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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

Discloseable Transaction

Formation of Joint Venture

The Board is pleased to announce that on May 10, 2010, the Group, through SWAN, and Shelbourne entered into the JV Agreement for formation and operation of RSFP as a joint venture.

SWAN and Shelbourne are members of RSFP owning equal participation percentages in it. RSFP is principally engaged to, inter alia, acquire and operate the Hotel.

Shelbourne and its ultimate beneficial owners are Independent Third Parties. The formation of RSFP constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

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A. THE JV AGREEMENT

The material terms of the JV Agreement are summarized below:

1. *Date*

May 10, 2010

2. *Parties*

- a. SWAN is a corporation incorporated in the USA and a direct wholly owned subsidiary of SWAN Holdings, which is in turn held 85% by the Company and 15% by M&C.
- b. Shelbourne is a limited partnership established under the laws of the State of Delaware, USA

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

3. *Term*

RSFP commenced on May 7, 2010 and shall continue until terminated under the JV Agreement or by operation of law. RSFP shall be dissolved upon any of the following events: (a) written consent of members holding 75% interests in RSFP; (b) entry of judicial decree of dissolution; and (c) sale of substantially all of RSFP's assets.

4. *Participating/equity percentages*

SWAN and Shelbourne each has a 50% participating interest in RSFP.

5. *Funding contributions*

RSFP will be established with initial capital of US\$11 million (approximately HK\$86 million). The initial capital will be contributed by SWAN and Shelbourne in equal shares. SWAN will satisfy its share of initial capital contribution from its internal cash resources.

If the board of RSFP determines that RSFP requires additional capital for any reason, each member shall make an additional capital contribution in cash, in an amount equal to the product of (x) the aggregate capital contribution determined by the board of RSFP and (y) the respective member's percentage interest as of the contribution date, and at such times as set forth in the relevant notices. No interest shall be paid by RSFP on any contributions made by any member. Except as otherwise provided in the JV Agreement, no member of RSFP 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 RSFP unless approved by RSFP's board.

The total amount of initial capital to be contributed to RSFP is US\$11 million (approximately HK\$86 million), of which SWAN will be responsible for 50% (for so long as SWAN owns a 50% interest in RSFP), that is, approximately US\$5.5 million (approximately HK\$43 million). SWAN will fund such contributions from its internal cash resources. In addition to its capital commitment, SWAN may consider providing financial assistance to RSFP via a loan, to be secured by pledge of RSFP's assets, of up to US\$4 million (approximately HK\$31 million) on terms that will be commercially acceptable to SWAN and RSFP, and such assistance shall be subject to and comply with the requirements of the Listing Rules to the extent applicable. There is no additional capital commitment on SWAN and Shelbourne under the JV Agreement or guarantee/indemnity provided in connection with its establishment apart from the initial capital of approximately US\$11 million (approximately HK\$86 million) to be funded by the members as mentioned above, and the Company currently does not foresee any further equity capital contribution commitment on the part of the Group in excess of the approximately US\$11 million (approximately HK\$86 million) of equity funding mentioned above.

RSFP is set up primarily to acquire the Hotel, as referred to below. The above capital contributions to be made to RSFP under the JV Agreement are based primarily on the amount budgeted for the purchase of the Hotel. There will be additional closing costs, renovation costs, operating costs and other costs associated with the acquisition and operation of the Hotel. It is expected that these costs will be funded by a combination of RSFP's capital and a mortgage loan from an independent third party bank in the United States.

6. *Board representations*

The board of directors of RSFP shall initially consist of 4 directors, two of whom shall be chosen by SWAN and two of whom shall be chosen by Shelbourne, respectively.

The board of directors of RSFP shall constitute an investment committee for RSFP and shall, in addition to other authority granted in the JV Agreement, establish investment criteria and parameters for RSFP Group, review investment memoranda and financial analytics for investments and establish business plans and budgets for RSFP's properties. The manager of RSFP shall administer RSFP strictly in conformance with the decisions of the board of directors and the members of RSFP as provided in the JV Agreement.

7. *Distribution and allocation of profit/loss*

The profits and losses of RSFP, as determined under the JV Agreement, for each fiscal year shall be allocated among the members in accordance with their respective participation percentages, that is, currently 50% for each of SWAN and Shelbourne. Distributable cash of RSFP, as determined under the JV Agreement, shall be distributed first to its members with positive adjusted capital balances, pro rata in accordance with such balances, until the adjusted capital of each member is reduced to zero, and thereafter, to the members in accordance with their respective participation percentages.

B. REASONS FOR, AND BENEFITS OF, THE JV AGREEMENT

The Group's principal business includes investment holding, provision of hotel management, hotel reservation, and revenue management services, risk management services and procurement services to the hospitality industry.

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 as it and its partners have the ability to purchase hotels across the United States at highly attractive entry prices.

The JV Agreement is to form RSFP as a joint venture between SWAN and Shelbourne. RSFP is a jointly controlled entity of the Group. RSFP Group is principally engaged to, inter alia, acquire and oversee the operation of the Hotel. RSFP Group intends to acquire the Hotel from Independent Third Parties and the acquisition price will be funded by the capital contributions to be made to it under the JV Agreement as mentioned above.

The Hotel, with total gross floor area of approximately 298,000 sq ft, is a 20 floor building with 279 rooms, a conference center, and a parking garage. It is located in a major city in the State of New York, USA, and in the proximity of key catchment areas. The Hotel is currently classified as a full-service hotel and generates majority of its revenues via daily room rentals and food & beverage sales.

Once RSFP becomes the owner of the Hotel, pursuant to the terms of the JV Agreement, RSFP will cause the entity that directly owns the Hotel (which entity is to be owned and controlled solely by RSFP) to enter into a new hotel management agreement with Richfield, a company that is wholly owned by SWAN. Richfield operates as a hotel management company and therefore, the new hotel management contract in respect of the Hotel will increase Richfield's management fee income.

The terms of the JV Agreement were negotiated on arm's length basis. The Directors believe that the terms of the JV Agreement are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

D. LISTING RULES IMPLICATIONS

The maximum aggregate capital contributions to be made by SWAN to RSFP is approximately US\$9.5 million (approximately HK\$74 million), of which US\$5.5 million (approximately HK\$43 million) is equity capital contribution and US\$4 million (approximately HK\$31 million) is the possible debt financing to RSFP as mentioned above. As the consideration ratio, based on the aggregate amount of US\$9.5 million, exceeds 5% but is less than 25% and all the other applicable percentage ratios are below 5%, the formation of RSFP as a joint venture under the JV Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

E. 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”	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 52.52% of the issued share capital 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

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel”	a 279 room hotel with gross floor area of 298,000 sq ft located in a major city in the State of New York, USA
“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
“JV Agreement”	the limited liability company operating agreement of RSFP dated May 10, 2010 and made between SWAN and Shelbourne
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&C”	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 53% is held by CDL
“Richfield”	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.
“RSFP”	RSF PARTNERS I, LLC, a limited liability company established under the laws of the State of Colorado, USA
“Shareholder(s)”	shareholder(s) of the Company
“Shelbourne”	Shelbourne Falcon Investors, LP, a limited partnership established under the laws of the State of Delaware, USA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“SWAN Holdings”	SWAN Holdings Limited, a limited liability company incorporated in Bermuda. SWAN Holdings is held as to 85% by the Company and the remaining 15% by M&C.
“SWAN”	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”	The United States of America
“US\$”	United States dollars, the lawful currency of the USA

By order of the Board
Kwek Leng Beng
Chairman

Hong Kong, May 10, 2010

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.