


Miscellaneous	
* Asterisks denote mandatory information	
Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
Date & Time of Broadcast	27-Jun-2007 07:19:42
Announcement No.	00005

>> Announcement Details	
The details of the announcement start here ...	

Announcement Title *	Announcement by Subsidiary Company, City e-Solutions Limited on Formation of Joint Venture Company - Tune Hospitality Investments LLC and Resumption of Share Trading
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Description	Please see attached announcement issued by City e-Solutions Limited on 26 June 2007.
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Attachments:	 JVTuneHospitality.pdf Total size = 55K (2048K size limit recommended)
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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

Major Transaction Formation of Joint Venture Company - Tune Hospitality Investments LLC and Resumption of share trading

The Board is pleased to announce that, on 25 June 2007, CES Hospitality Holdings Limited (a wholly owned subsidiary of the Company), Istithmar Hotels FZE, Tune Hotels.Com Capital Partners Limited and its holding company Tune Hotels.Com Limited entered into the Tune Hospitality Shareholders Agreement for, *inter alia*, the establishment and operation of Tune Hospitality Investments LLC and its business and related undertakings.

Tune Hospitality Investments LLC is a joint venture investment vehicle established to develop, own (in whole or in part) and operate a portfolio of limited service (or “no-frills”) budget hotels across the countries in the ASEAN region. The issued share capital of Tune Hospitality Investments LLC is owned as to 40%, 40% and 20 % by CES Hospitality, Istithmar Hotels and Tune Hotels.Com respectively.

Istithmar Hotels, Tune Hotels.Com and its holding company Tune Hotels.Com Limited (including their respective ultimate beneficial owners) are Independent Third Parties. As the consideration ratio in respect of the Group’s maximum capital commitment of about US\$20 million (about HK\$156 million) under the Tune Hospitality Shareholders Agreement exceeds 25% but is less than 100%, the establishment of Tune Hospitality Investments LLC under the Tune Hospitality Shareholders Agreement constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiry, no shareholders of the Company and their respective associates have any material interest in the Tune Hospitality Shareholders Agreement. As such no shareholder of the Company is required under the Listing Rules to abstain from voting if the Company were to convene a general meeting for the approval of the Tune Hospitality Shareholders Agreement. CDL and its relevant wholly owned subsidiaries are currently holding about 52% of entire issued share capital of the Company. Pursuant to Rule 14.44 of the Listing Rules, they had issued a written shareholders’ approval to approve the Tune Hospitality

Shareholders Agreement in lieu of holding a general meeting of the Company and no general meeting will be convened by the Company to approve the Tune Hospitality Shareholders Agreement.

A major transaction circular in connection with the Tune Hospitality Shareholders Agreement will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was temporarily suspended at the request of the Company with effect from 9:30 a.m. on 26 June 2007 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 27 June 2007.

The Board is pleased to announce that further to the announcement of the Company dated 28 May 2007, the Possible Hospitality-Related Investment (as defined in that announcement) has materialized. In connection with it, on 25 June 2007, CES Hospitality Holdings Limited (a wholly owned subsidiary of the Company), Istithmar Hotels FZE, Tune Hotels.Com Capital Partners Limited and its holding company Tune Hotels.Com Limited entered into the Tune Hospitality Shareholders Agreement for, *inter alia*, the establishment and operation of Tune Hospitality Investments LLC and its business and related undertakings.

A. THE TUNE HOSPITALITY SHAREHOLDERS AGREEMENT

The material terms of the Tune Hospitality Shareholders Agreement are summarized below:

1. *Date*

25 June 2007

2. *Parties*

- a. CES Hospitality Holdings Limited, which is a company incorporated in Hong Kong and is wholly owned by the Company.
- b. Istithmar Hotels FZE, which is a company incorporated in the United Arab Emirates. To the best of the knowledge of the Directors after having made all reasonable enquiry, it is principally engaged in management of Istithmar's investments in the hotel sector. Istithmar is an investment company of Dubai World, a holding company which manages and supervises a portfolio of businesses and projects for the Dubai Government.
- c. Tune Hotels.Com Capital Partners Limited, which is a company incorporated in the British Virgin Islands, and Tune Hotels.Com Limited (the holding company of Tune Hotels.Com Capital Partners Limited), which is a company incorporated in Labuan, Malaysia. Tune Hotels.Com Limited entered into the Tune Hotel Hospitality Shareholders Agreement for the sole purpose of guaranteeing the performance of the obligations of Tune Hotels.Com Capital Partners Limited under that agreement. To the best of the knowledge of the Directors after having made all reasonable enquiry, Tune Hotels.Com Capital Partners Limited is principally engaged in, *inter alia*, the licensing and operation of "no-frills" limited service hotels in Asia under the Tune Hotels.Com brand.

