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## **City e-Solutions Limited**

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

**(Stock Code: 557)**

### **2014 FINAL RESULTS — ANNOUNCEMENT AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **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 2014 together with comparative figures.

**Consolidated Statement of Profit or Loss**  
**for the year ended 31 December 2014**

|  | <i>Note</i> | <b>2014</b><br><i>HK\$'000</i> | <b>2013</b><br><i>HK\$'000</i> |
|--|-------------|--------------------------------|--------------------------------|
| <b>Turnover</b>                                | 2           | 100,130                        | 102,838                        |
| Cost of sales                                  |             | <u>(18,457)</u>                | <u>(18,981)</u>                |
| <b>Gross profit</b>                            |             | 81,673                         | 83,857                         |
| Other net (losses)/gains                       | 3           | (559)                          | 23,561                         |
| Administrative expenses                        | 4           | <u>(105,383)</u>               | <u>(92,612)</u>                |
| <b>(Loss)/Profit from operating activities</b> |             | (24,269)                       | 14,806                         |
| Finance costs                                  | 5           | (1,582)                        | (1,046)                        |
| Share of profit of a joint venture             |             | 1,489                          | 2,187                          |
| Share of profit of associates                  |             | <u>884</u>                     | <u>357</u>                     |
| <b>(Loss)/Profit before taxation</b>           |             | (23,478)                       | 16,304                         |
| Income tax credit/(expense)                    | 6           | <u>4,964</u>                   | <u>(442)</u>                   |
| <b>(Loss)/Profit for the year</b>              | 7           | <u><u>(18,514)</u></u>         | <u><u>15,862</u></u>           |
| <b>Attributable to:</b>                        |             |                                |                                |
| Equity shareholders of the Company             |             | (18,978)                       | 17,169                         |
| Non-controlling interests                      |             | <u>464</u>                     | <u>(1,307)</u>                 |
| <b>(Loss)/Profit for the year</b>              |             | <u><u>(18,514)</u></u>         | <u><u>15,862</u></u>           |
| <b>Earnings per share</b>                      |             | <i>HK cents</i>                | <i>HK cents</i>                |
| Basic (losses)/earnings per share              | 8           | <u><u>(4.96)</u></u>           | <u><u>4.49</u></u>             |

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**for the year ended 31 December 2014**

|  | <b>2014</b>               | <b>2013</b>             |
|--|---------------------------|-------------------------|
|  | <i>HK\$'000</i>           | <i>HK\$'000</i>         |
| <b>(Loss)/Profit for the year</b>  | (18,514)                  | 15,862                  |
| <b>Other comprehensive income for the year (after taxation):</b>                       |                           |                         |
| Items that may be reclassified subsequently to profit or loss:                         |                           |                         |
| Exchange differences on translation of financial statements<br>of foreign operations   | 206                       | (689)                   |
| Exchange differences on monetary item forming<br>net investment in a foreign operation | (18)                      | (38)                    |
|  | <u>          </u>         | <u>          </u>       |
| <b>Total comprehensive income for the year</b>   | <u>          (18,326)</u> | <u>          15,135</u> |
| <b>Attributable to:</b>  |                           |                         |
| Equity shareholders of the Company   | (18,802)                  | 16,448                  |
| Non-controlling interests  | 476                       | (1,313)                 |
|  | <u>          </u>         | <u>          </u>       |
| <b>Total comprehensive income for the year</b>   | <u>          (18,326)</u> | <u>          15,135</u> |

