

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **City e-Solutions Limited**

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

**(Stock Code: 557)**

### **DISCLOSEABLE TRANSACTION JOINT VENTURE**

The Board is pleased to announce that the Group, through SWAN, has entered into the RSFC Operating Agreement on 22 March 2011 with Shelbourne FIC, for the formation and operation of RSFC as a joint venture. SWAN and Shelbourne FIC each have 50% capital interest in RSFC. RSFC will act as the sole member of RCHP-Financing, which intends to acquire a loan secured by the Hotel directly from a commercial bank, and the sole member of RCHP, which intends to acquire the fee simple ownership interest of the Hotel from the current borrower under that loan. At the closing of the contemplated transaction, RCHP will own the Hotel.

SWAN and Shelbourne FIC each will contribute up to US\$3 million (approximately HK\$23.4 million) as equity capital to RSFC in cash. SWAN (or its affiliate) will also advance to RCHP-Financing and RCHP, as co-borrowers, a loan of up to US\$6 million (approximately HK\$46.8 million) under the RSFC Operating Agreement. RCHP-Financing and RCHP will apply these funds received for the purpose of acquiring the loan secured by the Hotel and operating the Hotel.

The Hotel, commonly known as the “Sheraton Chapel Hill”, is a full service hotel with 168 rooms and 17,000 square feet of meeting space. It is located in the city of Chapel Hill, North Carolina, USA and is in close proximity to three university campuses and the famed “Research Triangle Park”, where the R&D facilities of many Fortune 500 companies are located with over 40,000 employees. The Hotel has recently received US\$7.0 million (approximately HK\$54.6 million) in renovations by the previous owner. The Hotel will be purchased for a total cost basis of US\$12.0 million (approximately HK\$93.6 million), or approximately US\$71,600 (approximately HK\$558,480) per key.

Shelbourne FIC and its ultimate beneficial owner(s) are Independent Third Parties. The joint venture formation under the RSFC Operating Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

On 22 March 2011, the Group, through SWAN, has entered into the RSFC Operating Agreement with Shelbourne FIC, for the formation and operation of RSFC as a joint venture.

#### **A. THE RSFC OPERATING AGREEMENT**

The material terms of the RSFC Operating Agreement are summarized below:

1. *Date*

22 March 2011

2. *Parties*

The RSFC Operating Agreement was executed by SWAN and Shelbourne FIC.

SWAN is a corporation established under the laws of the State of Colorado, USA and a direct wholly owned subsidiary of SWAN Holdings, which is in turn held 85% by the Company and 15% by M&C.

Shelbourne FIC is a limited partnership established under the laws of the State of Delaware, USA.

Shelbourne FIC and its ultimate beneficial owner(s) are Independent Third Parties. To the best of the knowledge of the Directors after having made all reasonable enquiries, Shelbourne FIC is principally engaged in investment in the commercial real estate and middle-market private equity sectors across the United States.

3. *Term*

RSFC commenced on the date of the RSFC Operating Agreement and shall continue until terminated under the RSFC Operating Agreement or by operation of law. RSFC shall be dissolved upon any of the following events: (a) written consent of all members; (b) entry of judicial decree of dissolution; or (c) the sale of substantially all of RSFC's assets.

4. *Voting rights*

SWAN and Shelbourne FIC each have a 50% of capital interest in RSFC and the voting rights set forth in the RSFC Operating Agreement.

5. *Funding commitments and contributions*

The total amount of equity capital to be contributed to RSFC is US\$6 million (approximately HK\$46.8 million). The equity capital will be contributed by each of SWAN and Shelbourne FIC, in equal proportion, in cash. RSFC will in turn contribute its entire equity capital to RCHP-Financing and RCHP. In addition, SWAN (or its affiliate) will advance to RCHP-Financing and RCHP, as co-borrowers, a loan of up to US\$6 million (approximately HK\$46.8 million), to be secured by mortgage and/or pledge of certain assets in RSFC Group. RCHP-Financing and RCHP will use the funds received to finance the acquisition of the loan secured by the Hotel and initial operation of the Hotel. The terms of the loan to be advanced by SWAN are on a commercial basis acceptable to the parties and comply with the requirements of the Listing Rules to the extent applicable. SWAN will fund its equity capital contribution and the loan from its internal cash resources.

