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**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 Title *	Announcement by Subsidiary Company, City e-Solutions Limited on Unaudited Consolidated Results for the Six Months Ended 30 June 2010
Description	Please see attached subject announcement released by City e-Solutions Limited on 10 August 2010.
<b>Attachments</b>	 <a href="#">CES_Results.pdf</a> Total size = <b>54K</b> (2048K size limit recommended)

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## **City e-Solutions Limited**

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

**(Stock Code: 557)**

### **2010 INTERIM RESULTS — ANNOUNCEMENT UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010**

#### **RESULTS**

The Directors of City e-Solutions Limited (the “Company”) announce the following interim unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 together with comparative figures.

**Consolidated income statement**  
**for the six months ended 30 June 2010 — unaudited**

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2010</b>	<b>2009</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>			
<b>Turnover</b>	2	47,881	35,266
Cost of sales		<u>(3,231)</u>	<u>(14,484)</u>
<b>Gross profit</b>		44,650	20,782
Other net (losses)/income	3	(25,778)	28,291
Administrative expenses		<u>(24,415)</u>	<u>(19,706)</u>
<b>(Loss)/Profit from operations</b>		(5,543)	29,367
Share of losses of an associate		<u>—</u>	<u>(258)</u>
<b>(Loss)/Profit before taxation</b>		(5,543)	29,109
Income tax	4	<u>2,858</u>	<u>(1,177)</u>
<b>(Loss)/Profit from continuing operations</b>		(2,685)	27,932
<b>Discontinued operations</b>			
Profit from discontinued operations, net of tax	5	<u>2,334</u>	<u>3,922</u>
<b>(Loss)/Profit for the period</b>	6	<u><u>(351)</u></u>	<u><u>31,854</u></u>
<b>Attributable to:</b>			
Equity shareholders of the Company		199	31,552
Non-controlling interests		<u>(550)</u>	<u>302</u>
<b>(Loss)/Profit for the period</b>		<u><u>(351)</u></u>	<u><u>31,854</u></u>
<b>Earnings per share</b>			
Basic earnings per share	8	<b>HK cents</b> <u>0.05</u>	<b>HK cents</b> <u>8.25</u>
<b>Continuing operations</b>			
Basic (losses)/earnings per share	8	<u><u>(0.56)</u></u>	<u><u>7.22</u></u>

**Consolidated statement of comprehensive income  
for the six months ended 30 June 2010 — unaudited**

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2010</b>	<b>2009</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(Loss)/Profit for the period</b>		(351)	31,854
<b>Other comprehensive income for the period (after taxation and reclassification adjustments):</b>			
Exchange differences on translation of:			
- financial statements of foreign operations		1,122	147
- monetary items forming part of net investment in a foreign operation		—	64
Exchange differences realised on disposal of a jointly controlled entity		—	(273)
		<u>1,122</u>	<u>(62)</u>
<b>Total comprehensive income for the period</b>		<u>771</u>	<u>31,792</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		1,174	31,421
Non-controlling interests		<u>(403)</u>	<u>371</u>
<b>Total comprehensive income for the period</b>		<u>771</u>	<u>31,792</u>

**Consolidated balance sheet at 30 June 2010 - unaudited**

	<i>Note</i>	<b>At 30 June 2010 HK\$'000</b>	<b>At 31 December 2009 HK\$'000</b>
<b>Non-current assets</b>			
Plant and equipment		1,607	2,472
Intangible assets		68	103
Deferred tax assets		15,832	12,814
Total non-current assets		17,507	15,389
<b>Current assets</b>			
Trading securities		105,859	95,340
Trade and other receivables	9	14,245	22,745
Current tax recoverable		383	395
Cash and cash equivalents		481,432	489,219
		601,919	607,699
<b>Current liabilities</b>			
Trade and other payables	10	(16,472)	(20,127)
Provision for taxation		(102)	(880)
		(16,574)	(21,007)
<b>Net current assets</b>		585,345	586,692
<b>Total assets less current liabilities</b>		602,852	602,081
<b>NET ASSETS</b>		602,852	602,081
<b>CAPITAL AND RESERVES</b>			
Share capital		382,450	382,450
Reserves		184,542	183,368
<b>Total equity attributable to equity shareholders of the Company</b>		566,992	565,818
<b>Non-controlling interests</b>		35,860	36,263
<b>TOTAL EQUITY</b>		602,852	602,081

Notes: -

1. The interim financial result for the six months ended 30 June 2010 is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Federation of Accountants. In addition, this financial result has been reviewed by the Company's Audit Committee.