**Statements of Financial Position**  
**As at 31 December 2014**

|  | Note | The Group       |                 | The Company    |                 |
|--|------|-----------------|-----------------|----------------|-----------------|
|  |      | 2014            | 2013            | 2014           | 2013            |
|  |      | HK\$'000        | HK\$'000        | HK\$'000       | HK\$'000        |
| <b>Non-current assets</b>                    |      |                 |                 |                |                 |
| Property, plant and equipment                |      | 41,904          | 41,903          | —              | 1               |
| Intangible assets                            |      | 10,873          | 13,588          | —              | —               |
| Goodwill                                     | 10   | 8,942           | 8,937           | —              | —               |
| Available-for-sale financial assets          |      | 33,016          | 32,996          | —              | —               |
| Other receivables                            | 11   | —               | —               | 33,019         | 33,000          |
| Long term bank deposits                      |      | 9,780           | 9,495           | —              | —               |
| Interests in subsidiaries                    |      | —               | —               | 220,860        | 220,860         |
| Interest in a joint venture                  |      | —               | 9,340           | —              | —               |
| Interest in associates                       |      | 8,880           | 8,673           | —              | —               |
| Deferred tax assets                          |      | 24,632          | 20,804          | —              | —               |
| <b>Total non-current assets</b>              |      | <b>138,027</b>  | <b>145,736</b>  | <b>253,879</b> | <b>253,861</b>  |
| <b>Current assets</b>                        |      |                 |                 |                |                 |
| Trading securities                           |      | 111,197         | 114,042         | 109,514        | 107,523         |
| Trade and other receivables                  | 11   | 30,274          | 34,467          | 2,845          | 1,728           |
| Short term bank deposits                     |      | 17,101          | 35,112          | —              | —               |
| Current tax recoverable                      |      | 4,630           | 3,721           | —              | —               |
| Cash and cash equivalents                    |      | 372,824         | 347,953         | 223,498        | 239,886         |
|  |      | <u>536,026</u>  | <u>535,295</u>  | <u>335,857</u> | <u>349,137</u>  |
| <b>Current liabilities</b>                   |      |                 |                 |                |                 |
| Trade and other payables                     | 12   | (29,924)        | (33,450)        | (9,580)        | (29,075)        |
| Interest-bearing borrowings                  | 13   | (969)           | (884)           | —              | —               |
|  |      | <u>(30,893)</u> | <u>(34,334)</u> | <u>(9,580)</u> | <u>(29,075)</u> |
| <b>Net current assets</b>                    |      | <b>505,133</b>  | <b>500,961</b>  | <b>326,277</b> | <b>320,062</b>  |
| <b>Total assets less current liabilities</b> |      | <b>643,160</b>  | <b>646,697</b>  | <b>580,156</b> | <b>573,923</b>  |

|  | <i>Note</i> | <u>The Group</u>               |                                | <u>The Company</u>             |                                |
|--|-------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  |             | <b>2014</b><br><i>HK\$'000</i> | <b>2013</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> | <b>2013</b><br><i>HK\$'000</i> |
| <b>Non-current liabilities</b>   |             |                                |                                |                                |                                |
| Employee benefits  |             | —                              | (1,632)                        | —                              | —                              |
| Dividends received<br>in excess of earnings<br>from equity-method<br>accounted joint venture |             | (17,256)                       | —                              | —                              | —                              |
| Interest-bearing borrowings  | 13          | (30,394)                       | (31,229)                       | —                              | —                              |
|  |             | <u>(47,650)</u>                | <u>(32,861)</u>                | <u>—</u>                       | <u>—</u>                       |
| <b>NET ASSETS</b>  |             | <u>595,510</u>                 | <u>613,836</u>                 | <u>580,156</u>                 | <u>573,923</u>                 |
| <b>CAPITAL AND RESERVES</b>  |             |                                |                                |                                |                                |
| Share capital  |             | 382,450                        | 382,450                        | 382,450                        | 382,450                        |
| Reserves   |             | <u>167,784</u>                 | <u>186,586</u>                 | <u>197,706</u>                 | <u>191,473</u>                 |
| <b>Total equity attributable<br/>to equity shareholders<br/>of the Company</b>               |             | 550,234                        | 569,036                        | 580,156                        | 573,923                        |
| <b>Non-controlling interests</b>   |             | <u>45,276</u>                  | <u>44,800</u>                  | <u>—</u>                       | <u>—</u>                       |
| <b>TOTAL EQUITY</b>  |             | <u>595,510</u>                 | <u>613,836</u>                 | <u>580,156</u>                 | <u>573,923</u>                 |

