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**City e-Solutions Limited**

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

**(Stock Code: 557)**

**2009 INTERIM RESULTS – ANNOUNCEMENT  
UNAUDITED CONSOLIDATED RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

**RESULTS**

The Directors of City e-Solutions Limited (the “Company”) announce the following interim unaudited consolidated results of the Company, its subsidiaries and its jointly controlled entity (the “Group”) and the Group’s interest in an associate for the six months ended 30 June 2009 together with comparative figures.

**Consolidated income statement  
for the six months ended 30 June 2009 – unaudited**

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2009</b>	2008
		<i>HK\$'000</i>	Re-presented <i>HK\$'000</i>
<b>Continuing operations</b>			
<b>Turnover</b>	2	<b>35,266</b>	46,608
Cost of sales		<b>(14,484)</b>	(10,896)
<b>Gross profit</b>		<b>20,782</b>	35,712
Other net income/(losses)	3	<b>28,291</b>	(14,637)
Administrative expenses		<b>(19,706)</b>	(22,236)
<b>Profit/(Loss) from operations</b>		<b>29,367</b>	(1,161)
Share of losses of associate		<b>(258)</b>	(688)
<b>Profit/(Loss) before taxation</b>		<b>29,109</b>	(1,849)
Income tax	4	<b>(1,177)</b>	(2,872)
<b>Profit/(Loss) from continuing operations</b>		<b>27,932</b>	(4,721)
<b>Discontinued operations</b>			
Profit from discontinued operations, net of tax	5	<b>3,922</b>	1,927
<b>Profit/(Loss) for the period</b>	6	<b>31,854</b>	(2,794)
<b>Attributable to :</b>			
Equity shareholders of the Company		<b>31,552</b>	(3,254)
Minority interests		<b>302</b>	460
<b>Profit/(Loss) for the period</b>		<b>31,854</b>	(2,794)
<b>Earnings/(Losses) per share</b>			
Basic earnings/(losses) per share	8	<b>HK cents 8.25</b>	<i>HK cents</i> (0.85)
<b>Continuing operations</b>			
Basic earnings/(losses) per share	8	<b>HK cents 7.22</b>	<i>HK cents</i> (1.35)

**Consolidated statement of comprehensive income  
for the six months ended 30 June 2009 – unaudited**

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2009</b>	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(Loss) for the period</b>		<b>31,854</b>	(2,794)
<b>Other comprehensive income for the period (after taxation and reclassification adjustments):</b>			
Exchange differences on translation of:			
- financial statements of foreign operations		147	2,330
- monetary items forming part of net investment in a foreign operation		64	8
Exchange differences realised on disposal of an investment in a jointly controlled entity	5	(273)	—
		(62)	2,338
<b>Total comprehensive income/(expense) for the period</b>		<b>31,792</b>	(456)
<b>Attributable to:</b>			
Equity shareholders of the Company		31,421	(864)
Minority interest		371	408
<b>Total comprehensive income/(expense) for the period</b>		<b>31,792</b>	(456)

**Consolidated Balance Sheet at 30 June 2009 - unaudited**

	<i>Note</i>	At 30 June 2009 <i>HK\$'000</i>	At 31 December 2008 <i>HK\$'000</i>
<b>Non-current assets</b>			
Plant and equipment		3,629	7,612
Intangible assets		149	3,651
Interest in an associate		29,639	30,039
Deferred tax assets		11,939	12,940
<b>Total non-current assets</b>		<b>45,356</b>	<b>54,242</b>
<b>Current assets</b>			
Properties held for resale		—	11,609
Trading securities		75,838	59,856
Trade and other receivables	9	19,296	27,622
Current tax recoverable		350	163
Cash and cash equivalents		457,020	438,954
		<b>552,504</b>	<b>538,204</b>
<b>Current liabilities</b>			
Trade and other payables	10	(19,652)	(44,785)
Provision for taxation		(1,194)	(2,439)
		<b>(20,846)</b>	<b>(47,224)</b>
<b>Net current assets</b>		<b>531,658</b>	<b>490,980</b>
<b>Total assets less current liabilities</b>		<b>577,014</b>	<b>545,222</b>
<b>NET ASSETS</b>		<b>577,014</b>	<b>545,222</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		382,450	382,450
Reserves		158,465	127,044
<b>Total equity attributable to equity shareholders of the Company</b>		<b>540,915</b>	<b>509,494</b>
<b>Minority interests</b>		<b>36,099</b>	<b>35,728</b>
<b>TOTAL EQUITY</b>		<b>577,014</b>	<b>545,222</b>

Notes: -

1. The interim financial result for the six months ended 30 June 2009 is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Federation of Accountants. In addition, this financial result has been reviewed by the Company's Audit Committee.

