City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

2016 INTERIM RESULTS — ANNOUNCEMENT UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016 (the "Period") together with comparative figures.

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2016 - unaudited

		Six months ended 30 June	
		2016	**2015**
	Note	*HK$'000*	*HK$'000*
Revenue	2	50,212	45,443
Cost of sales		(10,217)	(9,627)
Gross profit		39,995	35,816
Other net (losses)/gains	3	(17,645)	527
Administrative expenses	4	(52,646)	(49,078)
Loss from operating activities		(30,296)	(12,735)
Finance costs	5	(730)	(760)
Share of profit/(loss) of a joint venture		19,492	(488)
Share of loss of associates		(481)	(775)
Loss before taxation		(12,015)	(14,758)
Income tax (expense)/credit	6	(5,302)	4,158
Loss for the period	7	(17,317)	(10,600)
Attributable to:			
Equity shareholders of the Company		(17,255)	(7,806)
Non-controlling interests		(62)	(2,794)
Loss for the period		(17,317)	(10,600)
Earnings per share		*HK cents*	*HK cents*
Basic losses per share	8	(4.51)	(2.04)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2016 - unaudited

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
Loss for the period	(17,317)	(10,600)
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	192	(88)
Exchange differences on monetary item forming net investment in a foreign operation	33	(14)
Reclassification adjustment of exchange differences to profit or loss on striking-off of subsidiary	—	(2,779)
Total other comprehensive income for the period	225	(2,881)
Total comprehensive income for the period	(17,092)	(13,481)
Attributable to:		
Equity shareholders of the Company	(17,064)	(10,668)
Non-controlling interests	(28)	(2,813)
Total comprehensive income for the period	(17,092)	(13,481)

Consolidated Statement of Financial Position
as at 30 June 2016 - unaudited

	Note	As at 30 June 2016 *HK$'000*	As at 31 December 2015 *HK$'000*
Non-current assets			
Property, plant and equipment		42,307	43,351
Intangible assets		6,825	8,167
Goodwill		8,943	8,934
Available-for-sale financial assets		33,018	32,985
Long term bank deposits		—	3,797
Interest in associates		7,686	8,322
Deferred tax assets		5,011	10,183
Total non-current assets		103,790	115,739
Current assets			
Trading securities		69,661	87,498
Trade and other receivables	10	26,972	32,507
Short term bank deposits		—	5,974
Current tax recoverable		2,660	2,681
Cash and cash equivalents		369,242	365,481
		468,535	494,141
Current liabilities			
Trade and other payables	11	(28,848)	(29,461)
Interest-bearing borrowings	12	(830)	(899)
Provision for taxation		(23)	(22)
		(29,701)	(30,382)
Net current assets		438,834	463,759
Total assets less current liabilities		542,624	579,498
Non-current liabilities			
Dividends received in excess of earnings from equity-method accounted joint venture		(31)	(19,487)
Interest-bearing borrowings	12	(29,265)	(29,591)
		(29,296)	(49,078)
NET ASSETS		513,328	530,420
CAPITAL AND RESERVES			
Share capital		382,450	382,450
Reserves		92,589	109,653
Total equity attributable to equity shareholders of the Company		475,039	492,103
Non-controlling interests		38,289	38,317
TOTAL EQUITY		513,328	530,420

Notes:-

1. Accounting policies

The interim financial results for the six months ended 30 June 2016 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 2016 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 2015, except for the amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are expected to be effective for the financial year ending 31 December 2016. 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 HKFRSs and Hong Kong Accounting Standards ("HKAS") that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*
- Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*
- Amendments to HKAS 27, *Equity method in separate financial statements*
- Amendments to HKFRS 10, *Sale or contribution of assets between an investor and its associate or joint venture*
- Amendments to HKFRS 11, *Accounting for acquisition of interests in joint operations*
- *Annual Improvements to HKFRSs 2012-2014 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.

2. Segment reporting

Included in reportable segment revenue are dividend and interest income amounting to HK$2.7 million (2015: HK$3.7 million). Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Investment Holding		Hospitality		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June:						
Revenue from external customers	1,460	1,750	47,539	41,787	48,999	43,537
Interest income	1,135	1,820	78	86	1,213	1,906
Reportable segment revenue	2,595	3,570	47,617	41,873	50,212	45,443
Reportable segment (loss)/profit	(23,295)	(1,049)	11,280	(13,709)	(12,015)	(14,758)
Depreciation and amortisation	1	—	3,393	2,977	3,394	2,977
Net realised and unrealised valuation loss on trading securities	(10,733)	(1,450)	—	(117)	(10,733)	(1,567)
Net realised and unrealised foreign exchange loss	(6,912)	(1,306)	—	—	(6,912)	(1,306)
Additions to non-current assets	—	—	955	3,593	955	3,593
As at 30 June / 31 December:						
Reportable segment assets	396,694	418,542	167,960	178,474	564,654	597,016
Reportable segment liabilities	7,549	6,278	51,425	73,160	58,974	79,438