The interim financial result for the six months ended 30 June 2010 has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 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 two revised Hong Kong Financial Reporting Standards ("HKFRS"), a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary*
- Amendments to HKAS 39, *Financial instruments: Recognition and measurement — eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*

None of the above changes have a material impact on the current or comparative periods.

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

2. Included in reportable segment revenue are dividends and interest income amounting to HK\$32.6 million (2009: HK\$2.5 million). Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments for the period is set out below:

	Investment Holding Six months		Hospitality Related Services Six months		Property Investment Six months		Total continuing operations Six months		Education Related Services (Discontinued) Six months		Total Six months	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	32,120	560	15,222	20,476	—	12,282	47,342	33,318	—	7,837	47,342	41,155
Interest income	358	1,513	178	435	3	—	539	1,948	—	5	539	1,953
<b>Reportable segment revenue</b>	<b>32,478</b>	<b>2,073</b>	<b>15,400</b>	<b>20,911</b>	<b>3</b>	<b>12,282</b>	<b>47,881</b>	<b>35,266</b>	<b>—</b>	<b>7,842</b>	<b>47,881</b>	<b>43,108</b>
<b>Reportable segment (loss)/profit</b>	<b>2,264</b>	<b>25,669</b>	<b>(7,787)</b>	<b>2,951</b>	<b>(20)</b>	<b>747</b>	<b>(5,543)</b>	<b>29,367</b>	<b>—</b>	<b>(558)</b>	<b>(5,543)</b>	<b>28,809</b>
Depreciation and amortisation	459	548	233	303	—	—	692	851	—	604	692	1,455
Unrealised (losses)/gains on trading securities	(18,051)	10,812	(282)	559	—	—	(18,333)	11,371	—	—	(18,333)	11,371
Unrealised foreign exchange (losses)/gains	(7,781)	16,588	—	—	—	—	(7,781)	16,588	—	—	(7,781)	16,588
Additions to non-current assets segment	—	12	105	31	—	—	105	43	—	187	105	230
<b>Reportable segment assets</b>	<b>535,447</b>	<b>529,570</b>	<b>64,627</b>	<b>77,205</b>	<b>3,137</b>	<b>3,104</b>	<b>603,211</b>	<b>609,879</b>	<b>—</b>	<b>—</b>	<b>603,211</b>	<b>609,879</b>
<b>Reportable segment liabilities</b>	<b>6,273</b>	<b>6,423</b>	<b>10,116</b>	<b>13,644</b>	<b>83</b>	<b>60</b>	<b>16,472</b>	<b>20,127</b>	<b>—</b>	<b>—</b>	<b>16,472</b>	<b>20,127</b>

3. **Other net (losses)/income**

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Net realised and unrealised foreign exchange (losses)/gains	(7,781)	16,569
Net realised and unrealised (losses)/gains on trading securities	(18,333)	11,428
Others	336	294
	<u>(25,778)</u>	<u>28,291</u>

#### 4. Income tax

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current tax - Overseas</b>		
Provision for the period	70	153
Under-provision in respect of prior years	<u>34</u>	<u>—</u>
	<u>104</u>	<u>153</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(684)	(101)
Utilisation of deferred tax assets previously recognised	—	1,125
Recognition of deferred tax assets	<u>(2,278)</u>	<u>—</u>
	<u>(2,962)</u>	<u>1,024</u>
Income tax expense from continuing operations	(2,858)	1,177
Income tax expense from discontinued operations	<u>—</u>	<u>—</u>
	<u>(2,858)</u>	<u>1,177</u>

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2009: 16.5%) of the estimated assessable profits for the period ended 30 June 2010. 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 2010, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$4.0 million (31 December 2009: HK\$4.0 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.

#### 5. Discontinued Operations

On 13 March 2009, the Group entered into an agreement to dispose of its 50% shareholding interest in MindChamps Holdings Pte. Limited (“MindChamps”), a jointly controlled entity for a total consideration of S\$3.5 million (about HK\$19.0 million). The disposal was completed on 23 March 2009.