Notes: -

## **1. Accounting policies**

The annual results for the year ended 31 December 2014 (“FY2014”) 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 2013, except for the accounting policy changes that are expected to be reflected in the 2014 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 amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The adoption of the above amendments did not have any significant effect on the 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 dividends and interest income amounting to HK\$5.9 million (2013: HK\$4.6 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 2014 and 2013 are set out below:

|   | <b>Investment Holding</b> |                 | <b>Hospitality</b> |                 | <b>Total</b>    |                 |
|---|---------------------------|-----------------|--------------------|-----------------|-----------------|-----------------|
|   | <b>2014</b>               | <b>2013</b>     | <b>2014</b>        | <b>2013</b>     | <b>2014</b>     | <b>2013</b>     |
|   | <i>HK\$'000</i>           | <i>HK\$'000</i> | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue from external customers   | 3,379                     | 1,802           | 94,267             | 98,266          | 97,646          | 100,068         |
| Interest income   | 2,227                     | 2,034           | 257                | 736             | 2,484           | 2,770           |
| Reportable segment revenue  | <u>5,606</u>              | <u>3,836</u>    | <u>94,524</u>      | <u>99,002</u>   | <u>100,130</u>  | <u>102,838</u>  |
| <b>Reportable segment<br/>(loss)/profit</b>                                   | <u>(13,970)</u>           | <u>14,528</u>   | <u>(9,508)</u>     | <u>1,776</u>    | <u>(23,478)</u> | <u>16,304</u>   |
| Depreciation and amortisation   | 1                         | 2               | 5,522              | 5,303           | 5,523           | 5,305           |
| Net realised and unrealised<br>valuation gain/(loss)<br>on trading securities | 6,755                     | 16,991          | (124)              | 326             | 6,631           | 17,317          |
| Net realised and unrealised<br>foreign exchange (loss)/gain                   | (11,561)                  | 5,709           | —                  | (8)             | (11,561)        | 5,701           |
| Additions to non- current assets  | —                         | 33,034          | 2,823              | 17,905          | 2,823           | 50,939          |
| <b>Reportable segment assets</b>  | 456,027                   | 467,836         | 188,764            | 188,670         | 644,791         | 656,506         |
| <b>Reportable segment liabilities</b>   | 9,629                     | 9,946           | 68,914             | 57,249          | 78,543          | 67,195          |

### Reconciliation of reportable segmental assets

|                           | <b>2014</b>     | <b>2013</b>     |
|---------------------------|-----------------|-----------------|
|                           | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <b>Assets</b>             |                 |                 |
| Reportable segment assets | 644,791         | 656,506         |
| Deferred tax assets       | 24,632          | 20,804          |
| Current tax recoverable   | 4,630           | 3,721           |
| Consolidated total assets | <u>674,053</u>  | <u>681,031</u>  |

### 3. Other net (losses)/gains

|  | <b>2014</b>     | <b>2013</b>     |
|--|-----------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net realised and unrealised foreign exchange (loss)/gain         | (11,561)        | 5,701           |
| Net realised and unrealised valuation gain on trading securities | 6,631           | 17,317          |
| Miscellaneous proceeds   | 4,344           | —               |
| Gain on disposal of property, plant and equipment                | 27              | 518             |
| Others   | —               | 25              |
|  | <u>(559)</u>    | <u>23,561</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

|   | <b>2014</b>     | <b>2013</b>     |
|---|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Amortisation of capitalised transaction costs | 124             | 85              |
| Interest expenses on borrowings               | 1,458           | 961             |
|   | <u>1,582</u>    | <u>1,046</u>    |

### 6. Income tax (credit)/expense

|   | <b>2014</b>     | <b>2013</b>     |
|---|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <b>Current tax - Overseas</b>                     |                 |                 |
| Provision for the year                            | (1,171)         | (1,116)         |
| Under/(Over)-provision in respect of prior years  | 23              | (907)           |
|   | <u>(1,148)</u>  | <u>(2,023)</u>  |
| <b>Deferred tax</b>                               |                 |                 |
| Origination and reversal of temporary differences | (4,522)         | 1,845           |
| Under-provision in respect of prior years         | 706             | 620             |
|   | <u>(3,816)</u>  | <u>2,465</u>    |
| Income tax (credit)/expense                       | <u>(4,964)</u>  | <u>442</u>      |



