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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

UNAUDITED FINANCIAL RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2012

SUMMARY

To provide the market with updated information, the Board of City e-Solutions Limited (the “Company”) announces the unaudited consolidated financial results of the Company and its subsidiaries and its jointly controlled entities (the “Group”) for the three months ended 31 March 2012.

This announcement is made in accordance with Rule 13.09(1) of the Listing Rules.

The unaudited consolidated profit attributable to equity shareholders of the Company for the three months ended 31 March 2012 was approximately HK\$7.6 million.

Shareholders of the Company and potential investors should note that all figures contained herein are unaudited and are advised to exercise caution when dealing in the shares of the Company.

This announcement is made in accordance with Rule 13.09(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

To provide the market with updated information, the board (“Board”) of directors (“Directors”) of City e-Solutions Limited (the “Company”) announces the unaudited consolidated financial results of the Company and its subsidiaries and its jointly controlled entities (the “Group”) for the three months ended 31 March 2012 (the “Period”).

CONSOLIDATED INCOME STATEMENT

		Three months ended	
		31 March	
	<i>Note</i>	2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Continuing operations			
Turnover	2	28,534	18,738
Cost of sales		<u>(8,506)</u>	<u>(5,476)</u>
Gross profit		20,028	13,262
Other net gains/(losses)	3	11,395	(7,783)
Administrative expenses	4	(26,701)	(21,017)
Finance cost		<u>(718)</u>	<u>(538)</u>
Profit/(Loss) from operations before taxation		4,004	(16,076)
Income tax		<u>1,404</u>	<u>1,963</u>
Profit/(Loss) from continuing operations		5,408	(14,113)
Discontinued operations			
Profit from discontinued operations, net of tax	5	<u>—</u>	<u>9,002</u>
Profit/(Loss) for the period	6	<u><u>5,408</u></u>	<u><u>(5,111)</u></u>
Attributable to :			
Equity shareholders of the Company		7,604	(4,613)
Non-controlling interests		<u>(2,196)</u>	<u>(498)</u>
Profit/(Loss) for the period		<u><u>5,408</u></u>	<u><u>(5,111)</u></u>
Earnings/ (Losses) per share		HK cents	HK cents
Basic earnings/(losses) per share		<u>1.99</u>	<u>(1.21)</u>
Continuing operations		HK cents	HK cents
Basic earnings/(losses) per share		<u>1.99</u>	<u>(3.56)</u>

STATEMENT OF FINANCIAL POSITION (unaudited)

	The Group	
	As at	As at
	31 March	31 December
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	90,642	90,775
Intangible assets	21,172	2,564
Goodwill	2,229	2,232
Deferred tax assets	23,275	21,928
Total non-current assets	137,318	117,499
Current assets		
Trading securities	89,135	79,900
Trade and other receivables	54,154	53,547
Current tax recoverable	263	357
Cash and cash equivalents	388,050	399,681
	<u>531,602</u>	<u>533,485</u>
Current liabilities		
Trade and other payables	(37,217)	(33,788)
Interest-bearing loans	(560)	(562)
Provision for taxation	—	—
	<u>(37,777)</u>	<u>(34,350)</u>
Net current assets	<u>493,825</u>	<u>499,135</u>
Total assets less current liabilities	631,143	616,634
Non-current liabilities		
Interest-bearing loans	(37,222)	(37,439)
NET ASSETS	<u>593,921</u>	<u>579,195</u>
CAPITAL AND RESERVES		
Share capital	382,450	382,450
Reserves	169,536	162,064
Total equity attributable to equity shareholders of the Company	551,986	544,514
Non-controlling interests	<u>41,935</u>	<u>34,681</u>
TOTAL EQUITY	<u>593,921</u>	<u>579,195</u>

Notes:-

1. The Group's unaudited consolidated financial results for the three months ended 31 March 2012 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 2011 and have not been reviewed by the Company's auditors.

2. **Turnover**

	Three months ended	
	31 March	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Revenue from external customer		
- Investment holding	900	—
- Hospitality	26,723	18,406
Interest income	<u>911</u>	<u>332</u>
	<u>28,534</u>	<u>18,738</u>

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

	Three months ended	
	31 March	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange gains	2,361	8,791
Net realised and unrealised gains/(losses) on trading securities	<u>9,034</u>	<u>(16,574)</u>
	<u>11,395</u>	<u>(7,783)</u>

4. **Administrative expenses**

Administrative expenses comprise mainly expenses incurred by the Group's Hospitality segment which include the acquisition-related costs relating to a new subsidiary, Sceptre Hospitality Resources, LLC and expenses incurred by the 2 hotels owned by the Group's jointly-controlled entities.