The total consideration of S\$3.5 million (about HK\$19.0 million) shall be settled by cash in the following manner:

- (a) S\$0.75 million (HK\$3.84 million) paid on 23 March 2009;
- (b) S\$0.25 million (HK\$1.33 million) by 5 equal monthly instalments of S\$0.05 million (HK\$0.27 million) each payable on or before the 4th business day of each month, with the first instalment paid in May 2009; and



(c) The remaining S\$2.5 million (about HK\$13.8 million) in March 2011.

Pursuant to the agreement dated 13 March 2009, the Group had received a total of S\$1.0 million (HK\$5.17 million) during the year 2009.

Following a settlement arrangement in December 2009, the remaining balance of S\$2.5 million (HK\$13.8 million), was received/will be received by the Group in the following manner:

- (a) US\$0.05 million (HK\$0.39 million) was received in December 2009;
- (b) US\$1.05 million (HK\$8.14 million) payable by 14 December 2010; and
- (c) the remaining of about HK\$5.27 million payable by March 2011.

For the period under review, US\$0.3 million (HK\$2.33 million) was received.

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

The results of the discontinued operations are set out below:

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2010</b>	<b>2009</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		—	7,842
Expenses		—	(8,400)
Loss before taxation		—	(558)
Income tax		—	—
Loss after taxation		—	(558)
Gain on disposal of discontinued operation		2,334	4,480
Profit from discontinued operations		<u>2,334</u>	<u>3,922</u>
Basic earnings per share (cents)	8	<u>0.61</u>	<u>1.03</u>

#### 6. (Loss)/Profit for the period

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of plant and equipment	659	1,237
Amortisation of intangible assets	33	218
Dividends and interest income	(32,659)	(2,513)
Gain on disposal of investment in a jointly controlled entity	<u>(2,334)</u>	<u>(4,480)</u>

Included in the dividend and interest income is stock distribution amounting to HK\$31.5 million from the Group's unlisted marketable equity mutual fund.

## 7. Dividends

- a) Dividends attributable to the interim period

The Directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2010 (2009: HK\$Nil).

- b) Dividends 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.

## 8. Earnings per share

- a) *Basic earnings per share*

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of HK\$0.2 million (six months ended 30 June 2009: Profit of HK\$31.6 million) and on the weighted average number of ordinary shares of 382,449,524 (2009: 382,449,524) in issue during the period.

For the period ended 30 June 2010, (losses)/earnings per share for continuing and discontinued operations have been calculated using the loss relating to continuing operations of HK\$2.1 million (2009: Profit of HK\$27.7 million) and the profit relating to discontinued operations of HK\$2.3 million (2009: Profit of HK\$3.9 million).

- b) *Diluted earnings per share*

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

## 9. Trade and other receivables

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

	<b>At 30 June</b>	<b>At 31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current or less than 1 month overdue	6,055	4,907
1 to 3 months overdue	753	1,576
3 to 12 months overdue	<u>137</u>	<u>261</u>
Total trade receivables, less impairment losses	6,945	6,744
Other receivables and deposits	1,228	12,292
Advance payment <sup>(1)</sup>	2,724	—
Amounts owing by affiliated companies	<u>399</u>	<u>1,177</u>
Loans and receivables	11,296	20,213
Prepayments	<u>2,949</u>	<u>2,532</u>
	<u><u>14,245</u></u>	<u><u>22,745</u></u>

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

<sup>(1)</sup> On 7 May 2010, the Group, through SWAN USA Inc (“SWAN”), a direct wholly owned subsidiary of SWAN Holdings Limited and Shelbourne Falcon Investors, LP (“Shelbourne”) entered into a Joint Venture agreement (“JV”) for the formation and operation of RSF Syracuse Partners, LLC (“RSFP”) with SWAN and Shelbourne each having a 50% participating interest in RSFP.

The principal activities of RSFP are acquiring and overseeing the operation of a hotel.

For the period under review, the Group has contributed a total of US\$0.3 million (HK\$2.7 million) capital contributions under the JV agreement.

## 10. Trade and other payables

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	9	189
Other payables and accrued charges	16,174	19,659
Amounts owing to affiliated companies	<u>289</u>	<u>279</u>
	<u><u>16,472</u></u>	<u><u>20,127</u></u>

#### 11. Subsequent event

Subsequent to the balance sheet, the Group, through its 50% jointly controlled entity, RSFP, has successfully closed the acquisition of the Renaissance Syracuse Hotel (“Hotel”) located in Syracuse, New York, USA. The purchase price of the Hotel is US\$10 million (about HK\$78 million), financed partially with an external bank loan of US\$4.8 million (about HK\$38 million).

