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Miscellaneous

* Asterisks denote mandatory information

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Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
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>> Announcement Details

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Announcement Title * Announcement by Subsidiary Company, City e-Solutions Limited, on Audited Consolidated Results for the Year Ended 31 December 2013

Description Please see the attached announcement released by City e-Solutions Limited on 25 February 2014.

Attachments

 [25022014_CES_results.pdf](#)
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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

2013 FINAL RESULTS — ANNOUNCEMENT AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

RESULTS

The Directors of City e-Solutions Limited (the “Company”) announce the following audited consolidated results of the Company, its subsidiaries, joint arrangements and associates (the “Group”) for the year ended 31 December 2013 together with comparative figures.

Consolidated Statement of Profit or Loss
for the year ended 31 December 2013

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> <i>(restated)</i>
Turnover	2	102,838	97,448
Cost of sales		<u>(18,981)</u>	<u>(18,445)</u>
Gross profit		83,857	79,003
Other net gains	3	23,561	16,284
Administrative expenses	4	<u>(92,612)</u>	<u>(96,022)</u>
Profit/(Loss) from operating activities		14,806	(735)
Finance costs	5	(1,046)	—
Share of profit of a joint venture		2,187	971
Share of profit of associates		<u>357</u>	<u>—</u>
Profit before taxation		16,304	236
Income tax (expense)/credit	6	<u>(442)</u>	<u>2,528</u>
Profit for the year	7	<u><u>15,862</u></u>	<u><u>2,764</u></u>
Attributable to:			
Equity shareholders of the Company		17,169	7,064
Non-controlling interests		<u>(1,307)</u>	<u>(4,300)</u>
Profit for the year		<u><u>15,862</u></u>	<u><u>2,764</u></u>
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
Basic earnings per share	8	<u><u>4.49</u></u>	<u><u>1.85</u></u>

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2013**

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> <i>(restated)</i>
Profit for the year	15,862	2,764
Other comprehensive income for the year (after taxation):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(689)	999
Exchange differences on monetary item forming net investment in a foreign operation	(38)	—
	<hr/>	<hr/>
Total comprehensive income for the year	<u>15,135</u>	<u>3,763</u>
Attributable to:		
Equity shareholders of the Company	16,448	8,074
Non-controlling interests	(1,313)	(4,311)
	<hr/>	<hr/>
Total comprehensive income for the year	<u>15,135</u>	<u>3,763</u>

Statements of Financial Position
As at 31 December 2013

		The Group			The Company	
		As at 31 December 2013 HK\$'000	As at 31 December 2012 HK\$'000 (restated)	As at 1 January 2012 HK\$'000 (restated)	As at 31 December 2013 HK\$'000	As at 31 December 2012 HK\$'000
Non-current assets						
Property, plant and equipment		41,903	43,602	43,282	1	513
Intangible assets		13,588	16,289	361	—	—
Goodwill	10	8,937	8,938	1,694	—	—
Available-for-sale financial assets		32,996	—	—	—	—
Other receivables	11	—	—	—	33,000	—
Long term bank deposits		9,495	—	—	—	—
Interests in subsidiaries		—	—	—	220,860	220,859
Interest in a joint venture		9,340	10,404	12,492	—	—
Interest in associates		8,673	1,550	—	—	—
Deferred tax assets		20,804	23,270	21,927	—	—
Total non-current assets		145,736	104,053	79,756	253,861	221,372
Current assets						
Trading securities		114,042	93,150	79,900	107,523	88,996
Trade and other receivables	11	34,467	58,452	53,153	1,728	1,013
Short term bank deposits		35,112	—	—	—	—
Current tax recoverable		3,721	1,452	357	—	—
Cash and cash equivalents		347,953	376,452	397,702	239,886	276,358
		535,295	529,506	531,112	349,137	366,367
Current liabilities						
Trade and other payables	12	(33,450)	(32,760)	(29,138)	(29,075)	(29,024)
Interest-bearing borrowings	13	(884)	(39)	—	—	—
		(34,334)	(32,799)	(29,138)	(29,075)	(29,024)
Net current assets		500,961	496,707	501,974	320,062	337,343
Total assets less current liabilities		646,697	600,760	581,730	573,923	558,715