The interim financial result for the six months ended 30 June 2009 has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 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 one new Hong Kong Financial Reporting Standards ("HKFRS"), a number of amendments to HKFRSs and new Interpretations 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:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007), *Borrowing costs*

The amendments to HKAS 23 and HKAS 27 have no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirement specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions' about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

2. Included in reportable segment revenue are dividends and interest income amounting to HK\$2.5 million (2008: HK\$10.5 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 period is set out below:

	Investment Holding		Hospitality Related Services		Property Investment		Total continuing operations		Education (Discontinued)		Total	
	Six months		Six months		Six months		Six months		Six months		Six months	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	560	1,708	20,476	26,179	12,282	10,028	33,318	37,915	7,837	26,456	41,155	64,371
Interest income	1,513	8,077	435	616	—	—	1,948	8,693	5	65	1,953	8,758
<b>Reportable segment revenue</b>	<b>2,073</b>	<b>9,785</b>	<b>20,911</b>	<b>26,795</b>	<b>12,282</b>	<b>10,028</b>	<b>35,266</b>	<b>46,608</b>	<b>7,842</b>	<b>26,521</b>	<b>43,108</b>	<b>73,129</b>
<b>Reportable segment profit/(loss)</b>	<b>25,669</b>	<b>(9,897)</b>	<b>2,951</b>	<b>5,084</b>	<b>747</b>	<b>3,652</b>	<b>29,367</b>	<b>(1,161)</b>	<b>(558)</b>	<b>2,171</b>	<b>28,809</b>	<b>1,010</b>
Depreciation and amortisation	548	555	303	312	—	—	851	867	604	614	1,455	1,481
Unrealised gains/(losses) on trading securities	10,812	(16,064)	559	(818)	—	—	11,371	(16,882)	—	—	11,371	(16,882)
Unrealised foreign exchange gains	16,588	1,477	—	—	—	—	16,588	1,477	—	—	16,588	1,477
Additions to non-current assets segment	12	3	31	428	—	—	43	431	187	1,445	230	1,876
<b>Reportable segment assets</b>	<b>473,187</b>	<b>437,714</b>	<b>79,556</b>	<b>78,663</b>	<b>3,189</b>	<b>11,796</b>	<b>555,932</b>	<b>528,173</b>	<b>—</b>	<b>21,131</b>	<b>555,932</b>	<b>549,304</b>
<b>Reportable segment liabilities</b>	<b>4,957</b>	<b>6,533</b>	<b>14,658</b>	<b>17,478</b>	<b>37</b>	<b>32</b>	<b>19,652</b>	<b>24,043</b>	<b>—</b>	<b>20,742</b>	<b>19,652</b>	<b>44,785</b>

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net realised and unrealised foreign exchange gains	16,569	2,300
Net realised and unrealised gains/(losses) on trading securities	11,428	(16,882)
Others	294	(55)
	<u>28,291</u>	<u>(14,637)</u>

### 4. Income tax

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
<b>Current tax - Overseas</b>		
Provision for the period	153	577
	<u>153</u>	<u>577</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(101)	2,295
Utilisation of deferred tax assets previously recognised	1,125	—
	<u>1,024</u>	<u>2,295</u>
Income tax expense from continuing operations	1,177	2,872
Income tax expense from discontinued operations	—	244
	<u>1,177</u>	<u>3,116</u>

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2008: 16.5%) of the estimated assessable profits for the period ended 30 June 2009. Taxation for overseas subsidiaries has been provided on estimated assessable profits at the rates of taxation ruling in the relevant countries.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands. The tax concession was renewed for a further period of twenty years from 2 June 2009.

As at 30 June 2009, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$4.0 million (31 December 2008: HK\$3.9 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.