If the board of RSFC determines that RSFC requires additional capital for any reason consistent with RSFC's purpose (including, without limitation, for contribution to RCHP-Financing or RCHP), it may make a capital call, in which case each member of RSFC shall make an additional capital contribution in cash, in an amount proportionate to its participation percentage as of the contribution date, and at such times as set forth in the relevant notices to such members. No interest shall be paid by RSFC on any contributions made by any member. Except as otherwise provided in the RSFC Operating Agreement, no member of RSFC shall have the right to withdraw or reduce such member's contribution or to receive any distributions, except as a result of dissolution. No member shall have the right to demand or receive property other than cash in return for such member's contributions. No loan shall be made by a member to RSFC unless approved by RSFC's board.

There is no additional capital commitment on SWAN and Shelbourne FIC under the RSFC Operating Agreement or guarantee/indemnity provided in connection with its establishment apart from the total equity capital contributions of US\$6 million (approximately HK\$46.8 million) and, in relation to SWAN only, the loan of US\$6 million (approximately HK\$46.8 million). The Company currently does not foresee any further capital (equity, loan or otherwise) contribution commitment on the part of the Group save as mentioned above.

The above equity capital contributions to be made to RSFC and loan to RCHP-Financing and RCHP under the RSFC Operating Agreement are based primarily on the funds necessary for RCHP-Financing and RCHP to finance the acquisition of the loan secured by the Hotel and initial operation of the Hotel. It is expected that RSFC Group will fund its initial working capital requirements from, inter alia, these funds received and/or loans from third parties, where required.

6. *Board composition*

SWAN and Shelbourne FIC are each entitled to appoint half of the directors of RSFC. Management of RSFC will comply with the decisions of the board of directors and the members of RSFP as provided in the RSFC Operating Agreement.

7. *Distribution and allocation of profit/loss*

The profits and losses of RSFC, as determined under the RSFC Operating Agreement and based on distributions made to it from RCHP, shall be allocated among the members based on their percentage interests in RSFC.

**B. REASONS FOR, AND BENEFITS OF, THE TRANSACTION**

The Group's principal business includes investment holding, provision of hospitality solutions, hotel management services, reservation services, risk management services, revenue management consulting, accounting and payroll services, and procurement services.

The Group views that the United States hotel industry, which recently suffered tremendous declines due to the global economic downturn, is bottoming out and is expected to steadily recover in the next few years. The Group believes the current period provides for an attractive environment for investing in this sector should the appropriate opportunities arise.

The RSFC Operating Agreement will govern RSFC, the entity that will act as the sole member of RCHP-Financing and RCHP, and memorialize the joint venture between SWAN and Shelbourne FIC. RCHP-Financing is the entity that will acquire a loan secured by the Hotel directly from a commercial bank, and RCHP is the entity that will acquire the fee simple ownership interest of the Hotel from the current borrower under that loan. The counterparties in the acquisition are Independent Third Parties. The acquisition price will be funded by the capital contributions to be made to it as mentioned above. At the closing of the contemplated transaction, RCHP-Financing

will own the loan secured by the Hotel, RCHP will own the Hotel and SWAN will hold a first priority security interest in the Hotel and related assets to secure the loan made by SWAN to RCHP-Financing and RCHP. RSFC will be treated as a jointly controlled entity of the Group.

The Hotel, commonly known as the “Sheraton Chapel Hill”, is a full service hotel with 168 rooms and 17,000 square feet of meeting space. It is located in the city of Chapel Hill, North Carolina, USA and is in close proximity to three university campuses and the famed “Research Triangle Park”, where the R&D facilities of many Fortune 500 companies are located with over 40,000 employees. The Hotel has recently received US\$7.0 million (approximately HK\$54.6 million) in renovations by the previous owner. The Hotel will be purchased for a total cost basis of US\$12.0 million (approximately HK\$93.6 million), or approximately US\$71,600 (approximately HK\$558,480) per key.

