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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

2012 INTERIM RESULTS — ANNOUNCEMENT UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

RESULTS

The Directors of City e-Solutions Limited (the “Company”) announce the following unaudited consolidated results of the Company and its subsidiaries and its jointly-controlled entities (the “Group”) for the six months ended 30 June 2012 together with comparative figures.

**Consolidated income statement
for the six months ended 30 June 2012 — unaudited**

		Six months ended	
		30 June	
	<i>Note</i>	2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Turnover	2	65,947	49,490
Cost of sales		<u>(17,547)</u>	<u>(15,309)</u>
Gross profit		48,400	34,181
Other net income	3	5,991	132
Administrative expenses	4	(57,635)	(44,777)
Finance costs		<u>(1,434)</u>	<u>(1,032)</u>
Loss from operations before taxation		(4,678)	(11,496)
Income tax	5	<u>1,388</u>	<u>789</u>
Loss from continuing operations		(3,290)	(10,707)
Discontinued operations			
Profit from discontinued operations, net of tax	6	<u>—</u>	<u>9,002</u>
Loss for the period	7	<u><u>(3,290)</u></u>	<u><u>(1,705)</u></u>
Attributable to:			
Equity shareholders of the Company		8	(1,429)
Non-controlling interests		<u>(3,298)</u>	<u>(276)</u>
Loss for the period		<u><u>(3,290)</u></u>	<u><u>(1,705)</u></u>
Earnings per share			
Basic earnings/(losses) per share	9	HK cents <u>0.002</u>	HK cents <u>(0.37)</u>
Continuing operations			
Basic earnings/(losses) per share	9	HK cents <u>0.002</u>	HK cents <u>(2.73)</u>

**Consolidated statement of comprehensive income
for the six months ended 30 June 2012 — unaudited**

	Six months ended	
	30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(3,290)	(1,705)
Other comprehensive income for the period (after taxation and reclassification adjustments):		
Exchange differences on translation of financial statements of foreign operations	<u>213</u>	<u>869</u>
Total comprehensive income for the period	<u>(3,077)</u>	<u>(836)</u>
Attributable to:		
Equity shareholders of the Company	227	(564)
Non-controlling interests	<u>(3,304)</u>	<u>(272)</u>
Total comprehensive income for the period	<u>(3,077)</u>	<u>(836)</u>

Consolidated statement of financial position at 30 June 2012 - unaudited

	<i>Note</i>	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Non-current assets			
Property, plant and equipment		89,382	90,775
Intangible assets		19,314	2,564
Goodwill		9,484	2,232
Deferred tax assets		23,854	21,928
Total non-current assets		142,034	117,499
Current assets			
Trading securities		88,238	79,900
Trade and other receivables	10	52,314	53,547
Current tax recoverable		554	357
Cash and cash equivalents		380,336	399,681
		<u>521,442</u>	<u>533,485</u>
Current liabilities			
Trade and other payables	11	(33,050)	(33,788)
Interest-bearing loans		<u>(561)</u>	<u>(562)</u>
		(33,611)	(34,350)
Net current assets		487,831	499,135
Total assets less current liabilities		629,865	616,634
Non-current liabilities			
Deferred tax liabilities		(830)	—
Interest-bearing loans		<u>(37,174)</u>	<u>(37,439)</u>
		(38,004)	(37,439)
NET ASSETS		<u>591,861</u>	<u>579,195</u>
CAPITAL AND RESERVES			
Share capital		382,450	382,450
Reserves		<u>162,291</u>	<u>162,064</u>
Total equity attributable to equity shareholders of the Company		544,741	544,514
Non-controlling interests		<u>47,120</u>	<u>34,681</u>
TOTAL EQUITY		<u>591,861</u>	<u>579,195</u>

Notes: -

1. The interim financial result for the six months ended 30 June 2012 is unaudited, but has been reviewed by KPMG LLP 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 2012 has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 a few amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*

None of the above changes have a material impact on the current or comparative periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. Included in reportable segment revenue are dividends and interest income amounting to HK\$4.9 million (2011: HK\$2.1 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		Total	
	Six months		Six months		Six months	
	2012	2011	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	2,997	1,124	61,001	47,395	63,998	48,519
Interest income	<u>890</u>	<u>422</u>	<u>1,059</u>	<u>549</u>	<u>1,949</u>	<u>971</u>
Reportable segment revenue	<u>3,887</u>	<u>1,546</u>	<u>62,060</u>	<u>47,944</u>	<u>65,947</u>	<u>49,490</u>
Reportable segment profit/(loss)	<u>3,248</u>	<u>(8,775)</u>	<u>(7,926)</u>	<u>(2,721)</u>	<u>(4,678)</u>	<u>(11,496)</u>
Depreciation and amortisation	206	320	4,392	2,012	4,598	2,332
Net realised and unrealised valuation gains/(losses) on trading securities	9,561	(15,210)	(32)	1,288	9,529	(13,922)
Net realised and unrealised foreign exchange (losses)/gains	(3,476)	10,281	—	—	(3,476)	10,281
Additions to non-current assets segment	—	—	1,097	9,124	1,097	9,124
Reportable segment assets	461,045	459,496	178,023	169,203	639,068	628,699
Reportable segment liabilities	6,045	7,464	64,740	64,325	70,785	71,789

3. **Other net income**

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange (losses)/gains	(3,476)	10,281
Net realised and unrealised valuation gains/(losses) on trading securities	9,529	(13,922)
Gain arising from legal settlement	—	3,879
Others	<u>(62)</u>	<u>(106)</u>
	<u><u>5,991</u></u>	<u><u>132</u></u>

4. **Administrative expenses**

Administrative expenses comprise mainly expenses incurred by the Group's Hospitality segment which includes the acquisition-related costs and expenses incurred by the 2 hotels owned by the Group's jointly-controlled entities.