	<i>Note</i>	<u>The Group</u>			<u>The Company</u>	
		As at 31	As at 31	As at 1	As at 31	As at 31
		December	December	January	December	December
		2013	2012	2012	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(restated)</i>	<i>(restated)</i>		
Non-current liabilities						
Employee benefits		(1,632)	(1,971)	(2,535)	—	—
Interest-bearing borrowings	13	(31,229)	(88)	—	—	—
		<u>(32,861)</u>	<u>(2,059)</u>	<u>(2,535)</u>	<u>—</u>	<u>—</u>
NET ASSETS		<u>613,836</u>	<u>598,701</u>	<u>579,195</u>	<u>573,923</u>	<u>558,715</u>
CAPITAL AND RESERVES						
Share capital		382,450	382,450	382,450	382,450	382,450
Reserves		186,586	170,138	162,064	191,473	176,265
		<u>382,450</u>	<u>382,450</u>	<u>382,450</u>	<u>382,450</u>	<u>382,450</u>
		<u>186,586</u>	<u>170,138</u>	<u>162,064</u>	<u>191,473</u>	<u>176,265</u>
Total equity attributable to equity shareholders of the Company		<u>569,036</u>	<u>552,588</u>	<u>544,514</u>	<u>573,923</u>	<u>558,715</u>
Non-controlling interests		<u>44,800</u>	<u>46,113</u>	<u>34,681</u>	<u>—</u>	<u>—</u>
TOTAL EQUITY		<u>613,836</u>	<u>598,701</u>	<u>579,195</u>	<u>573,923</u>	<u>558,715</u>

Notes: -

1. Accounting policies

The annual results for the year ended 31 December 2013 (“FY2013”) 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. 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 developments are relevant to the Group’s financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- HKAS 28, *Investments in associates and joint ventures*
- Revised HKAS 19, *Employee benefits*
- *Annual Improvements to HKFRSs 2009 – 2011 Cycle*
- Amendments to HKFRS 7, *Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities*

The adoption of the above new standards and amendments did not have any significant effect on the financial statements, except for the adoption of HKFRS 11 and the revised HKAS 19.

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.

Revised HKAS 19, *Employee Benefits*

Under the revised HKAS 19, the definitions of short-term and long-term employee benefits have been changed so that they will now be distinguished based on when the benefits are expected to be wholly settled. The revision in HKAS 19 has changed the classification of the Group's employee benefits from current liabilities to non-current liabilities.

The financial effects of the above changes in accounting policies 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 year ended 31 December 2012 as restated comparatives in the Group's audited consolidated financial results for the year ended 31 December 2013, is as follows:

	Impact on financial position as at 1 January 2012			
	As previously reported	Retrospective effect of adoption of HKFRS 11	Retrospective effect of revised HKAS 19	As restated
	<i>HK\$'000</i>	<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	2,535	(29,138)
Non-current liabilities	(37,439)	37,439	(2,535)	(2,535)
Net assets	<u>579,195</u>	<u>—</u>	<u>—</u>	<u>579,195</u>

Impact on financial position as at 31 December 2012

	As previously reported <i>HK\$'000</i>	Retrospective effect of adoption of HKFRS 11 <i>HK\$'000</i>	Retrospective effect of revised HKAS 19 <i>HK\$'000</i>	As restated <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	1,971	(32,799)
Non-current liabilities	(37,031)	36,943	(1,971)	(2,059)
Net assets	598,701	—	—	598,701

**Impact on results for the year ended
31 December 2012**

	As previously reported <i>HK\$'000</i>	Retrospective effect of adoption of HKFRS 11 <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Turnover	135,085	(37,637)	97,448
Gross profit	102,051	(23,048)	79,003
Share of profit of a joint venture	—	971	971
Profit before taxation	236	—	236
Profit for the year	2,764	—	2,764

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

2. Segment reporting

Included in reportable segment revenue are dividends and interest income amounting to HK\$4.6 million (2012: HK\$7.5 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 years ended 31 December 2013 and 2012 are set out below:

	Investment Holding		Hospitality		Total	
	2013	2012	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>		<i>(restated)</i>		<i>(restated)</i>
Revenue from external customers	1,802	3,379	98,266	89,934	100,068	93,313
Interest income	2,034	2,120	736	2,015	2,770	4,135
Reportable segment revenue	3,836	5,499	99,002	91,949	102,838	97,448
Reportable segment profit/(loss)	14,528	8,906	1,776	(8,670)	16,304	236
Depreciation and amortisation	2	(303)	5,303	4,616	5,305	4,313
Net realised and unrealised valuation gain on trading securities	16,991	12,302	326	384	17,317	12,686
Net realised and unrealised foreign exchange gain/(loss)	5,709	3,598	(8)	—	5,701	3,598
Additions to non-current assets	33,034	—	17,905	3,302	50,939	3,302
Reportable segment assets	467,836	464,957	188,670	143,880	656,506	608,837
Reportable segment liabilities	9,946	9,067	57,249	25,791	67,195	34,858
Reconciliation of reportable segmental assets						
					2013	2012
					<i>HK\$'000</i>	<i>HK\$'000</i>
						<i>(restated)</i>
Assets						
Reportable segment assets					656,506	608,837
Deferred tax assets					20,804	23,270
Current tax recoverable					3,721	1,452
Consolidated total assets					681,031	633,559