The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2013: 16.5%) of the estimated assessable profits for the year ended 31 December 2014. 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 2014, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$4.2 million (2013: 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 year

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

|  | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Depreciation of property, plant and equipment    | 2,824                   | 2,607                   |
| Amortisation of intangible assets                | 2,699                   | 2,698                   |
| Operating lease charges – rental of properties   | 1,691                   | 1,752                   |
| Impairment losses on trade and other receivables | 2,342                   | —                       |
| Dividends and interest income                    | (5,863)                 | (4,572)                 |
|  | <u>          </u>       | <u>          </u>       |

## 8. Earnings per share

### a) Basic (losses)/earnings per share

The calculation of basic losses per share (2013: basic earnings per share) is based on loss attributable to ordinary equity shareholders of the Company of HK\$19.0 million (2013: profit attributable to ordinary equity shareholders of the Company of HK\$17.2 million) and the weighted average number of ordinary shares of 382,449,524 (2013: 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 2014 (2013: nil).

No interim dividend was paid for the year ended 31 December 2014 (2013: nil).

## 10. Goodwill

|                         | <i>HK\$'000</i> |
|-------------------------|-----------------|
| At 1 January 2013       | 8,938           |
| Translation differences | (1)             |
| As at 31 December 2013  | 8,937           |
| Translation differences | 5               |
| As at 31 December 2014  | 8,942           |

## 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:

|  | <b>The Group</b> |                 |
|--|------------------|-----------------|
|  | <b>2014</b>      | <b>2013</b>     |
|  | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| Less than 1 month                                | 9,493            | 12,813          |
| 1 to 3 months                                    | 4,173            | 5,061           |
| 3 to 12 months                                   | 1,729            | 411             |
| Total trade receivables, less impairment losses  | 15,395           | 18,285          |
| Other receivables and deposits                   | 7,190            | 6,504           |
| Amounts owing by affiliated companies, non-trade | 1,094            | 1,054           |
| Loans and receivables                            | 23,679           | 25,843          |
| Prepayments                                      | 6,595            | 8,624           |
|  | <u>30,274</u>    | <u>34,467</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.

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.

## 12. Trade and other payables

|                                    | <b>The Group</b> |                 |
|------------------------------------|------------------|-----------------|
|                                    | <b>2014</b>      | <b>2013</b>     |
|                                    | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| Trade payables                     | 512              | 2,659           |
| Other payables and accrued charges | 21,067           | 22,366          |
| Deferred income                    | 8,345            | 8,425           |
|                                    | <u>29,924</u>    | <u>33,450</u>   |

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

|                                 | <b>The Group</b> |                 |
|---------------------------------|------------------|-----------------|
|                                 | <b>2014</b>      | <b>2013</b>     |
|                                 | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| Due within 1 month or on demand | 13,201           | 20,718          |
| Due 1 to 3 months               | 3,715            | 3,665           |
| Due 3 to 12 months              | 13,008           | 9,067           |
|                                 | <u>29,924</u>    | <u>33,450</u>   |

## 13. Interest-bearing borrowings

|                           | <b>The Group</b> |                 |
|---------------------------|------------------|-----------------|
|                           | <b>2014</b>      | <b>2013</b>     |
|                           | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| Term loan (secured)       | 31,130           | 31,756          |
| Finance lease liabilities | 233              | 357             |
|                           | <u>31,363</u>    | <u>32,113</u>   |
| Repayable:                |                  |                 |
| – Within 1 year           | 969              | 884             |
| – Between 1 and 5 years   | 3,652            | 4,573           |
| – After 5 years           | 26,742           | 26,656          |
|                           | <u>31,363</u>    | <u>32,113</u>   |

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\$38.3 million (2013: HK\$39.4 million) as at 31 December 2014;
- 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\$2.0 million (2013: HK\$1.2 million) as at 31 December 2014; and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

#### **Non-recourse Carveout Guarantees**

As of 31 December 2014, 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. The term guarantee is through 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 is through 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 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 provide 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\$296.6 million as at 31 December 2014 (2013: HK\$249.6 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.