## 5. Discontinued Operations

On 13 March 2009, the Group entered into an agreement to dispose of its 50% shareholding interest in MindChamps Holdings Pte. Limited (“MindChamps”), a jointly controlled entity for a total consideration of S\$3.5 million (about HK\$17.75 million). The disposal was completed on 23 March 2009. Accordingly, the Group no longer consolidates proportionately the financial results of MindChamps from that date. The comparative income statement has been re-presented to show the results of the discontinued operations separately from those of the continuing operations.

The total consideration of S\$3.5 million (about HK\$17.75 million) shall be settled by cash in the following manner:

- (a) S\$0.75 million (HK\$3.8 million) paid on 23 March 2009;
- (b) S\$0.25 million (HK\$1.27 million) by 5 equal monthly instalments of S\$0.05 million (HK\$0.25 million) each payable on or before the 4th business day of each month, with the first instalment paid in May 2009;<sup>(1)</sup>
- (c) The remaining S\$2.5 million (about HK\$12.68 million) in March 2011.

The Group would record additional gains as and when the deferred consideration is received.

<sup>(1)</sup> For the period under review, S\$0.1 million (HK\$0.6 million) was received.

The results of the discontinued operations are set out below:

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<b>7,842</b>	26,521
Expenses	<b>(8,400)</b>	(24,350)
(Loss)/ Profit before taxation	<b>(558)</b>	2,171
Income tax	<b>—</b>	(244)
(Loss)/ Profit after taxation	<b>(558)</b>	1,927
Gain on disposal of discontinued operation	<b>4,480</b>	—
Profit from discontinued operations	<b>3,922</b>	1,927
Basic earnings per share (cents)	<b>1.03</b>	0.50
<b>Cash flows used in discontinued operations</b>		
Operating activities	<b>(3,592)</b>	(1,631)
Investing activities	<b>(780)</b>	(1,445)
	<b>(4,372)</b>	(3,076)



The effect of the disposal on the assets and liabilities of the Group is as follows:

	<b>Six months ended 30 June 2009</b>
	<b>HK\$'000</b>
Non current assets	(5,972)
Current assets	(8,715)
Current liabilities	<u>15,480</u>
Net identifiable assets and liabilities	793
Gain on disposal of discontinued operation	(4,480)
Realisation of exchange differences arising from the disposal of discontinued operation	<u>273</u>
Cash consideration received, satisfied in cash (net of expenses incurred) <sup>(2)</sup>	(3,414)
Cash disposed of	<u>4,015</u>
Net cash flows	<u><u>601</u></u>

<sup>(2)</sup> This represents the cash consideration received to-date of HK\$4,361,000, net of expenses incurred of HK\$947,000.

**6. Profit/(loss) for the period is arrived at after charging/(crediting):**

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of plant and equipment	1,237	1,450
Amortisation of intangible assets	218	31
Dividends and interest income	(2,513)	(10,466)
Gain on disposal of investment in a jointly controlled entity	<u>(4,480)</u>	<u>—</u>

**7. Dividends**

a) Dividends attributable to the interim period

The Directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2009 (2008: HK\$Nil).

- b) Dividends attributable to the previous financial year, approved and paid during the interim period.

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividends in respect of the previous financial year, approved and paid during the interim period of Nil (2008: HK3 cents) per share	<u>—</u>	<u>11,494</u>

## 8. Earnings/(Losses) per share

### a) *Basic earnings per share*

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of HK\$31.6 million (six months ended 30 June 2008: Loss of HK\$3.3 million) and on the weighted average number of ordinary shares of 382,449,524 (2008: 382,924,062) in issue during the period.

For the period ended 30 June 2009, earnings per share for continuing and discontinued operations have been calculated using the profit relating to continuing operations of HK\$27.6 million (2008: Loss of HK\$5.2 million) and the profit relating to discontinued operations of HK\$3.9 million (2008: HK\$1.9 million).

### b) *Diluted earnings per share*

Diluted earnings per share is not applicable as there are no dilutive potential ordinary shares during the period.

## 9. Trade and other receivables

Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis:

	<b>At 30 June 2009 <i>HK\$'000</i></b>	<b>At 31 December 2008 <i>HK\$'000</i></b>
Current or less than 1 month overdue	<b>7,053</b>	9,959
1 to 3 months overdue	<b>1,763</b>	5,111
More than 3 months overdue but less than 12 months overdue	<b>1,042</b>	387
Total trade receivables, less impairment losses	<b>9,858</b>	15,457
Other receivables, deposits and prepayments	<b>9,151</b>	10,713
Amounts owing by affiliated companies	<b>287</b>	782
Amounts owing by other shareholder of jointly controlled entity	<b>—</b>	670
	<b>19,296</b>	27,622

Trade receivables are due within 30 days from the date of billing. Debtors 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.