Under the RSFC Operating Agreement, Richfield Hospitality, Inc. (a wholly owned subsidiary of SWAN and an established hotel management company) or its designated affiliate will be retained as the property manager of the Hotel. A base management fee equal to three percent (3%) of the total gross revenues of the Hotel will be provided for in the relevant hotel management contract. The management fee receivable will broaden the management income base of the Group as a whole.

The terms of the RSFC Operating Agreement were negotiated on arm’s length basis. The Directors believe that the terms of the RSFC Operating Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **C. LISTING RULES IMPLICATIONS**

The maximum aggregate capital contributions to be made by SWAN to RSFC Group is US\$9 million (approximately HK\$70.2 million), of which US\$3 million (approximately HK\$23.4 million) is equity capital contribution to RSFC and US\$6 million (approximately HK\$46.8 million) is a loan to RCHP. The consideration ratio, based on the said aggregate amount of US\$9 million, exceeds 5% but is less than 25% and all the other applicable percentage ratios are below 5%. The joint venture formation under the RSFC Operating Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

## D. DEFINITIONS

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

“associate”	has the meaning ascribed to such term in the Listing Rules
“CDL”	means City Developments Limited, a company incorporated in the Republic of Singapore and whose shares are listed on the Singapore Exchange Securities Trading Limited. CDL, through its wholly-owned subsidiaries, is currently holding approximately 52.5% of the issued share capital of the Company
“Company”	means City e-Solutions Limited, a company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed to such term in the Listing Rules
“Directors”	means the directors of the Company
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel”	means that certain hotel, commonly known as the “Sheraton Chapel Hill”, located at 1 Europa Drive, Chapel Hill, North Carolina, USA
“Independent Third Party”	means (to the best knowledge, information and belief of the Directors after having made all reasonable enquiry) a party who, together with its ultimate beneficial owner(s), is not a connected person of the Company and is also independent of the Company and its connected persons
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange

“M&C”	means Millennium & Copthorne Hotels plc, a public company incorporated in England and Wales, whose shares are listed on the London Stock Exchange Limited and of which approximately 54% is held by CDL
“RCHP”	means Richfield Carolina Hotel Partners, LLC, a limited liability company under the laws of the State of Delaware, USA
“RCHP-Financing”	means RCHP-Financing, LLC, a limited liability company under the laws of the State of Delaware, USA
“RSFC”	means RSF Carolina Partners, LLC, a limited liability company under the laws of the State of Delaware, USA
“RSFC Group”	means RSFC and its subsidiaries, including RCHP and RCHP-Financing
“RSFC Operating Agreement”	means the amended and restated limited liability company operating agreement of RSFC dated 22 March 2011 and entered into between SWAN and Shelbourne FIC
“Richfield”	means Richfield Hospitality, Inc., a corporation formed in the State of Colorado, USA and a direct wholly owned subsidiary of SWAN. Richfield is an established independent hotel management company
“Shareholder(s)”	means the shareholder(s) of the Company
“Shelbourne FIC”	means Shelbourne Falcon Investors Carolina, LP, a limited partnership established under the laws of the State of Delaware, USA
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“SWAN Holdings”	means SWAN Holdings Limited, a limited liability company incorporated in Bermuda and owned 85% by the Company and 15% by M&C
“SWAN”	means SWAN USA Inc, a corporation formed in the State of Colorado, USA and a direct wholly-owned subsidiary of SWAN Holdings
“USA” or “United States”	means the United States of America

“US\$”

means United States dollars, the lawful currency of the  
USA

By order of the Board  
Kwek Leng Beng  
*Chairman*

Hong Kong, 23 March 2011

*As at the date of this announcement, the Board is comprised of 8 Directors, of which 4 are executive Directors, namely Mr. Kwek Leng Beng, Mr. Kwek Leng Joo, Mr. Gan Khai Choon and Mr. Lawrence Yip Wai Lam, 1 is a non-executive Director, namely Mr. Chan Bernard Charnwut and 3 are independent non-executive Directors, namely Dr. Lo Ka Shui, Mr. Lee Jackson a.k.a. Li Chik Sin and Mr. Teoh Teik Kee.*

*For the purpose of this announcement, the translation of US\$ into HK\$ is based on the approximate exchange rates of US\$1.00 = HK\$7.80.*