#### 14. Capital commitments contracted but not provided for

|  | <b>The Group</b> |                 |
|--|------------------|-----------------|
|  | <b>2014</b>      | <b>2013</b>     |
|  | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| 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 had committed to make an investment of US\$25.0 million (approximately HK\$194.0 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.

On 15 April 2014, the investment period of the Fund was terminated in accordance with the partnership agreements. Accordingly, no further capital contributions will be called from the Group except to the extent necessary to cover, among other things, operating expenses of the Fund, to fund the payment of management fees payable by the Fund, to fund drawdown requests from the China Fund to cover its operational and organisational expenses and to fund committed investments.

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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss attributable to the equity shareholders of the Company of HK\$19.0 million in FY2014 as compared with a net profit attributable to the equity shareholders of the Company of HK\$17.2 million in the previous corresponding year, due mainly to a decrease in the net unrealised valuation gain from the Group's securities holding as at 31 December 2014 and an increase in the net unrealised foreign exchange losses as a result of the unfavourable currency movement in the Group's securities and cash portfolio as at 31 December 2014.

The Group's Investment Holding segment reported net realised and unrealised valuation gain of HK\$6.8 million from the Group's securities holding as at 31 December 2014. Net realised and unrealised foreign exchange loss of HK\$11.6 million was also recorded, which mainly arose from the Sterling Pound denominated security holdings and cash deposits and Renminbi denominated cash deposits. Overall, the total net realised and unrealised losses of HK\$4.8 million was recorded for FY2014 as compared with the total net realised and unrealised gains of HK\$22.7 million in the previous corresponding year.

During the year under review, the Group reported revenue of HK\$100.1 million, a decrease of HK\$2.7 million or 2.6% from HK\$102.8 million in the previous corresponding year due to lower revenue from the Group's Hospitality segment. The Group's Hospitality segment reported a pre-tax loss of HK\$9.5 million in FY2014, as compared with pre-tax profit of HK\$1.8 million in the previous corresponding year.

The Group's U.S. hotel management arm, Richfield Hospitality, recorded lower management fee income of HK\$21.6 million, down by HK\$11.4 million or 34.5% from HK\$33.0 million in the previous corresponding year. News of the potential sale of the Group to an interested third party from late 2013 to February 2014 caused several adverse effects, such as the loss of management contracts and the departure of several senior executives. Higher administrative expenses were incurred due to the reorganisation, though a new management team has been put in place and it is anticipated that the new team will perform strongly over time. Consequently, a loss before tax of HK\$17.2 million was incurred for the year under review as compared with a loss of HK\$1.0 million in the previous corresponding year.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of HK\$24.8 million, down by HK\$0.8 million or 2.9% from HK\$25.6 million in the previous corresponding year. The profit contribution was HK\$2.5 million as compared to HK\$3.7 million in the previous corresponding year, mainly due to higher operating expenses incurred by the hotel and higher loan interest expense arising from the re-financing of the hotel property.

The Group's 51% equity interest in Sceptre Hospitality Resources ("SHR"), the hospitality industry's leading platform for reservations connectivity, online channel marketing and revenue/channel-management services, recorded revenue amounting to HK\$44.5 million, up by 23.0% from HK\$36.2 million in the previous corresponding year. Consequently, SHR reported a lower operating loss of HK\$1.4 million for FY2014 as compared with operating loss of HK\$3.5 million in the previous corresponding year. SHR also received one-time proceeds of HK\$4.3 million (US\$0.55 million) as final settlement of a contractual obligation arising from the acquisition of Whiteboard Labs, LLC, the original owner of the Windsurfer CRS.

The Group's jointly-controlled entity, Richfield Syracuse Hotel Partners, LLC, which owns the Crowne Plaza Syracuse Hotel, contributed a share of profit of HK\$1.5 million for FY2014 as compared with a share of profit of HK\$2.2 million in the previous corresponding year. The lower share of profit is mainly due to decreased revenue as a result of lower average daily rates achieved by the hotel for FY2014 as compared to the previous corresponding year.

