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Miscellaneous

* Asterisks denote mandatory information

| | |
|---|---------------------------|
| Name of Announcer * | CITY DEVELOPMENTS LIMITED |
| Company Registration No. | 196300316Z |
| Announcement submitted on behalf of | CITY DEVELOPMENTS LIMITED |
| 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, City e-Solutions Limited on Unaudited Financial Results for the Nine Months ended 30 September 2013

Description Please see attached announcement issued by City e-Solutions Limited on 31 October 2013.

Attachments

 [31102013_CES_Q3results.pdf](#)
 Total size = **46K**
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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 2013

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, jointly controlled entity and associates (the “Group”) for the nine months ended 30 September 2013.

The unaudited consolidated profit attributable to equity shareholders of the Company for the nine months ended 30 September 2013 was approximately HK\$3.5 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, jointly controlled entity and associates (the “Group”) for the nine months ended 30 September 2013 (the “Period”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (unaudited)

| | | Nine months ended | |
|---|-------------|--------------------------|---------------------|
| | | 30 September | |
| | <i>Note</i> | 2013 | 2012 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | <i>(restated)</i> |
| Turnover | 2 | 77,437 | 74,543 |
| Cost of sales | | <u>(14,307)</u> | <u>(13,935)</u> |
| Gross profit | | 63,130 | 60,608 |
| Other net gains | 3 | 9,360 | 12,929 |
| Administrative expenses | 4 | <u>(69,767)</u> | <u>(72,866)</u> |
| Profit from operating activities | | 2,723 | 671 |
| Finance costs | 5 | (659) | — |
| Share of profit/(losses) of a joint venture | | 2,078 | (395) |
| Share of losses of associates | | <u>(101)</u> | <u>—</u> |
| Profit before taxation | | 4,041 | 276 |
| Income tax (expense)/credit | | <u>(1,394)</u> | <u>1,304</u> |
| Profit for the period | 6 | <u><u>2,647</u></u> | <u><u>1,580</u></u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 3,511 | 4,717 |
| Non-controlling interests | | <u>(864)</u> | <u>(3,137)</u> |
| Profit for the period | | <u><u>2,647</u></u> | <u><u>1,580</u></u> |
| Earnings per share | | | |
| | | HK cents | HK cents |
| Basic earnings per share | | <u><u>0.92</u></u> | <u><u>1.23</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

| | As at 30 September 2013 | As at 31 December 2012 | As at 1 January 2012 |
|--|--|---|-------------------------------------|
| <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | <i>(restated)</i> | <i>(restated)</i> |
| Non-current assets | | | |
| Property, plant and equipment | 42,162 | 43,602 | 43,282 |
| Intangible assets | 14,263 | 16,289 | 361 |
| Available-for-sale financial assets | 32,999 | — | — |
| Goodwill | 8,938 | 8,938 | 1,694 |
| Interest in a joint venture | 10,046 | 10,404 | 12,492 |
| Interest in associates | 8,333 | 1,550 | — |
| Deferred tax assets | 22,001 | 23,270 | 21,927 |
| Total non-current assets | 138,742 | 104,053 | 79,756 |
| Current assets | | | |
| Trading securities | 101,997 | 93,150 | 79,900 |
| Trade and other receivables | 30,715 | 58,452 | 53,153 |
| Current tax recoverable | 1,501 | 1,452 | 357 |
| Cash and cash equivalents | 393,773 | 376,452 | 397,702 |
| | <u>527,986</u> | <u>529,506</u> | <u>531,112</u> |
| Current liabilities | | | |
| Trade and other payables | (33,535) | (34,731) | (31,673) |
| Interest-bearing borrowings | 7 (884) | (39) | — |
| | <u>(34,419)</u> | <u>(34,770)</u> | <u>(31,673)</u> |
| Net current assets | <u>493,567</u> | <u>494,736</u> | <u>499,439</u> |
| Total assets less current liabilities | 632,309 | 598,789 | 579,195 |
| Non-current liabilities | | | |
| Interest-bearing borrowings | 7 (31,432) | (88) | — |
| NET ASSETS | <u>600,877</u> | <u>598,701</u> | <u>579,195</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 382,450 | 382,450 | 382,450 |
| Reserves | 173,183 | 170,138 | 162,064 |
| Total equity attributable to equity shareholders of the Company | 555,633 | 552,588 | 544,514 |
| Non-controlling interests | <u>45,244</u> | <u>46,113</u> | <u>34,681</u> |
| TOTAL EQUITY | <u>600,877</u> | <u>598,701</u> | <u>579,195</u> |

Notes:-

1. Accounting policies

The Group's unaudited consolidated financial results for the nine months ended 30 September 2013 have not been reviewed by the Company's auditors.

The Group's unaudited consolidated financial results for the nine months ended 30 September 2013 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 2012, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements.

The adoption of the new Hong Kong Financial Reporting Standards ("HKFRS") and amendments to HKFRS did not have any significant effect on the financial statements, except for the adoption of HKFRS 11 *Joint arrangements*.

