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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

2015 INTERIM RESULTS — ANNOUNCEMENT UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

RESULTS

The Board of Directors (the “Board”) of City e-Solutions Limited (the “Company”) announce the following unaudited consolidated results of the Company, its subsidiaries, joint arrangements and associates (the “Group”) for the six months ended 30 June 2015 (the “Period”) together with comparative figures.

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2015 - unaudited

		Six months ended	
		30 June	
	<i>Note</i>	2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	45,443	51,382
Cost of sales		<u>(9,627)</u>	<u>(9,153)</u>
Gross profit		35,816	42,229
Other net gains	3	527	9,486
Administrative expenses	4	<u>(49,078)</u>	<u>(51,510)</u>
(Loss)/Profit from operating activities		(12,735)	205
Finance costs	5	(760)	(783)
Share of (loss)/profit of a joint venture		(488)	147
Share of (loss)/profit of associates		<u>(775)</u>	<u>240</u>
Loss before taxation		(14,758)	(191)
Income tax credit	6	<u>4,158</u>	<u>1,357</u>
(Loss)/Profit for the period	7	<u><u>(10,600)</u></u>	<u><u>1,166</u></u>
Attributable to:			
Equity shareholders of the Company		(7,806)	57
Non-controlling interests		<u>(2,794)</u>	<u>1,109</u>
(Loss)/Profit for the period		<u><u>(10,600)</u></u>	<u><u>1,166</u></u>
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
Basic (losses)/earnings per share	8	<u><u>(2.04)</u></u>	<u><u>0.01</u></u>

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2015 - unaudited**

	Six months ended	
	30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period	(10,600)	1,166
Other comprehensive income for the period (after taxation):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(88)	(20)
Reclassification adjustment of exchange differences to profit or loss on striking-off of subsidiary	(2,779)	—
Exchange differences on monetary item forming net investment in a foreign operation	<u>(14)</u>	<u>(16)</u>
Total comprehensive income for the period	<u><u>(13,481)</u></u>	<u><u>1,130</u></u>
Attributable to:		
Equity shareholders of the Company	(10,668)	47
Non-controlling interests	<u>(2,813)</u>	<u>1,083</u>
Total comprehensive income for the period	<u><u>(13,481)</u></u>	<u><u>1,130</u></u>

Consolidated Statement of Financial Position
as at 30 June 2015 - unaudited

	<i>Note</i>	As at 30 June 2015 <i>HK\$'000</i>	As at 31 December 2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		43,762	41,904
Intangible assets		9,520	10,873
Goodwill		8,938	8,942
Available-for-sale financial assets		33,002	33,016
Long term bank deposits		3,799	9,780
Interest in associates		7,683	8,880
Deferred tax assets		29,071	24,632
Total non-current assets		135,775	138,027
Current assets			
Trading securities		110,503	111,197
Trade and other receivables	10	24,004	30,274
Short term bank deposits		9,776	17,101
Current tax recoverable		1,775	4,630
Cash and cash equivalents		373,926	372,824
		<u>519,984</u>	<u>536,026</u>
Current liabilities			
Trade and other payables	11	(22,822)	(29,924)
Interest-bearing borrowings	12	(1,085)	(969)
		<u>(23,907)</u>	<u>(30,893)</u>
Net current assets		496,077	505,133
Total assets less current liabilities		631,852	643,160
Non-current liabilities			
Dividends received in excess of earnings from equity-method accounted joint venture		(19,365)	(17,256)
Interest-bearing borrowings	12	(30,458)	(30,394)
		<u>(49,823)</u>	<u>(47,650)</u>
NET ASSETS		<u>582,029</u>	<u>595,510</u>
CAPITAL AND RESERVES			
Share capital		382,450	382,450
Reserves		<u>157,116</u>	<u>167,784</u>
Total equity attributable to equity shareholders of the Company		539,566	550,234
Non-controlling interests		42,463	45,276
TOTAL EQUITY		<u>582,029</u>	<u>595,510</u>

Notes:-

1. Accounting policies

The interim financial results for the six months ended 30 June 2015 are unaudited, but have been reviewed by KPMG LLP 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, these financial results have been reviewed by the Company's Audit Committee.