The Group also recognised share of profit from its associates, S-R Burlington Partners, LLC. and Cosmic Hospitality China Limited, of HK\$0.9 million for FY2014, as compared to a share of profit of HK\$0.4 million in the previous corresponding year.

Basic losses per share for the year under review was HK4.96 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 decreased to HK\$1.39 as at 31 December 2014, down from 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.

## **APPOINTMENT OF CHIEF EXECUTIVE OFFICER**

The Board is pleased to announce that Mr Wong Hong Ren will be joining the Company on 2 March 2015 as the next Chief Executive Officer (“CEO”) in succession to Mr Sherman Kwek Eik Tse. Mr Sherman Kwek will be stepping down as the CEO on 2 March 2015 in order to focus on his other responsibilities within the City Developments Limited (“CDL”) group. CDL is the immediate holding company of the Company. The Board would like to record their appreciation for his dedication and contribution to the Company during his tenure as CEO.

The Board welcomes Mr Wong Hong Ren, who in his most recent role before joining the Company was the Group CEO of Millennium & Copthorne Hotels plc (“M&C”), listed on the London Stock Exchange. As Group CEO at M&C, Mr Wong’s responsibilities included leading the management team and setting the overall direction of the M&C Group’s operational activities and performance. During his tenure as Group CEO of M&C, he was instrumental in developing and executing key elements of M&C’s strategy.

Mr Wong was previously a non-executive Director of the Company from October 1994 until April 2009. Since his entry into the Hong Leong Group Singapore in 1988, he has played a key role in the investment and growth of the Hong Leong Group Singapore’s hospitality and industrial businesses overseas. With his extensive experience in investment analysis, international capital markets and mergers and acquisitions transactions as well as post-acquisition management re-organisation matters, the Board looks forward to working with Mr Wong.

## **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 2014.

## **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 2014.



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 17 April 2014 (“2014 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 2014 AGM on his behalf. Further, Mr. Chan Bernard Charnwut, a non-executive director and member of the Audit Committee and Nomination Committee; and Mr Teoh Teik Kee, an independent non-executive director and chairman of the Audit Committee and Remuneration Committee, and member of the Nomination Committee, were invited to attend the 2014 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 other 2 independent non-executive directors and 1 non-executive director were unable to attend the 2014 AGM. 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”) as the Company’s code of conduct regarding directors’ securities transactions. 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 Kwek Leng Joo stepped down as City Developments Limited’s Managing Director on 16 February 2014 and appointed as Deputy Chairman on 17 February 2014. He was appointed as a member of the Board of Visiting Justices & Board of Inspection on 1 March 2014 as well as a member of National Productivity and Continued Education Council on 1 April 2014. Also, he was appointed as Co-Chairman of the International Panel of Experts on Construction Productivity & Prefabrication Technology on 1 September 2014.

Mr Teoh Teik Kee stepped down as a non-executive director of Hwang DBS Commercial Bank PLC on 14 March 2014.

Mr Ronald Nathaniel Issen was appointed as a non-independent & non-executive director of M&C REIT Management Limited and M&C Business Trust Management Limited on 7 April 2014.

Mr Lee Jackson @ Li Chik Sin stepped down as the lead independent director, chairman of the Audit and Risk Management Committee, and a member of the Nomination Committee and Remuneration Committee of Hong Fok Corporation Limited on 30 April 2014.

Mr Chan Bernard Charnwut stepped down as a non-executive director of New Heritage Holdings Limited on 5 June 2014 and he also stepped down as deputy Chairman of the Oxfam Hong Kong in September 2014.

## **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 2014.

## **STATUTORY INFORMATION**

The Annual General Meeting of the Company will be held on Monday, 20 April 2015.

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 4:00p.m. on Wednesday, 15 April 2015, as the register of members of the Company will be closed from Thursday, 16 April 2015 to Monday, 20 April 2015, both dates inclusive.

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

Hong Kong, 13 February 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.*