HKFRS 11, which replaces HKAS 31 *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

The adoption of HKFRS 11 has changed the Group's accounting policy for its joint venture which was previously accounted for using proportionate consolidation. The financial effects on the Group's consolidated statement of financial position as at 1 January 2012 and 31 December 2012 and its consolidated statement of profit or loss for the nine months ended 30 September 2012 as restated comparatives in the Group's unaudited consolidated financial results for the nine months ended 30 September 2013, is as follows:

| Impact on financial position as at 1 January 2012 | | | |
|--|-------------------------------|--|--------------------|
| | As previously reported | Retrospective effect of change in accounting policy | As restated |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Non-current assets | 117,499 | (37,743) | 79,756 |
| Current assets | 533,485 | (2,373) | 531,112 |
| Current liabilities | (34,350) | 2,677 | (31,673) |
| Non-current liabilities | (37,439) | 37,439 | — |
| Net assets | <u>579,195</u> | <u>—</u> | <u>579,195</u> |

Impact on financial position as at 31 December 2012

| | As previously reported | Retrospective effect of change in accounting policy | As restated |
|-------------------------|-----------------------------------|--|--------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Non-current assets | 139,984 | (35,931) | 104,053 |
| Current assets | 533,313 | (3,807) | 529,506 |
| Current liabilities | (37,565) | 2,795 | (34,770) |
| Non-current liabilities | (37,031) | 36,943 | (88) |
| Net assets | <u>598,701</u> | <u>—</u> | <u>598,701</u> |

**Impact on results for the nine months ended
30 September 2012**

| | As previously reported | Retrospective effect of change in accounting policy | As restated |
|------------------------------------|-----------------------------------|--|--------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 101,503 | (26,960) | 74,543 |
| Gross profit | 76,963 | (16,355) | 60,608 |
| Share of losses of a joint venture | — | (395) | (395) |
| Profit before taxation | 276 | — | 276 |
| Profit for the period | <u>1,580</u> | <u>—</u> | <u>1,580</u> |

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 | |
|---------------------------------|---|-------------------|
| | 2013 | 2012 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | <i>(restated)</i> |
| Revenue from external customers | | |
| - Investment holding | 1,513 | 3,085 |
| - Hospitality | 73,607 | 68,471 |
| Interest income | <u>2,317</u> | <u>2,987</u> |
| | <u>77,437</u> | <u>74,543</u> |

3. **Other net gains**

| | Nine months ended | |
|---|--------------------------|----------------------|
| | 30 September | |
| | 2013 | 2012 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net realised and unrealised valuation gains on trading securities | 7,566 | 10,076 |
| Net realised and unrealised foreign exchange gains | 1,251 | 2,853 |
| Gain on disposal of property, plant and equipment | 518 | — |
| Others | <u>25</u> | <u>—</u> |
| | <u><u>9,360</u></u> | <u><u>12,929</u></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 | |
| | 2013 | 2012 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | <i>(restated)</i> |
| Amortisation of capitalised transaction costs | 54 | — |
| Interest expenses on borrowings | <u>605</u> | <u>—</u> |
| | <u><u>659</u></u> | <u><u>—</u></u> |

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

| | Nine months ended | |
|--|--------------------------|-------------------|
| | 30 September | |
| | 2013 | 2012 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | <i>(restated)</i> |
| Depreciation of property, plant and equipment | 1,925 | 1,945 |
| Amortisation of intangible assets | 2,024 | 1,578 |
| Operating lease charges — rental of properties | 1,295 | 1,374 |
| Dividend and interest income | <u>(3,830)</u> | <u>(6,072)</u> |

7. Interest-bearing borrowings

| | As at 30 September 2013 <i>HK\$'000</i> | As at 31 December 2012 <i>HK\$'000</i> <i>(restated)</i> | As at 1 January 2012 <i>HK\$'000</i> <i>(restated)</i> |
|---------------------------|--|--|--|
| Term loan (secured) | 31,913 | — | — |
| Finance lease liabilities | <u>403</u> | <u>127</u> | <u>—</u> |
| | <u>32,316</u> | <u>127</u> | <u>—</u> |
| Repayable: | | | |
| - Within 1 year | 884 | 39 | — |
| - Between 1 and 5 years | 4,619 | 88 | — |
| - After 5 years | <u>26,813</u> | <u>—</u> | <u>—</u> |
| | <u>32,316</u> | <u>127</u> | <u>—</u> |

On 26 April 2013, the Group, through its indirect subsidiary, SWAN Carolina Investor, LLC, and SFI Carolina TIC SPE, LLC entered into a ten-year term loan of US\$8.6 million (approximately HK\$66.7 million) to primarily re-finance its joint operation, Sheraton Chapel Hill Hotel.

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\$39.5 million as at 30 September 2013;
- 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\$2.0 million as at 30 September 2013; and
- guarantee by Richfield Hospitality, Inc, an indirect subsidiary of the Group.