5. **Discontinued operations**

In March 2011, a gain of HK\$9.0 million (S\$1.46 million) was recorded by the Group following the receipt of the final instalment payment of the deferred consideration arising from the disposal of the Group's 50% shareholding interest in MindChamps Holdings Pte. Limited ("MindChamps") on 23 March 2009.

6. **Profit/(Loss) for the period is arrived after charging/(crediting)**

	Three months ended	
	31 March	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	1,542	463
Amortisation of intangible assets	284	5
Dividends and interest income	(1,811)	(322)
Gain on disposal of discontinued operations	<u>—</u>	<u>(9,002)</u>

7. **Acquisition of a new subsidiary, Sceptre Hospitality Resources, LLC, ("SHR")**

On 27 February 2012, the Group's indirect subsidiary, SWAN USA, Inc. ("SWAN"), and Whiteboard Labs, LLC ("WBL") entered into an Agreement for the formation and operation of Sceptre Hospitality Resources, LLC ("SHR") with SWAN and WBL each having 51% and 49% in the equity interest in SHR respectively.

The Group has contributed US\$1.3 million (approximately HK\$10.1 million) in exchange for the 51% equity interest in SHR. Arising from this acquisition, the Group recognised an intangible asset of approximately HK\$18.6 million on a provisional basis pending the completion of an independent valuation.

BUSINESS REVIEW AND PROSPECTS

The Group recorded a net profit attributable to the equity shareholders of the Company of HK\$7.6 million as compared with a net loss attributable to the equity shareholders of the Company of HK\$4.6 million in the previous corresponding period due mainly to the unrealised valuation gains from the Group's securities holding as at 31 March 2012.

During the period under review, the Group reported an improvement in revenue to HK\$28.5 million, an increase of HK\$9.8 million or 52.3% from HK\$18.7 million in the previous corresponding period. The Group's Hospitality segment reported higher operating revenue of HK\$26.7 million, an increase of HK\$8.3 million or 45.2% from HK\$18.4 million in the previous corresponding period. The increase in revenue from the Hospitality segment can be attributed mainly to the revenue contribution from the Group's jointly-controlled entities ("JCE") which own the two hotels in the U.S. These hotels contributed a full three months revenue of HK\$13.1 million for the period under review, an increase of HK\$6.0 million or 85.0%, from HK\$7.1 million in the corresponding period due to the partial consolidation of the JCE which owns the Sheraton Chapel Hill Hotel, North Carolina, U.S., as the acquisition was only completed on 22 March 2011.

On 27 February 2012, the Group successfully acquired Whiteboard Labs, LLC ("WBL") and merged it with the Group's in-house reservations management and electronic distribution arm, Sceptre Hospitality, to create a new subsidiary, Sceptre Hospitality Resources, LLC ("SHR"), in which the Group holds a 51% interest. WBL provides the Group with various important components of hotel reservation technology, including a proprietary, technologically-advanced Central Reservations System ("CRS") platform that is currently used by over 4,000 hotels. This CRS platform will become an integral component of the Group's Hospitality segment and paves the way for additional sources of income and growth opportunities. For the short period of operation following completion of the transaction, SHR's contribution to the Group's revenue is not material, though the Group did incur acquisition-related expenses amounting to HK\$2.3 million.

Despite higher operating revenues recorded by the Group's Hospitality segment, this segment incurred the same amount of operating loss of HK\$5.3 million for the period under review as that of the previous corresponding period. The losses can be attributed mainly to the acquisition-related expenses, higher depreciation and amortisation and interest expenses.

On the Investment Holding segment, the Group recorded a net realised and unrealised translation exchange gains of HK\$2.4 million arising mainly from the Sterling Pound denominated trading security and cash deposit as well as an unrealised valuation gains of HK\$9.0 million from the Group's securities holding as at 31 March 2012. Overall, a total net realised and unrealised gain of HK\$11.4 million was recorded for the period under review as compared with a total net realised and unrealised losses of HK\$7.8 million reported in the previous corresponding period.

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.

Shareholders of the Company and potential investors should note that all figures contained herein are unaudited and are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 8 May 2012

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.