3. Other net gains

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Net realised and unrealised foreign exchange gain	5,701	3,598
Net realised and unrealised valuation gain on trading securities	17,317	12,686
Gain on disposal of property, plant and equipment	518	—
Others	25	—
	<u>23,561</u>	<u>16,284</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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> <i>(restated)</i>
Amortisation of capitalised transaction costs	85	—
Interest expenses on borrowings	961	—
	<u>1,046</u>	<u>—</u>

6. Income tax expense/(credit)

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax - Overseas		
Provision for the year	(1,116)	93
Over-provision in respect of prior years	(907)	(1,274)
	<u>(2,023)</u>	<u>(1,181)</u>
Deferred tax		
Origination and reversal of temporary differences	1,845	(1,618)
Under-provision in respect of prior years	620	271
	<u>2,465</u>	<u>(1,347)</u>
Income tax expense/(credit)	<u>442</u>	<u>(2,528)</u>

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2012: 16.5%) of the estimated assessable profits for the year ended 31 December 2013. 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 31 December 2013, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$4.2 million (2012: HK\$4.1 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.

7. Profit for the year

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> <i>(restated)</i>
Depreciation of property, plant and equipment	2,607	2,043
Amortisation of intangible assets	2,698	2,270
Operating lease charges – rental of properties	1,752	1,842
Impairment losses on trade receivables	—	88
Dividends and interest income	<u>(4,572)</u>	<u>(7,514)</u>

8. Earnings per share

a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of HK\$17.2 million (2012: HK\$7.1 million) and the weighted average number of ordinary shares of 382,449,524 (2012: 382,449,524) in issue during the year.

b) Diluted earnings per share

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

9. Dividends

The Directors of the Company have resolved not to propose any final dividend for the year ended 31 December 2013 (2012: nil).

No interim dividend was paid for the year ended 31 December 2013 (2012: nil).

10. Goodwill

	<i>HK\$'000</i>
At 1 January 2012 (previously reported)	2,232
Retrospective effect of adoption of HKFRS 11	(538)
	<hr/>
At 1 January 2012 (restated)	1,694
Acquisition of interest in a subsidiary	7,252
Translation differences	(8)
	<hr/>
As at 31 December 2012 (restated)	8,938
Translation differences	(1)
	<hr/>
As at 31 December 2013	<u>8,937</u>

On 27 February 2012, the Group successfully acquired Whiteboard Labs, LLC and merged it with the Group's in-house reservations management and electronic distribution arm, Sceptre Hospitality, to create a new subsidiary, Sceptre Hospitality Resources, LLC, in which the Group holds 51% equity interest. Goodwill of HK\$7.3 million was recorded as a result of the acquisition.

11. Trade and other receivables

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

	The Group	
	As at	As at
	31 December	31 December
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Current or less than 1 month overdue	12,813	8,378
1 to 3 months overdue	5,061	7,575
3 to 12 months overdue	411	929
	<hr/>	<hr/>
Total trade receivables, less impairment losses	18,285	16,882
Other receivables and deposits	6,504	7,581
Amount owing by a joint operation	—	23,255
Amounts owing by affiliated companies	1,054	1,481
	<hr/>	<hr/>
Loans and receivables	25,843	49,199
Prepayments	8,624	9,253
	<hr/>	<hr/>
	34,467	58,452
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables are due within 30 days from the date of billing. Receivables 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.

All trade and other receivables are expected to be recovered within one year. The amounts owing by affiliated companies are unsecured, interest-free and repayable upon demand.

The amount owing by a joint operation was secured, interest-bearing and repayable upon demand.