8. Capital commitments contracted but not provided for

| | As at 30 September 2013 HK\$'000 | As at 31 December 2012 HK\$'000 |
|--|---|--|
| Commitment to make an investment in BEA Blue Sky Real Estate Fund L.P. | <u>160,791</u> | <u>—</u> |

On 3 June 2013, the Group's direct wholly-owned subsidiary, CES Capital Limited has committed to make an investment of US\$25.0 million (approximately HK\$193.8 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 30 September 2013, CES Capital Limited has contributed US\$4.3 million (approximately HK\$33.0 million) to the Fund.

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.

9. Establishment of SWAN Carolina Investor, LLC as joint operator of Sheraton Chapel Hill

On 1 January 2013, the Group, through its newly incorporated indirect subsidiary, SWAN Carolina Investor, LLC ("SCI"), entered into a tenant-in-common agreement with SFI Carolina TIC SPE, LLC 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. Following the tenant-in-common agreement, SCI became a joint operator of the Property and is entitled to 50% of all income, expenses and increases or decreases in value of the Property with effect from 1 January 2013.

10. Acquisition of interest in Doubletree Burlington Hotel through investment in a new associate, S-R Burlington Partners, LLC

On 30 January 2013, the Group, through its indirect subsidiary, SWAN USA, Inc ("SWAN USA"), invested in a new associate, S-R Burlington Partners, LLC ("SRBP"). SWAN USA contributed US\$0.9 million (approximately HK\$7.0 million) to obtain an equity interest of 31.83% in SRBP. On the same day, SRBP entered into an agreement to acquire 59.83% equity interest in RBH Venture, LLC, a company incorporated in USA, which indirectly owns 100% interest in Doubletree Burlington Hotel, USA. Following the investment, the Group holds an effective interest of approximately 16% in the hotel property.

The share of results of SRBP from 30 January 2013 to 30 September 2013, including share of acquisition-related costs of HK\$0.6 million, was included in the "Share of losses of associates" in the consolidated income statement for the nine months ended 30 September 2013.

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group reported an improvement in revenue to HK\$77.4 million, an increase of HK\$2.9 million or 3.9% from HK\$74.5 million in the previous corresponding period due to higher revenues from the Group's Hospitality segment. Consequently, the Group's Hospitality segment reported pre-tax profit of HK\$1.2 million for the period under review as compared with a pre-tax loss of HK\$6.4 million in the previous corresponding period.

The Group's U.S. hotel management arm, Richfield Hospitality, recorded higher management fee income of HK\$25.2 million, up by HK\$1.7 million or 7.2% from HK\$23.5 million in the previous corresponding period due mainly from a new contract secured with a full service property. Overall, with good cost controls and measures, Richfield reported lower loss before tax of about HK\$0.9 million as compared with a loss of HK\$8.0 million in the previous corresponding period.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. continued to enjoy good room occupancy and contributed a total revenue of HK\$19.0 million, up by HK\$1.5 million or an increase by 8.6% from HK\$17.5 million in the previous corresponding period. Accordingly, the profit contribution improved to HK\$2.8 million up from HK\$2.4 million in the previous corresponding period.

The Group's 51% equity interest in Sceptre Hospitality Resources ("SHR"), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/ channel-management services, recorded a full 9 months of revenue amounting to HK\$27.0 million, up from HK\$21.9 million being revenue recorded for approximately seven months of operation as SHR commenced operation around end February 2012. However, the increase of HK\$5.1 million in revenue from SHR was offset by a decrease of HK\$3.0 million from the in-house reservations management and distribution arm which had since ceased operation as a result of the merger with SHR at end February 2012. For the period under review, SHR incurred a lower loss at HK\$2.7 million as compared with HK\$6.6 million in the previous corresponding period.

The Group's jointly-controlled entity, Richfield Syracuse Hotel Partners, LLC, which owns the Crowne Plaza Syracuse Hotel reported improved trading result and contributed a share of profit of HK\$2.1 million for the period under review as compared with a share of loss of HK\$0.4 million in the previous corresponding period. On the other hand, the Group recognised share of losses from its associates of HK\$0.1 million, which included the Group's share of acquisition-related costs of HK\$0.6 million arising from the Group's investment in S-R Burlington Partners, LLC ("SRBP") on 30 January 2013.

On the Group's Investment Holding segment, the net realised and unrealised valuation gains of HK\$7.6 million was recognised from the Group's securities holding as at 30 September 2013. Net realised and unrealised foreign exchange gain of HK\$1.3 million, which mainly arose from the Renminbi and Sterling Pound denominated cash deposits, was reported. Overall, the total net realised and unrealised gains of HK\$8.9 million was recorded for the period under review as compared with total net realised and unrealised gains of HK\$12.3 million in the previous corresponding period.

Overall, the Group recorded a net profit attributable to the equity shareholders of the Company of HK\$3.5 million as compared with a net profit attributable to the equity shareholders of the Company of HK\$4.7 million in the previous corresponding period due mainly to lower profit contribution from Investment Holding segment.

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, 31 October 2013

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.