3. Other net (losses)/gains

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
Net realised and unrealised foreign exchange loss	(6,912)	(1,306)
Net realised and unrealised valuation loss on trading securities	(10,733)	(1,567)
Gain on striking-off a dormant subsidiary	—	2,779
Loss on disposal of property, plant and equipment	—	(100)
Others	—	721
	(17,645)	527

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	
	2016	**2015**
	HK$'000	*HK$'000*
Amortisation of capitalised transaction costs	62	62
Interest expenses on borrowings	668	698
	730	760

6. Income tax (expense)/credit

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
Current tax - Overseas		
Provision for the period	(109)	(276)
Under-provision in respect of prior years	—	(8)
	(109)	(284)
Deferred tax		
Origination and reversal of temporary differences	(5,193)	4,442
Income tax (expense)/credit from continuing operations	(5,302)	4,158

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2015: 16.5%) of the estimated assessable profits for the period ended 30 June 2016. 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 2016, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK$56.1 million (31 December 2015: HK$55.6 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 for the period

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

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	2,043	1,628
Amortisation of intangible assets	1,351	1,349
Operating lease charges — rental of properties	1,785	1,449
Dividend and interest income	(2,673)	(3,656)

8. Earnings per share

a) Basic losses per share

The calculation of basic losses per share is based on loss attributable to ordinary equity shareholders of the Company of HK$17.3 million (six months ended 30 June 2015: HK$7.8 million) and the weighted average number of ordinary shares of 382,449,524 (six months ended 2015: 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 2016 (2015: 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 2016 and 2015.

10. **Trade and other receivables**

Included in trade and other receivables are third-party trade receivables (net of allowance for doubtful debts) with the following ageing analysis based on invoice date:

	As at 30 June 2016 *HK$'000*	**As at 31 December 2015** *HK$'000*
Less than 1 month	6,476	7,849
1 to 3 months	6,372	7,074
3 to 12 months	1,354	2,666
Total third-party trade receivables, net of allowance for doubtful debts	14,202	17,589
Other receivables and deposits	2,883	3,648
Amounts owing by affiliated companies, trade	2,757	4,714
Amount owing by a joint venture, trade	27	—
Loans and receivables	19,869	25,951
Prepayments	7,103	6,556
	26,972	32,507

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 and by a joint venture are unsecured and interest-free, and are repayable upon demand.

11. Trade and other payables

	As at 30 June 2016 *HK$'000*	As at 31 December 2015 *HK$'000*
Trade payables	5,553	7,516
Other payables and accrued charges	18,230	16,645
	23,783	24,161
Deferred income	5,065	5,300
	28,848	29,461

Trade and other payables, excluding deferred income, have the following ageing analysis based on due date:

	As at 30 June 2016 *HK$'000*	As at 31 December 2015 *HK$'000*
Due within 1 month or on demand	17,829	18,358
Due 1 to 3 months	2,420	2,054
Due 3 to 12 months	3,534	3,749
	23,783	24,161

12. Interest-bearing borrowings

	As at 30 June 2016	As at 31 December 2015
	HK$'000	*HK$'000*
Bank loan (secured)	30,095	30,428
Finance lease liabilities	—	62
	30,095	30,490
Repayable:		
- Within 1 year	830	899
- After 1 year but within 2 years	889	873
- After 2 years but within 5 years	2,919	2,846
- After 5 years	25,457	25,872
	29,265	29,591
	30,095	30,490

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$37.4 million as at 30 June 2016 (31 December 2015: HK$37.8 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 2016 (31 December 2015: HK$1.2 million); and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

Non-recourse Carveout Guarantees

As of 30 June 2016, 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 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 loans entered into by RBH Mezz, LLC and Rich Burlington Hotel, LLC, which are underlying investments of S-R Burlington Partners, LLC. The term guarantees expire on 11 November 2017.

RHI and SWAN USA, Inc were guarantors of indebtedness of the term loan entered into by the Group's joint venture, Richfield Syracuse Hotel Partners, LLC. The term guarantee was discharged on 16 May 2016 following the repayment of the loan by the joint venture.

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 ("covenants"). 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$169.5 million as at 30 June 2016 (31 December 2015: HK$290.8 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.

13. Subsequent events

On 19 July 2016 (after trading hours), the immediate holding company, City Developments Limited, through its wholly owned subsidiaries, entered into a Share Purchase Agreement with China Tian Yuan Manganese Limited ("China Tian Yuan") to sell 200,854,743 shares of the Company (the "Sale Shares") to China Tian Yuan for a total consideration of HK$566.4 million. The Sale Shares represent a controlling stake of approximately 52.52% of the entire share capital in the Company.