Istithmar Hotels FZE, Tune Hotels.Com Capital Partners Limited and Tune Hotels.Com Limited (including their respective ultimate beneficial owners) are Independent Third Parties.

3. *Condition precedent*

The obligations of the parties to the Tune Hospitality Shareholders Agreement and effectiveness of such agreement are conditional on the approval of the Shareholders to the transactions contemplated under that agreement being obtained at an extraordinary general meeting or by way of written shareholders approval in accordance with the Listing Rules.

This condition had been fulfilled by way of the written approval given by CDL and its relevant subsidiaries as referred to in the paragraph headed “C.- Listing Rules Implications” below.

4. *Funding commitments of the parties*

Tune Hospitality Investments LLC will be established with initial issued share capital of AED500,000 (about HK\$1,065,000), which will be held as to 40%, 40% and 20 % by CES Hospitality, Istithmar Hotels and Tune Hotels.Com, respectively.

The shareholders of Tune Hospitality Investments LLC shall make available of up to a total amount of US\$50 million (about HK\$390 million) to Tune Hospitality Investments LLC to fund its operations and for its working capital purposes and the hotel projects undertaken. The funding contributions by the shareholders of Tune Hospitality Investments LLC shall be made in proportion to their then respective shareholdings in Tune Hospitality Investments LLC, that is, in respect of CES Hospitality, Istithmar Hotels, and Tune Hotels.Com initially:

Party	Percentage of shareholding in Tune Hospitality Investments LLC	Maximum funding contribution
CES Hospitality	40%	US\$20 million (about HK\$156 million)
Istithmar Hotels	40%	US\$20 million (about HK\$156 million)
Tune Hotels.Com	<u>20%</u>	<u>US\$10 million (about HK\$78 million)</u>
Total	<u>100%</u>	<u>US\$50 million (about HK\$390 million)</u>

Each advance of the funding contribution to Tune Hospitality Investments LLC shall be made in such amount/amounts and at such time/times as its board of directors decides and set out in the drawing notices to its shareholders in accordance with the Tune Hospitality Shareholders Agreement. The funding obligations on the shareholders of Tune Hospitality Investments LLC shall, however, lapse on expiry of 24 months from the date of first advance notice from the board of Tune Hospitality Investments LLC.

The funding contributions from the shareholders of Tune Hospitality Investments LLC will be made by way of shareholders' loans, share capital contributions or combination of both (in each case proportionate to their respective shareholdings in Tune Hospitality Investments LLC) as set out in the relevant advance notices from the board of Tune Hospitality Investments LLC. The shareholders' loans made to Tune Hospitality Investments LLC will be unsecured and interest free. They will be due and repayable to the shareholders of Tune Hospitality Investments LLC on the winding-up of Tune Hospitality Investments LLC, or such earlier date as determined by its board in proportion to their then shareholdings.

The above maximum funding contributions to the Tune Hospitality Investments LLC were determined after arm's length negotiations between the parties having regard to, *inter alia*, estimated investment required for development of a chain of 25 to 30 Tune Hotels across the countries in the ASEAN region mentioned below. The contributions are in proportion to the shareholders' respective shareholding interests in Tune Hospitality Investments LLC.

Under the Tune Hospitality Shareholders Agreement, the total capital commitment of CES Hospitality in the formation of Tune Hospitality Investments LLC (including any guarantee, loan and other capital committed) is about US\$20 million (about HK\$156 million) mentioned above. The Group will satisfy its funding obligations under the Tune Hospitality Shareholders Agreement from its internal cash resources. The Company currently does not foresee any further capital contribution commitment on the part of the Group on top of its total funding contribution above. If any additional financial assistance is to be given by the Group to Tune Hospitality Investments LLC in the future, such assistance shall be subject to and comply with the relevant requirements of the Listing Rules.