The interim financial results for the six months ended 30 June 2015 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 2014, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out below.

The Hong Kong Institute of Certified Public Accountants has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKAS") 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 19, *Defined benefit plans: Employee contributions*
- Annual Improvements to HKFRSs 2010-2012 cycle
- Annual Improvements to HKFRSs 2011-2013 cycle

The adoption of the above amendments did not have any significant effect on the Group's financial statements.

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

In addition, the requirements of Part 9, "Accounts and Audit" of the new Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) were adopted on 1 January 2015 in accordance with section 358 of that Ordinance. The adoption of such requirements did not have any effect on the Group's financial position or performance.

2. Segment reporting

Included in reportable segment revenue are dividend and interest income amounting to HK\$3.7 million (2014: HK\$4.1 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		Hospitality		Total	
	2015	2014	2015	2014	2015	2014
	<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>For the six months ended</i>						
<i>30 June:</i>						
Revenue from external customers	1,750	3,070	41,787	47,245	43,537	50,315
Interest income	<u>1,820</u>	<u>958</u>	<u>86</u>	<u>109</u>	<u>1,906</u>	<u>1,067</u>
Reportable segment revenue	<u>3,570</u>	<u>4,028</u>	<u>41,873</u>	<u>47,354</u>	<u>45,443</u>	<u>51,382</u>
Reportable segment (loss)/profit	<u>(1,049)</u>	<u>2,133</u>	<u>(13,709)</u>	<u>(2,324)</u>	<u>(14,758)</u>	<u>(191)</u>
Depreciation and amortisation	—	1	2,977	2,738	2,977	2,739
Net realised and unrealised valuation (losses)/gains on trading securities	(1,450)	2,799	(117)	(147)	(1,567)	2,652
Net realised and unrealised foreign exchange (losses)/gains	(1,306)	2,567	—	—	(1,306)	2,567
Additions to non-current assets	—	—	3,593	4,945	3,593	4,945
<i>As at 30 June / 31 December:</i>						
Reportable segment assets	447,963	456,027	176,950	188,764	624,913	644,791
Reportable segment liabilities	5,752	9,629	67,978	68,914	73,730	78,543

3. Other net gains

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange (losses)/gains	(1,306)	2,567
Net realised and unrealised valuation (losses)/gains on trading securities	(1,567)	2,652
Gain on striking-off a dormant subsidiary	2,779	—
Miscellaneous proceeds	721	4,267
Loss on disposal of property, plant and equipment	<u>(100)</u>	<u>—</u>
	<u>527</u>	<u>9,486</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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of capitalised transaction costs	62	62
Interest expenses on borrowings	<u>698</u>	<u>721</u>
	<u>760</u>	<u>783</u>

6. Income tax credit

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax - Overseas		
Provision for the period	(276)	(209)
Under-provision in respect of prior years	<u>(8)</u>	<u>(8)</u>
	(284)	(217)
Deferred tax		
Origination and reversal of temporary differences	<u>4,442</u>	<u>1,574</u>
Income tax credit from continuing operations	<u>4,158</u>	<u>1,357</u>

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2014: 16.5%) of the estimated assessable profits for the period ended 30 June 2015. 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 2015, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$4.2 million (31 December 2014: HK\$4.2 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. (Loss)/Profit for the period is arrived at after charging/(crediting)

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	1,628	1,389
Amortisation of intangible assets	1,349	1,350
Operating lease charges — rental of properties	1,449	946
Dividend and interest income	<u>(3,656)</u>	<u>(4,137)</u>

8. Earnings per share

a) Basic (losses)/earnings per share

The calculation of basic losses per share (six months ended 30 June 2014: basic earnings per share) is based on loss attributable to ordinary equity shareholders of the Company of HK\$7.8 million (six months ended 30 June 2014: profit of about HK\$0.1 million) and the weighted average number of ordinary shares of 382,449,524 (six months ended 30 June 2014: 382,449,524) in issue during the period.

b) Diluted earnings per share

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

9. Dividends

a) Dividend attributable to the interim period

The directors of the Company (the “Directors”) have resolved not to declare an interim dividend for the six months ended 30 June 2015 (2014: nil).

- b) Dividend 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 of 2015 and 2014.

