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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
Date & Time of Broadcast	31-Aug-2009 19:18:05
Announcement No.	00153

**>> Announcement Details**

The details of the announcement start here ...

Announcement Title \* Announcement by Subsidiary Company, City e-Solutions Limited on Disposal of 40% Equity Interest in Tune Hospitality Investments FZCO

Description Please see attached the above Announcement issued by City e-Solutions Limited on 31 August 2009.

**Attachments** 
 [CESAnnouncement.pdf](#)  
 Total size = **38K**  
 (2048K size limit recommended)

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## **City e-Solutions Limited**

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

**(Stock Code: 557)**

### **DISCLOSEABLE TRANSACTION**

#### **DISPOSAL OF 40% EQUITY INTEREST IN TUNE HOSPITALITY INVESTMENTS FZCO**

On 31 August 2009, CES Hospitality Holdings Limited, a wholly owned subsidiary of the Company, accepted in writing the offer set out in a binding letter of offer from Tune Hotels.com Capital Partners Limited dated 25 August 2009, for the acquisition by the latter of CES Hospitality Holdings Limited's 40% shareholding interest in Tune Hospitality Investments FZCO at a total cash consideration of US\$4 million (about HK\$31.0 million), subject to the terms and conditions set out in the said letter of offer.

Tune Hospitality Investments FZCO is a joint venture investment vehicle established to develop and own a portfolio of "no-frills" Tune branded hotels, in which CES Hospitality Holdings Limited and Istithmar Hotels FZE each hold a 40% shareholding interest whilst the remaining 20% shareholding interest is held by Tune Hotels.com Capital Partners Limited.

As the consideration ratio in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

#### **A. TERMS OF THE OFFER LETTER**

The material terms of the Offer Letter are summarised below:

##### **1. Date**

25 August 2009

## 2. Parties

Offeror/  
Purchaser: Tune Hotels.com Capital Partners Limited (“Tune Hotels.com”), which is a company incorporated in the British Virgin Islands and is currently a 20% shareholder of Tune Hospitality Investments FZCO (“Tune JVC”). To the best of the knowledge of the Directors having made all reasonable enquiry, Tune Hotels.com is principally engaged in, inter alia, the investment, licensing and operation of “no-frills” limited service hotels in Asia under the Tune Hotels.com brand.

Offerees/  
Sellers: (a) CES Hospitality Holdings Limited (“CES Hospitality”), which is a company incorporated in Hong Kong and is wholly owned by the Company; and

(b) Istithmar Hotels FZE (“Istithmar Hotels”), which is a company incorporated in the United Arab Emirates and is the other 40% shareholder of Tune JVC. To the best of the knowledge of the Directors after having made all reasonable enquiry, Istithmar Hotels is principally engaged in the management of Istithmar’s investments in the leisure sector. Istithmar is an investment company of Dubai World, a holding company which manages and supervises a portfolio of businesses and projects for the Dubai Government.

To the best of the knowledge of the Directors after making all reasonable enquiry, Tune Hotels.com, Istithmar Hotels and their respective ultimate beneficial owners are Independent Third Parties.

## 3. Assets to be disposed of and Consideration

By accepting the Offer on 31 August 2009, CES Hospitality agreed to sell its 40% shareholding interest in Tune JVC and inter-company loans and advances owing by Tune JVC to it in the sum of US\$3,999,999 (about HK\$31.0 million) to Tune Hotels.com at the total consideration of US\$4 million (about HK\$31.0 million). Concurrently upon completion of the sale and purchase of the Sale Shares, CES Hospitality will waive the remaining balance of inter-company loans and advances owing by Tune JVC to it in the sum of US\$345,545 (about HK\$2.7 million). The Sale Shares represent all the indirect shareholding interest of the Company in Tune JVC, and the Group will no longer have any equity interests in Tune JVC upon completion of the sale and purchase of the Sale Shares.

The Consideration will be settled by cash within 7 working days of the acceptance of the Offer. It was determined after arm's length negotiations between the parties and was agreed to by the Company primarily with reference to the unaudited net asset value of the Tune JVC Group as at 30 June 2009.