Following the completion of the sale and purchase of the Sale Shares on 26 July 2016, City Developments Limited and its affiliated companies ceased to have a controlling stake in the Company and will no longer be regarded as related parties (as defined in HKAS 24 *Related Party Disclosures*) of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss attributable to the equity shareholders of the Company of HK$17.3 million for the Period as compared with a net loss attributable to the equity shareholders of the Company of HK$7.8 million in the previous corresponding period, due mainly to the net unrealised valuation losses from the Group's securities holdings as at 30 June 2016, partially offset by the share of net gain arising from the disposal of a hotel by the Group's jointly-controlled entity.

The Group's Investment Holding segment recognised net realised and unrealised valuation loss of HK$10.7 million from the Group's securities holding as at 30 June 2016. Net realised and unrealised foreign exchange loss of HK$6.9 million was also recorded, which mainly arose from the Sterling Pound denominated securities holdings and Renminbi denominated cash deposits. Overall, total net realised and unrealised losses of HK$17.6 million was recorded for the Period as compared with the total net realised and unrealised loss of HK$2.8 million in the previous corresponding period. During the previous corresponding period, a one-off foreign exchange gain of HK$2.8 million was realised from striking off a Group's dormant subsidiary. Consequently, the Group's Investment Holding segment reported a loss before tax of HK$23.3 million for the Period as compared with a loss before tax of HK$1.0 million in the previous corresponding period.

The Group's U.S. hotel management arm, Richfield Hospitality, recorded management fee income of HK$4.8 million for the Period, down by HK$0.2 million from HK$5.0 million in the previous corresponding period. Despite a lower revenue, Richfield Hospitality reported a lower loss of HK$6.7 million for the Period as compared with a loss of HK$10.5 million in the previous corresponding period due to lower administrative expenses.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed revenue of HK$12.9 million for the Period as compared with HK$12.8 million in the previous corresponding period. The profit contribution of HK$1.3 million for the Period was marginally lower as compared with a profit contribution of HK$1.4 million in the previous corresponding period.

The Group's 51% equity interest in Sceptre Hospitality Resources ("SHR"), a hospitality industry's expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded higher revenue amounting to HK$29.1 million, up by HK$5.8 million or 24.6% from HK$23.4 million in the previous corresponding period. However, SHR incurred higher administrative expenses during the Period to support the revenue growth, resulting in a loss of HK$2.3 million as compared with a loss of HK$3.3 million in the previous corresponding period.

The Group's jointly-controlled entity, Richfield Syracuse Hotel Partners, LLC ("Syracuse"), which owned the Crowne Plaza Syracuse Hotel, New York, U.S. ("Hotel") reported a share of operating loss of HK$0.1 million for the Period as compared with a share of operating loss of HK$0.5 million in the previous corresponding period. Following the successful completion of the disposal of the Hotel on 16 May 2016, Syracuse contributed an additional share of profit before tax arising from the disposal of the Hotel amounting to HK$19.6 million for the Period.

Consequently, the Group's Hospitality segment reported a profit before tax of HK$11.3 million for the Period as compared with a loss before tax of HK$13.7 million in the previous corresponding period.

The Group utilised deferred tax assets arising from previously-recognised tax losses to offset against the capital gain tax on the share of gain on disposal of Crowne Plaza Syracuse Hotel as discussed above. This resulted in an income tax charge of HK$5.3 million for the Period, as compared to an income tax credit of HK$4.2 million for the previous corresponding period.

PROSPECTS

The Group remains in regular consultation with its joint venture partners to respond to market interests in our investments.

As in the past, the Group continues to explore the growth of 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 cash deposits.

AUDIT COMMITTEE

The members of the Audit Committee of the Company comprise 2 independent non-executive Directors and 1 non-executive Director. The Audit Committee 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 18 April 2016 (the "2016 AGM"), our Chairman was unable to attend the meeting as he had to attend to other commitments. Mr. Gan Khai Choon, our Executive Director chaired the 2016 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 2016 AGM to answer any question from the shareholders.

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 (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 Beng, an executive Director, stepped down as a director and the Chairman of CDL China Limited on 8 March 2016.

Mr. Gan Khai Choon, an executive Director, stepped down as a director of Thrive City Limited on 1 November 2015.

Mr. Teoh Teik Kee, an independent non-executive Director, was appointed as a non-executive director of Stamford Medicare Investment Holdings Pte Ltd on 26 March 2016.

Mr. Chan Bernard Charnwut, a non-executive Director, stepped down as the Chairman of The Advisory Committee on Revitalisation of Historic Buildings on 16 May 2016.

Dr. Lo Ka Shui, an independent non-executive Director, stepped down as (i) an independent non-executive director of China Mobile Limited on 26 May 2016 and (ii) an independent non-executive director of Shanghai Industrial Holdings Limited on 30 June 2016.

Mr. Wong Hong Ren, the Chief Executive Officer, ceased as a director of M&C (India) Holdings Pte. Ltd. on 19 February 2016.

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 2016.

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

Hong Kong, 10 August 2016

As at the date of this announcement, the Board is comprised of 8 directors, of which 3 are executive directors, namely Mr. Kwek Leng Beng, 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.