12. Trade and other payables

	The Group	
	As at	As at
	31 December	31 December
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Trade payables	2,659	2,276
Other payables and accrued charges	22,366	19,214
Deferred income	8,425	10,953
Amounts owing to affiliated companies	—	317
	<hr/>	<hr/>
	33,450	32,760
	<hr/> <hr/>	<hr/> <hr/>

Trade and other payables have the following ageing analysis as of the reporting date:

	The Group	
	As at	As at
	31 December	31 December
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Due within 1 month or on demand	20,718	13,250
Due 1 to 3 months	3,665	5,913
Due 3 to 12 months	9,067	13,597
	<hr/>	<hr/>
	33,450	32,760
	<hr/> <hr/>	<hr/> <hr/>

13. Interest-bearing borrowings

	The Group	
	As at	As at
	31 December	31 December
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Term loan (secured)	31,756	—
Finance lease liabilities	357	127
	<u>32,113</u>	<u>127</u>
Repayable:		
– Within 1 year	884	39
– Between 1 and 5 years	4,573	88
– After 5 years	26,656	—
	<u>32,113</u>	<u>127</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 repayable over a period of 10 years with a final maturity date on 6 May 2023. It bears interest at a fixed rate of 4.21% per annum during the tenure of the term loan.

The Group's line-by-line 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\$39.4 million as at 31 December 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\$1.2 million as at 31 December 2013; and
- guarantee by Richfield Hospitality, Inc (“RHI”), an indirect subsidiary of the Group.

Non-recourse Carveout Guarantees

As of 31 December 2013, 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 below:

- RHI is a guarantor of indebtedness of the term loan entered into by SWAN Carolina Investor, LLC and SFI Carolina TIC SPE, LLC as mentioned above. The term guarantee is through 6 May 2023.
- RHI is also a guarantor of indebtedness of the term loans entered into by the Group’s joint venture, Richfield Syracuse Hotel Partners, LLC. The term guarantee is through 31 July 2015.
- 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 was HK\$249.6 million as at 31 December 2013.

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.

14. Capital commitments contracted but not provided for

	The Group	
	As at	As at
	31 December	31 December
	2013	2012
	HK\$’000	HK\$’000
Commitment to make an investment in BEA Blue Sky Real Estate Fund L.P.	160,778	—

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 31 December 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 BEA/AGRE China Real Estate Fund, L.P. (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.

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

On 1 January 2013, to better reflect the joint operation arrangement with Shelbourne Falcon Investors, LP (“Shelbourne”), the Group revised the legal ownership structure as set out below.

The Group, through a newly incorporated indirect subsidiary, SWAN Carolina Investor, LLC (“SCI”), entered into a tenant-in-common agreement with SFI Carolina TIC SPE, LLC, a wholly-owned subsidiary of Shelbourne, 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. The Group’s interest in the Property was previously held through a 50% interest in RSF Carolina Investor Partners, LLC.

The change in legal ownership structure does not have an impact on the Group’s intention to jointly operate the Property with Shelbourne since the establishment of SCI.

16. 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 31 December 2013, including share of acquisition-related costs of HK\$0.6 million, is included in the “Share of profit of associates” in the consolidated statement of profit or loss for the year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net profit attributable to the equity shareholders of the Company of HK\$17.2 million in FY2013, an increase of HK\$10.1 million or 143% from a net profit attributable to the equity shareholders of the Company of HK\$7.1 million reported in the previous corresponding year, due mainly to the unrealised valuation gain from the Group's securities holding as at 31 December 2013.

On the Group's Investment Holding segment, the net realised and unrealised valuation gains of HK\$17.0 million was recognised from the Group's securities holding as at 31 December 2013. Net realised and unrealised foreign exchange gain of HK\$5.7 million was also recorded, which mainly arose from the Sterling Pound denominated trading securities and Renminbi denominated cash deposits. Overall, the total net realised and unrealised gains of HK\$22.7 million was recorded for the year under review as compared with total net realised and unrealised gains of HK\$15.9 million in the previous corresponding year.

During the year under review, the Group reported an improvement in revenue to HK\$102.8 million, an increase of HK\$5.4 million or 5.5% from HK\$97.4 million in the previous corresponding year due to higher revenues from the Group's Hospitality segment. Consequently, the Group's Hospitality segment reported a pre-tax profit of HK\$1.8 million in FY2013, reversing the pre-tax loss of HK\$8.7 million in the previous corresponding year.

The Group's U.S. hotel management arm, Richfield Hospitality, recorded higher management fee of HK\$33.0 million, up by HK\$2.6 million or 8.6% from HK\$30.4 million in the previous corresponding year due mainly from a new contract secured with a full service property. Overall, with good cost controls and measures, Richfield Hospitality contributed a lower loss before tax of HK\$1.0 million as compared with a loss of HK\$5.4 million in the previous corresponding year.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. continued to enjoy good room occupancy and contributed total revenue of HK\$25.6 million, up by HK\$1.6 million or an increase by 6.7% from HK\$24.0 million in the previous corresponding year. The increase in revenue was offset by increased administrative expenses and interest expense arising from a bank loan to re-finance its joint operation of the hotel on 26 April 2013. Accordingly, the profit contribution reduced slightly to HK\$3.7 million from HK\$3.8 million in the previous corresponding year.