5. *Board representations*

The board of directors of Tune Hospitality Investments LLC shall comprise no more than 5 directors.

Initially, CES Hospitality, Istithmar Hotels and Tune Hotels.Com shall be entitled to appoint or remove 2, 2 and 1 directors at any time, respectively. If there is any change in the shareholdings of the parties after their entry of the Tune Hospitality Shareholders Agreement, any shareholder holding at least 10% shareholding shall be entitled to appoint 1 director, and their respective number of nominees to the board of Tune Hospitality Investments LLC shall reflect, as far as reasonably practicable, their then percentages of shareholdings in it.

The chairman of the board of Tune Hospitality Investments LLC has no casting vote. His position will alternate between a director appointed by CES Hospitality and Istithmar respectively every year.

6. *Reserved matters*

- a. Under the Tune Hospitality Shareholders Agreement, the matters that require unanimous approval of all the shareholders of Tune Hospitality Investments LLC include:
- approval of a hotel development site;
 - change (increase or decrease) of capital of any member of Tune Hospitality Investments LLC Group;
 - material change to the nature or scope of business of any member of Tune Hospitality Investments LLC Group; and
 - adopting or revising the business plan or budget.
- b. Under the Tune Hospitality Shareholders Agreement, the matters that require approval of the shareholders of Tune Hospitality Investments LLC holding at least 75% of its issued shares include:
- declaring or paying any dividend or distribution by any member of Tune Hospitality Investments LLC Group; and
 - incurring material capital expenditure or liability as provided in the Tune Hospitality Shareholders Agreement.

7. *Term*

The Tune Hospitality Shareholders Agreement has taken effect from the date of written approval of CDL and its relevant subsidiaries of this agreement as referred to in the paragraph headed "C.- Listing Rules Implications" below. It shall continue until the Tune Hospitality Investments LLC is wound up. Tune Hospitality Investments LLC shall be wound up on expiry of 6 years after its incorporation date unless the parties agree to extend such period.

8. *Distribution*

Subject to applicable law, all income and realisation proceeds of Tune Hospitality Investments LLC shall, after taking into account the working capital requirements as projected in the business plan, preliminary project budget or a final project budget, any expenses and liabilities of Tune Hospitality Investments LLC and any re-investment of proceeds of realised investments in further investment opportunities approved by the board, be paid out as dividends to the shareholders of Tune Hospitality Investments LLC in proportion to their then shareholdings.

9. *Other material terms*

The Tune Hospitality Shareholders Agreement also contain terms customary of transactions of this type in respect of the following matters:

- a. right of first refusal in favour of the existing shareholders of Tune Hospitality Investments LLC for any further issue of new shares by Tune Hospitality Investments LLC;
- b. pre-emption rights in favour of the existing shareholders of Tune Hospitality Investments LLC for any transfer of shares in such company by any shareholders; and
- c. non-disposal arrangements (effective for a period of 3 years from the date when the Tune Hospitality Shareholders Agreement takes effect as described above) for all shareholders in respect of their shareholdings in Tune Hospitality Investments LLC.

B. REASONS FOR, AND BENEFITS OF, THE TUNE HOSPITALITY SHAREHOLDERS AGREEMENT

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. As announced by the Company in its announcement dated 1 June 2007, the Group, through its 50% shareholding interest in the joint venture vehicle, MindChamps Holdings Pte. Ltd., is also engaged in education business.

The Group has always been seeking investment opportunities with growth potential. The branded no-frills budget hotel concept has been well received in United States, Europe, China and India. With Low Cost Carriers ("LCC") making air travel affordable and accessible to growing percentage of the population around the world including Asia, there has been a corresponding demand for affordable and consistent quality hotel accommodation. However, although LCCs have taken off in the countries in ASEAN region, there has not been a development of a branded "no-frills" hotel chain to meet the growing demand for corresponding quality hotel accommodation by the value conscious travelers in these countries. Hotels under "Tune Hotels" brand ("Tune Hotels") are "no-frills" economy hotels specifically developed to address the lack of affordable, quality accommodation in the ASEAN region. Key elements of a Tune Hotel include a standard 5-star "King Koil" bed, electronic key card entry system and power shower in each space-efficient room, outsourced 24-hour convenience store, a popular branded food and beverage outlet in each hotel, on-site 24-hour guarded security and extensive CCTV cameras in the property. Certain items such as air-conditioning, towels and bathroom amenities are available at small additional charges. Attractive discount rates may also be offered to those customers making advance booking on-line. The outsourcing of convenience stores and food and beverage outlets to third party operators not only provides a steady stream of revenue but also greatly simplifies the-overall operations of the hotel.