#### 12. Capital commitments

As at 30 June 2010, the Group has outstanding capital contribution to its 50% jointly controlled entity, RSFP, of approximately HK\$24 million pursuant to the JV agreement.

### MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net profit attributable to the equity shareholders of the Company of HK\$0.2 million as compared with HK\$31.6 million in the previous corresponding period.

The decrease in profit is mainly due to a net unrealised loss of HK\$18.3 million as a result of the revaluation of the Group’s trading securities to fair value as at 30 June 2010 as well as a net realised and unrealised translation exchange loss of HK\$7.8 million arising mainly from the Sterling Pound denominated trading security and cash deposit. Accordingly, a total net realised and unrealised loss of HK\$26.1 million was recorded for the period under review as compared with a total net realised and unrealised gain of HK\$28.0 million reported in the previous corresponding period. Nevertheless, the negative impact is reduced by higher dividend income of HK\$32.1 million for the period under review as compared with HK\$0.6 million in the previous corresponding period.

The higher dividend income has boosted the Group’s revenue for the period under review which amounted to HK\$47.9 million, up by HK\$12.6 million or 35.8% as compared with HK\$35.3 million in the previous corresponding period. However, lower revenues were recorded by the Group’s Property Investment and Hospitality Related Services business segments.

The Group no longer holds investment property following the sale of the remaining two residential properties in the previous corresponding period. Hence, for the period under review, no revenue was recorded from this business segment as compared with revenue of HK\$12.3 million from the sale of two residential properties reported in the previous corresponding period.

In addition, the Group’s Hospitality Related Services business segment also recorded lower operating revenue of HK\$15.2 million, down by HK\$5.3 million or 25.6%, as compared with HK\$20.5 million in the previous corresponding period. The continuing challenging economic environment has resulted in a decline in the

managed hotels' operating results as well as a reduction in the number of managed hotels in its portfolio which in turn have adversely affected the management fees recorded by the Group's U.S. hotel management arm, Richfield. The decrease in revenue and the higher operating expenses incurred mainly to acquire new hotel management contracts have led to a loss from operations of HK\$7.8 million for the period under review as compared with a profit of HK\$2.9 million in the previous corresponding period.

For the period under review, the Group's recorded profit from discontinued operations of HK\$2.3 million was a result of the deferred consideration received from the disposal of 50% equity interest in MindChamps on 23 March 2009.

The Group has always been seeking investment opportunities and on 7 May 2010, the Group, through SWAN, a direct wholly owned subsidiary of SWAN Holdings Limited acquired a 50% joint venture equity interest in RSFP which was formed to acquire a hotel in Syracuse, New York, USA.

The Group believes the current period provides an attractive environment for investing in the hotel industry in the U.S.. On 19 July 2010, RSFP, through its wholly owned subsidiary Richfield Syracuse Hotel Partners, LLC has successfully closed the acquisition of the Renaissance Syracuse Hotel, a 279-room full-service hotel located in Syracuse, New York, USA. The purchase price of the Hotel is US\$10 million (about HK\$78 million), which represents US\$35,842 per key and a 14% yield on 2009 net operating income.

## **PROSPECTS**

Business conditions continue to remain challenging in the 2nd Half of 2010 and Management will adopt a cost-conscious approach towards managing its current business. The Group continues to hold some trading securities while its cash reserves are in a basket of currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value readjustments of the Group's trading securities and unrealised gains or losses on the revaluation of foreign currency cash deposits.

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

## **AUDIT COMMITTEE**

The members of the Audit Committee of the Company comprise 2 independent non-executive directors and 1 non-executive director of the Company. It has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2010.

## **CORPORATE GOVERNANCE**

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

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. However, in the annual general meeting held on 21 April 2010, our chairman was unable to attend the meeting as he had to attend to an urgent matter. He appointed Mr. Gan Khai Choon to chair the meeting on his behalf.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **CHANGE IN DIRECTOR’S INFORMATION**

Dr. Lo Ka Shui retired as an Independent Non-Executive Director of Melco International Development Limited with effect from 22 June 2010.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2010.

By Order of the Board  
**Kwek Leng Beng**  
*Chairman*

Hong Kong, 10 August 2010

*As at the date of this announcement, the Board is comprised of 8 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, 1 is a non-executive director, namely 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.*