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 year of revenue amounting to HK\$36.2 million, up from HK\$29.1 million being revenue recorded for approximately ten months of operation as SHR was acquired around end February 2012. However, the increase of HK\$7.1 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 year under review, SHR incurred a lower loss at HK\$3.5 million as compared with HK\$8.1 million in the previous corresponding year.

The Group's jointly-controlled entity which owns the Crowne Plaza Syracuse Hotel reported improved trading result and contributed a share of profit of HK\$2.2 million for the year under review as compared with a share of profit of HK\$1.0 million in the previous corresponding year. The Group also recognised share of profit from its associates of HK\$0.4 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.

Basic earnings per share for the year under review was HK4.49 cents calculated on the weighted average number of 382,449,524 ordinary shares in issue during the year. The Group's Net Tangible Assets per share improved from HK\$1.37 as at 31 December 2012 to HK\$1.43 as at 31 December 2013. The board is not proposing a final dividend for the year under review.

PROSPECTS

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.

In reference to the announcements made in late FY2013, 23 January 2014 and 21 February 2014 in relation to the possible disposal of interests by CDL Subsidiaries and the HL Entities (as defined in these announcements) in the Company, the Board understands that while due diligence review of the Company and its subsidiaries is still on going, the parties involved have commenced negotiations regarding the terms of the agreement for sale and purchase. As the parties are still in the course of negotiations and have not finalised the terms of agreement for sale and purchase, no formal agreement has been entered into by the parties up to the date of this announcement. There is no assurance that a binding sale and purchase agreement will be entered into in respect of the proposed acquisition. As the proposed acquisition may or may not materialize, shareholders of the Company and the investing public are advised to exercise extreme caution when dealing in the shares of the Company.

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 annual results of the Group for the year ended 31 December 2013.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions as stated in the Corporate Governance Code (“CG Code”) 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 year ended 31 December 2013.

Under the CG Code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 19 April 2013 (“2013 AGM”), our Chairman was unable to attend the meeting as he had to attend to other commitments. He appointed Mr. Gan Khai Choon to chair the 2013 AGM on his behalf. Further Mr. Chan Bernard Charnwut, a non-executive Director and member of the Audit Committee and Nomination Committee, was invited to attend the 2013 AGM to answer any question from the shareholders concerning the Company’s corporate governance. As provided for in the CG Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The 3 independent non-executive Directors were unable to attend the 2013 AGM. Under the CG Code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year under review, no formal meeting has been arranged as our Chairman met with non-executive Directors from time to time informally. Under the CG Code provision D.1.4, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. It is the normal practice of the Company not to issue formal letters of appointment to Directors as the Company considers that all the Directors fully understand their responsibilities and delegation arrangement in place.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

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 year under review.

CHANGES IN DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes of information on Directors are as follows:-

Mr. Lee Jackson @ Li Chik Sin, an independent director of Hong Fok Corporation Limited (“Hong Fok”), was appointed as the lead independent director of Hong Fok on 1 April 2013.

Mr. Teoh Teik Kee was appointed as a non-independent & non-executive director of Hwang-DBS (Malaysia) Berhad on 1 April 2013. Mr. Teoh resigned as a non-independent non-executive Director of Great Group Holdings Limited on 1 November 2013.

Dr. Lo Ka Shui was appointed as the chairman and non-executive director of Langham Hospitality Investments Limited and LHIL Manager Limited (in the capacity as Trustee-Manager of Langham Hospitality Investments Limited) on 29 January 2013 and 25 February 2013, respectively. He also stepped down as the chairman and was appointed as the vice chairman of The Chamber of Hong Kong Listed Companies on 27 June 2013.

Mr. Ronald Nathaniel Issen was appointed as the Deputy Chairman of the Company on 9 October 2013 and stepped down as non-independent non-executive Director of Food Junction Holdings Ltd. on 10 December 2013.

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 year ended 31 December 2013.

STATUTORY INFORMATION

The Annual General Meeting of the Company will be held on Thursday, 17 April 2014.

In order to qualify for attending the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's principal registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on Monday, 14 April 2014, as the register of members of the Company will be closed from Tuesday, 15 April 2014 to Thursday, 17 April 2014, both dates inclusive.

By Order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 25 February 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.