. Vincent Yeo Wee Eng, Mr. Kwek Leng Joo, Mr. Kwek Leng Peck, Mr. Gan Khai Choon and Mr. Lawrence Yip Wai Lam, 2 are non-executive directors, namely Mr. Wong Hong Ren and Mr. Chan Bernard Charnwut 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.*

*For the purpose of this announcement, the translation of S\$ into HK\$ is based on the approximate exchange rate of S\$1.00 = HK\$5.07225.*