The principal business of Tune Hospitality Investments LLC, as a joint venture investment vehicle, is to develop and own (in whole or in part) and operate a chain of 25 to 30 Tune Hotels across the countries in the ASEAN region, directly by itself or indirectly through its subsidiaries. The formation of the Tune Hospitality Investments LLC represents a great opportunity for the Group to tap into this growing demand. Tune Hospitality Investments LLC will target developing Tune Hotels in countries across the ASEAN region with initial focus in Malaysia, and the hotels will have around 150 to 300 rooms. In addition to the rental income and the room revenue received by each hotel, Tune Hotels.Com will assist Tune Hospitality Investments LLC Group's hotels to procure advertising revenue stream from advertisements placed both outside (such as exterior of hotel buildings and billboards etc.) and inside the hotels. Such advertising revenue will be shared between Tune Hotels.Com and Tune Hospitality Investments LLC.

Currently, Tune Hotels.Com and its affiliates (collectively "Tune Hotels.Com Group") operate the only "no-frills" hotel concept in Asia. It is principally engaged in franchising and licensing other entities to operate hotels under "Tune Hotels" brand and related trademarks, and provision of hotel management services for and development of such hotels in ASEAN region, China, India or other places in the world. It has established its first own hotel in Kuala Lumpur, Malaysia opened on 27 April 2007. Tune Hotels.Com Group has developed the relevant methodology and intellectual properties, including trade and service marks, for management and operation of Tune Hotels. If and when suitable hotel development projects or sites are secured and approved by the Tune Hospitality Investments LLC Group in the future, Tune Hotels.Com Group will grant 20-year licences to all such hotels developed and owned by relevant members of the Tune Hospitality Investments LLC Group to operate under the "Tune Hotel" brand. Tune Hotels.Com Group will also be appointed by Tune Hospitality Investments LLC Group as its project manager to convert (or retrofit/renovate) existing buildings or to construct new buildings for use as Tune Hotels, and also as its hotel manager to manage the branded Tune Hotels under the franchise granted by Tune Hotels.Com Group. The agreements for the license of the "Tune Hotel" brand and provision of the above-mentioned services will be entered into between Tune Hospitality Investments LLC and its relevant subsidiaries and relevant members of Tune Hotels.Com Group on arm's length basis and on normal (or better) commercial terms. Leveraging on the expertise of Tune Hotels.Com Group, Tune Hotels.Com Group has also been appointed by Tune Hospitality Investments LLC to provide other management services, including development sites sourcing and procurement, project negotiation and contract matters handling, budgeting and provision of internal office administration and financial statements preparation, compliance and support services, in order to assist Tune Hospitality Investments LLC Group in achieving its investment objectives.

To protect the investments of the shareholders of Tune Hospitality Investments LLC made in it, Tune Hotels.Com has given non-competition undertakings in favour of Tune Hospitality Investments LLC under Tune Hospitality Shareholders Agreement. It has undertaken not to, inter alia, launch a new brand of limited service hotel segment in ASEAN region, engaged or interested in or operate any business substantially similar to or in competition with the business of Tune Hospitality Investments LLC Group in specific locations in major cities and towns across the ASEAN region where Tune Hospitality Investments LLC has developed a Tune Hotel unless with the approval of CES Hospitality and Istithmar or the board of Tune Hospitality Investments LLC.

Leveraging on the Group's expertise in hotel business, the Group expects that such investment will provide promising business prospects. The Directors are of the opinion that it will boost and extend the revenue sources in furtherance of principal line of hotel business of the Group. The Directors also consider that the terms of the Tune Hospitality Shareholders Agreement are on normal commercial terms and fair and reasonable, and are also in the best interests of the Company and the Shareholders as a whole.

Tune Hospitality Investments LLC will be equity accounted for as a 40% associated company in the accounts of the Group.