#### 10. Trade and other payables

	At <b>30 June</b> <b>2009</b> <i>HK\$'000</i>	At 31 December 2008 <i>HK\$'000</i>
Trade payables	311	2,294
Other payables and accrued charges	19,164	41,808
Amounts owing to affiliated companies	177	683
	<u>19,652</u>	<u>44,785</u>

All trade payables are due within 1 month or on demand.

#### 11. Commitment

As at 30 June 2009, the Group has outstanding capital contribution to an associate of approximately HK\$122.0 million (as at 31 December 2008: HK\$121.0 million) pursuant to the shareholders' agreement entered into on 25 June 2007.

### MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net profit attributable to the equity shareholders of the Company of HK\$31.6 million for the period under review as compared with a net loss of HK\$3.3 million in the previous corresponding period.

For the period under review, the profit is contributed mainly by the investment holding business segment with a pre-tax profit of HK\$25.7 million as compared with a pre-tax loss of HK\$9.9 million in the previous corresponding period. This segment recorded unrealised profit of HK\$11.4 million as a result of the revaluation of the Group's trading securities to fair value as at 30 June 2009 as well as a net realised and unrealised translation exchange gain of HK\$16.6 million arising mainly from the Sterling Pound denominated trading security and cash deposit. The total amount of HK\$28.0 million compares favourably to the total net realised and unrealised losses of HK\$14.6 million reported in the previous corresponding period.

In addition, the Group recognised a profit of HK\$3.9 million, which is attributed mainly to the sale of its 50% equity interest in MindChamps ("MindChamps Sale") on 23 March 2009, as compared with a profit of HK\$1.9 million in the previous corresponding period. Following the sale, the Group no longer consolidates proportionately the financial results of MindChamps and the result has been reported as discontinued operations.

Lower revenues and profits were recorded from the other Group's business segments. The continuing challenging economic environment has resulted in lower Group's revenue of HK\$35.3 million for the period under review, down by HK\$11.3 million from HK\$46.6 million in the previous corresponding period. This is mainly due to lower dividend and interest income of HK\$2.5 million as compared to HK\$10.5 million in the previous corresponding period.

The current recession in the US economy has caused most of Swan's hotels under management to record lower revenues and operating profits compared to the previous corresponding period. The decline in the managed hotels' operating results has in turn affected the property revenues and management fees recorded by Swan's hotel management business unit, Richfield. For the period under review, Swan's group recorded a lower pre-tax profit from operations of HK\$2.9 million as compared with a pre-tax profit of HK\$4.1 million in the previous corresponding period.

Besides the MindChamps Sale, the Group has also completed the sale of the remaining two units of residential properties in Singapore held for resale at total revenue of HK\$12.3 million as compared with revenue of HK\$10.0 million on the sale of one unit in the previous corresponding period. Accordingly, a smaller pre-tax profit of HK\$0.8 million was realised for the period under review as compared with a pre-tax profit of HK\$3.6 million recorded in the previous corresponding period.

## **PROSPECTS**

Business conditions continue to remain challenging in the 2nd Half of 2009 and the management of Swan will adopt a cost-conscious approach towards managing its current business. 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 revaluation of foreign currency cash deposits.

As the global recession continues and the credit environment remains tight, investment opportunities may become available at attractive valuations. The Group still has significant cash reserves to capitalise on such price dislocation that may arise in the current environment.

## **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 unaudited interim financial report of the Group for the six months ended 30 June 2009.

## **CORPORATE GOVERNANCE**

In the opinion of the Directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices, as 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 period.

Under the code provision E.1.2, the Chairman of the board should attend the annual general meeting. However, in the annual general meeting held on 22 April 2009, our Chairman was unable to attend the meeting as he had to attend to an urgent matter. He appointed Mr. Gan Khai Choon to chair the meeting on his behalf.

## **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”). All directors have confirmed that they have complied with the Model Code throughout the period under review.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2009.

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

Hong Kong, 11 August 2009

*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.*