Under the same Offer Letter, Tune Hotels.com has also made an offer for the purchase of Istithmar Hotels' 40% shareholding interest in Tune JVC on the same terms and conditions, including the consideration, as those offered by Tune Hotels.com to CES Hospitality for the Sale Shares. The Offer by Tune Hotels.com was made expressly conditional upon CES Hospitality and Istithmar Hotels selling all and not part of their shareholding interests in Tune JVC to Tune Hotels.com. Istithmar Hotels has on 26 August 2009 also accepted the offer from Tune Hotels.com in accordance with the terms of the Offer Letter.

#### 4. **Information on Tune JVC and its principal business**

Tune JVC is established to develop and own a portfolio of "no-frills" Tune branded hotels, acquired or committed to acquire a total of eight sites; five in Malaysia and three in Indonesia. Construction work has started on the two Bali sites in Indonesia but due to the current economic recession, development of the remaining sites has been delayed.

Based on the unaudited financial statements of Tune JVC Group as at 30 June 2009, the net liability value of Tune JVC Group was US\$1,324,793 (about HK\$10.3 million). The table below summarises the audited operating results of Tune JVC Group for the following accounting period:

	<b>Period from 12/7/2007 (date of incorporation of Tune JVC Group) to 31/12/2008 US\$</b>
Turnover	100,630
Loss before taxation	1,125,821
Loss after taxation	1,135,654

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

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

Due to the economic slowdown, the development of the 6 acquired land sites in Malaysia and Indonesia has been delayed and this has negatively impacted on the expected returns of these projects. Furthermore, if the Company chooses to retain its 40% interest in Tune JVC, it would be subject to further capital calls in future. The Board and the management are of the opinion that it would be best to conserve the capital and deploy it to other higher-yielding investment opportunities.

At Completion Date, the net gain expected to accrue to the Group from the Disposal before transaction expenses would be about HK\$540,000, subject to finalisation of the financial statements of Tune JVC Group for the period from 1 January 2009 to the Completion Date. The gain represents the difference between (i) the Consideration and (ii) the net carrying value of the Group's 40% interest in Tune JVC in its unaudited financial statements as at 30 June 2009. The net proceeds received by the Group are intended to be used as working capital.

The Directors believe that the terms of the Disposal 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**

As the consideration ratio in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

## **D. DEFINITIONS**

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

“Board”	the board of Directors
“CES Hospitality”	CES Hospitality Holdings Limited, which is a company incorporated in Hong Kong 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 Offer Letter
“connected person”	has the meaning ascribed to such term in the Listing Rules
“Consideration”	the amount of US\$4 million (about HK\$31.0 million)
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares under the Offer Letter
“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
“Istithmar Hotels”	Istithmar Hotels FZE, which is a company incorporated in the United Arab Emirates and is currently a 40% shareholder of Tune JVC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the offer from Tune Hotels.com for the acquisition of CES Hospitality’s 40% shareholding interest in Tune Hospitality at a total cash consideration of US\$4 million (about HK\$31.0 million) subject to the terms and conditions set out in the Offer Letter
“Offer Letter”	the binding letter of offer dated 25 August 2009 from Tune Hotels.com to CES Hospitality and Istithmar Hotels relating to the purchase of their entire shareholding interests in Tune JVC

“Sale Shares”	2 ordinary shares, representing 40% of the entire issued share capital of Tune JVC as held by CES Hospitality currently
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tune Hotels.com”	Tune Hotels.com Capital Partners Limited, which is a company incorporated in the British Virgin Islands and is currently a 20% shareholder of Tune JVC
“Tune JVC”	Tune Hospitality Investments FZCO, a limited liability company incorporated in Dubai on 12 July 2007, the entire issued share capital of which is currently owned as to 40% by CES Hospitality, 40% by Istithmar Hotels and 20% by Tune Hotels.com
“Tune JVC Group”	Tune JVC and its subsidiaries
“US\$”	United States dollars, the lawful currency of the United States of America

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

Hong Kong, 31 August 2009

*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.*

*For the purpose of this announcement, the translation of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00 = HK\$7.7503.*