10. 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:

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Within 1 month	4,521	9,493
After 1 month but within 3 months	3,801	4,173
After 3 months but within 12 months	<u>1,064</u>	<u>1,729</u>
Total trade receivables, less impairment losses	9,386	15,395
Other receivables and deposits	7,116	7,190
Amounts owing by affiliated companies, non-trade	<u>2,642</u>	<u>1,094</u>
Loans and receivables	19,144	23,679
Prepayments	<u>4,860</u>	<u>6,595</u>
	<u><u>24,004</u></u>	<u><u>30,274</u></u>

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.

11. Trade and other payables

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Trade payables	2,101	512
Other payables and accrued charges	17,845	21,067
Deferred income	<u>2,876</u>	<u>8,345</u>
	<u><u>22,822</u></u>	<u><u>29,924</u></u>

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

	As at 30 June 2015	As at 31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	18,871	13,201
After 1 month but within 3 months	1,248	3,715
After 3 months but within 12 months	<u>2,703</u>	<u>13,008</u>
	<u><u>22,822</u></u>	<u><u>29,924</u></u>

12. Interest-bearing borrowings

	As at 30 June 2015	As at 31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Term loan (secured)	30,776	31,130
Finance lease liabilities	<u>767</u>	<u>233</u>
	<u><u>31,543</u></u>	<u><u>31,363</u></u>
Repayable:		
- Within 1 year	1,085	969
- After 1 year but within 5 years	4,302	3,652
- After 5 years	<u>26,156</u>	<u>26,742</u>
	<u><u>31,543</u></u>	<u><u>31,363</u></u>

The Group's 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\$38.4 million as at 30 June 2015 (31 December 2014: HK\$38.3 million);
- 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\$2.3 million as at 30 June 2015 (31 December 2014: HK\$2.0 million); and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

Non-recourse Carveout Guarantees

As of 30 June 2015, 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 set out below:

- RHI is a guarantor of indebtedness of the term loan entered into by SWAN Carolina Investor, LLC and SFI Carolina TIC SPE, LLC for Sheraton Chapel Hill Hotel as mentioned above. The term guarantee expires on 6 May 2023.
- RHI and SWAN USA, Inc are guarantors of indebtedness of the term loan entered into by the Group's joint venture, Richfield Syracuse Hotel Partners, LLC. The term guarantee expires on 1 February 2016.
- 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 term guarantee expires on 11 November 2017.

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 is HK\$293.7 million as at 30 June 2015 (31 December 2014: HK\$296.6 million).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group reported lower revenue of HK\$45.4 million, a decrease of HK\$5.9 million or 11.6% from HK\$51.4 million in the previous corresponding period, mainly due to lower management fee income from the Group's Hospitality segment.

The Group's U.S. hotel management arm, Richfield Hospitality, recorded lower management fee income of HK\$5.0 million for the Period, down by HK\$7.6 million or 60.5% from HK\$12.6 million in the previous corresponding period. The decrease in revenue was partially offset by lower administrative expenses and resulted in a loss before tax of HK\$10.5 million for the Period as compared with a loss of HK\$7.0 million in the previous corresponding period.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of HK\$12.8 million, up by HK\$0.3 million from the previous corresponding period. Consequently, the profit contribution increased to HK\$1.4 million from HK\$1.2 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 higher revenue of HK\$23.4 million, up by HK\$3.2 million or 15.9% from HK\$20.2 million in the previous corresponding period. However, SHR incurred higher administrative expenses during the Period to support the revenue growth, resulting in a higher operating loss of HK\$3.3 million as compared with an operating loss of HK\$1.2 million in the previous corresponding period. During the previous corresponding period, SHR received one-time legal proceeds of HK\$4.3 million as final settlement of a contractual obligation arising from the acquisition of Whiteboard Labs, LLC.

The Group's jointly-controlled entity, Richfield Syracuse Hotel Partners, LLC, which owns the Crowne Plaza Syracuse Hotel, contributed a share of loss of HK\$0.5 million for the Period as compared with a share of profit of HK\$0.1 million in the previous corresponding period. The share of loss was mainly due to decreased revenue as a result of lower occupancy rates achieved by the hotel for the Period as compared to the previous corresponding period.