C. LISTING RULES IMPLICATIONS

As the consideration ratio in respect of the Group's maximum capital commitment under the Tune Hospitality Shareholders Agreement exceeds 25% but is less than 100%, the establishment of Tune Hospitality Investments LLC under the Tune Hospitality Shareholders Agreement constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules.

CDL is a controlling shareholder of the Company and, through its wholly-owned subsidiaries, is holding about 52% of the entire issued share capital of the Company currently. As none of CDL and any of its subsidiaries or other associates has any material interests in the Tune Hospitality Shareholders Agreement (save in the same manner as any other shareholders of the Company generally), they are permitted to vote at a general meeting of the Company that may be convened for the purposes of considering and approving the Tune Hospitality Shareholders Agreement under the Listing Rules. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiry, no shareholders of the Company and their respective associates have any material interest in the Tune Hospitality Shareholders Agreement. As such no shareholder of the Company is required under the Listing Rules to abstain from voting if the Company were to convene a general meeting for the approval of the Tune Hospitality Shareholders Agreement. As CDL and its wholly owned subsidiaries holding such 52% issued Shares are closely allied group of Shareholders under Rule 14.45 of the Listing Rules, they have already issued a written confirmation approving the Tune Hospitality Shareholders Agreement. As this written shareholders' approval is accepted under Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company, no general meeting will be convened by the Company to approve the Tune Hospitality Shareholders Agreement.

A major transaction circular in connection with the Tune Hospitality Shareholders Agreement will be despatched to the Shareholders as soon as practicable.

There was no any other transaction between the Group and each of Istithmar Hotels FZE, Tune Hotels.Com Capital Partners Limited and Tune Hotels.Com Limited (and their respective ultimate beneficial owners) which would require aggregation under Rule 14.22 of the Listing Rules.

D. RESUMPTION OF SHARE TRADING

Trading in the Shares on the Stock Exchange was temporarily suspended at the request of the Company with effect from 9:30 a.m. on 26 June 2007 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 27 June 2007.

E. DEFINITIONS

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

“ASEAN”	acronym for Association of South East Asian Nations
“associate”	has the meaning ascribed to such term in the Listing Rules
“CDL”	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 about 52% of the issued share capital of the Company.
“CES Hospitality”	CES Hospitality Holdings Limited, which is a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
“Company”	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”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party”	a party who, together with its ultimate beneficial owner(s), (to the best knowledge, information and belief of the Directors after having made all reasonable enquiry) is not a connected person of the Company and is also independent of the Company and its connected persons
“Istithmar Hotels”	Istithmar Hotels FZE, which is a company incorporated in the United Arab Emirates and an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share”	ordinary share of HK\$1.00 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tune Hotels.Com”	Tune Hotels.Com Capital Partners Limited, which is a company incorporated in Labuan, Malaysia. Tune Hotels.Com Capital Partners Limited and its holding company Tune Hotels.Com Limited are both Independent Third Parties
“Tune Hospitality Investments LLC”	Tune Hospitality Investments LLC, which is a joint venture company established in the United Arab Emirates and whose issued share capital is owned by CES Hospitality (as to 40%), Istithmar Hotels (as to 40%) and Tune Hotels.Com (as to 20%) respectively
“Tune Hospitality Investments LLC Group”	Tune Hospitality Investments LLC and its subsidiaries established from time to time
“Tune Hospitality Shareholders Agreement”	the shareholders agreement dated 25 June 2007 between CES Hospitality Holdings Limited, Istithmar Hotels FZE, and Tune Hotels.Com Capital Partners Limited and its holding company Tune Hotels.Com Limited in respect of Tune Hospitality Investments LLC
“AED”	United Arab Emirates Dirham, the lawful currency of the United Arab Emirates
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

By order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 26 June 2007

As at the date of this announcement, the Board comprises 11 Directors, of which 6 are executive Directors, namely Mr. Kwek Leng Beng, Mr. Vincent Yeo Wee Eng, Mr. Kwek Leng Joo, Mr. Kwek Leng Peck, Mr. Gan Khai Choon and Mr. Lawrence Yip Wai Lam, 2 are non-executive Directors, namely Mr. Wong Hong Ren and 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\$ and AED into HK\$ is based on the approximate exchange rates of US\$1.00 = HK\$7.80 and AED1.00=HK\$2.13, respectively.