The Group also recognised share of losses from its associates, S-R Burlington Partners, LLC. and Cosmic Hospitality China Limited, of HK\$0.8 million for the Period, as compared to a share of profits of HK\$0.2 million in the previous corresponding period.

Consequently, the Group's Hospitality segment reported a pre-tax loss of HK\$13.7 million for the Period as compared with a pre-tax loss of HK\$2.3 million in the previous corresponding period.

On the Group's Investment Holding segment, the net realised and unrealised valuation loss of HK\$1.6 million was recognised from the Group's securities holding as at 30 June 2015. Net realised and unrealised foreign exchange loss of HK\$1.3 million was also recorded, which mainly arose from the conversion of Sterling Pound denominated cash deposits to United States Dollars. Overall, the total net realised and unrealised losses of HK\$2.9 million was recorded for the Period as compared with the total net realised and unrealised gains of HK\$5.4 million in the previous corresponding period. However, a one-off foreign exchange gain of HK\$2.8 million was realised as a result of striking off a Group's dormant subsidiary during the Period. Consequently, the Group's Investment Holding segment reported a loss of HK\$1.0 million for the Period as compared with a profit of HK\$2.1 million in the previous corresponding period.

Overall, the Group recorded a net loss attributable to the equity shareholders of the Company of HK\$7.8 million for the Period as compared with a net profit attributable to the equity shareholders of the Company of about HK\$0.1 million in the previous corresponding period due mainly to the losses from the Group's Hospitality segment as discussed above.

PROSPECTS

The Group remains cautious in the midst of the global uncertainty, though in the U.S. real estate and hospitality markets have remained active. The Group is in consultation with its partner to study market interests in our investments.

Meanwhile, we also seek out for suitable investment opportunities to expand.

The Group will continue to grow the hospitality reservation business and to adopt a prudent approach in managing the hospitality related businesses by ensuring costs are kept in line with the level of business activities.

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 denominated cash deposits.

AUDIT COMMITTEE

The members of the Audit Committee of the Company comprise 2 independent non-executive Directors and 1 non-executive Director. It has reviewed the unaudited interim financial report of the Group for the Period.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the Period.

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 20 April 2015 (the "2015 AGM"), our Chairman was unable to attend the meeting as he had to attend to other commitments. Mr. Ronald Nathaniel Issen, our Deputy Chairman and a non-executive Director, chaired the 2015 AGM. Further, Mr. Chan Bernard Charnwut, a non-executive Director and member of the Audit Committee and Nomination Committee; and Mr. Lawrence Yip Wai Lam, an executive Director, attended the 2015 AGM to answer any question from the shareholders.

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 (the “Model Code”) as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed that they have complied with the Model Code throughout the Period.

CHANGES IN DIRECTORS’ AND CHIEF EXECUTIVE OFFICER’S INFORMATION

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

Mr. Kwek Leng Joo, an executive Director, stepped down as a member of the Board of Trustee of Nanyang Technological University on 31 May 2015.

Mr. Gan Khai Choon, an executive Director, was appointed as a Non-residential Investment Committee member of Sunbright Holdings Limited on 22 December 2014.

Mr. Lawrence Yip Wai Lam, an executive Director, was appointed as a Non-residential Investment Committee member and a Residential Investment Committee member of Sunbright Holdings Limited on 22 December 2014.

The term of appointment of Mr. Chan Bernard Charnwut, a non-executive Director, as a Chairman of the Council for Sustainable Development has ended on 28 February 2015. He was appointed as a Chairman of the Committee on Reduction of Salt & Sugar in Food on 15 March 2015.

Mr. Teoh Teik Kee, an independent non-executive Director, stepped down as an Independent Non-executive Director of CDL China Limited on 15 May 2015.

Mr. Wong Hong Ren, the Chief Executive Officer, stepped down as (i) a Non-executive Chairman and Director of First Sponsor Group Limited on 2 April 2015; (ii) a Director of First Sponsor (Guangdong) Group Limited on 16 April 2015; and (iii) the Chairman, President and Director of Grand Plaza Hotel Corporation on 16 May 2015.

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 Period.

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

Hong Kong, 11 August 2015

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.