5. **Income tax**

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax - Overseas		
Provision for the period	186	248
(Over)/under-provision in respect of prior years	<u>(484)</u>	<u>2</u>
	<u><u>(298)</u></u>	<u><u>250</u></u>
Deferred tax		
Origination and reversal of temporary differences	<u>(1,090)</u>	<u>(1,039)</u>
Income tax credit from continuing operations	<u><u>(1,388)</u></u>	<u><u>(789)</u></u>

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2011: 16.5%) of the estimated assessable profits for the period ended 30 June 2012. 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 2012, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$4.1 million (31 December 2011: HK\$4.1 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.

6. 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 installment payment of the deferred consideration arising from the disposal of the Group's 50% shareholding interest in MindChamps Holdings Pte. Ltd. on 23 March 2009.

7. Loss for the period

Loss for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	3,123	1,474
Amortisation of intangible assets	1,475	858
Dividends and interest income	(4,946)	(2,095)
Gain on disposal of discontinued operations	<u>—</u>	<u>(9,002)</u>

8. Dividends

a) Dividend 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 2012 (2011: HK\$Nil).

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

There were no dividends attributable to the previous financial year, approved and paid during the interim period of 2012 and 2011.

9. Earnings per share

a) Basic earnings/(losses) per share

The calculation of basic earnings/(losses) per share is based on profits attributable to ordinary equity shareholders of the Company of HK\$0.008 million (six months ended 30 June 2011: Loss of HK\$1.4 million) and the weighted average number of ordinary shares of 382,449,524 (2011: 382,449,524) in issue during the period.

For the period ended 30 June 2012, earnings/(losses) per share for continuing and discontinued operations have been calculated using the profit relating to continuing operations of HK\$0.008 million (2011: Loss of HK\$10.4 million) and the profit relating to discontinued operations of HK\$Nil (2011: Profit of HK\$9.0 million).

b) Diluted earnings per share

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

10. **Trade and other receivables**

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

	At 30 June 2012	At 31 December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current or less than 1 month overdue	8,738	9,735
1 to 3 months overdue	5,338	4,773
3 to 12 months overdue	<u>168</u>	<u>488</u>
Total trade receivables, less impairment losses	14,244	14,996
Other receivables and deposits	7,453	6,243
Amount owing by a jointly-controlled entity	23,265	23,261
Amounts owing by affiliated companies	<u>929</u>	<u>478</u>
Loans and receivables	45,891	44,978
Prepayments	<u>6,423</u>	<u>8,569</u>
	<u>52,314</u>	<u>53,547</u>

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

11. **Trade and other payables**

	At 30 June 2012	At 31 December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	4,837	1,993
Other payables and accrued charges	22,954	22,377
Deferred income	5,044	9,265
Amounts owing to affiliated companies	<u>215</u>	<u>153</u>
	<u>33,050</u>	<u>33,788</u>

Trade payables have the following ageing analysis as of the reporting date:

	At 30 June 2012	At 31 December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 1 month or on demand	3,686	1,551
Due after 1 month but within 3 months	871	442
Due after 3 months but within 12 months	<u>280</u>	<u>—</u>
	<u>4,837</u>	<u>1,993</u>

12 Acquisition of a new subsidiary, Sceptre Hospitality Resources, LLC, (“SHR”)

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 (“SHR”), in which the Group holds a 51% equity interest.

For the period under review, the capital contribution included the cash contribution from SWAN of US\$1.3 million (approximately HK\$10.1 million) and substantially all of WBL’s assets.

The effect of the acquisition is set out below:

	<i>HK\$'000</i>
Property, plant and equipment	1,008
Intangible asset	18,201
Other receivables	465
Trade and other payables	<u>(1,101)</u>
Total identifiable net assets	<u>18,573</u>

Goodwill was recognised as a result of acquisitions as follows:

Consideration paid, satisfied in cash	10,082
Non-controlling interest, that entitle the holders to proportionate share of the acquiree’s net assets on liquidation, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	15,743
Fair value of identifiable net assets	<u>(18,573)</u>
Goodwill	<u>7,252</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group reported an improvement in revenue to HK\$65.9 million, an increase of HK\$16.4 million or 33.1% from HK\$49.5 million in the previous corresponding period, due mainly to additional revenue arising from acquisitions by the Group's Hospitality segment.

For the period under review, the Group recorded a lower loss of HK\$3.3 million as compared with a loss of HK\$10.7 million (excluding results from discontinued operations) in the previous corresponding period, due mainly to the unrealised valuation gains from the Group's securities holding as at 30 June 2012. Overall, a net profit attributable to the equity shareholders of the Company of HK\$8,000/- was achieved as compared with a net loss attributable to the equity shareholders of the Company of HK\$1.4 million in the previous corresponding period.

The Group's Hospitality segment continued to report higher revenue of HK\$62.1 million, an increase of HK\$14.2 million or 29.6% from HK\$47.9 million in the previous corresponding period. Despite higher revenue recorded by the Group's Hospitality segment, a higher loss of HK\$7.9 million was incurred for the period under review, an increase of HK\$5.2 million as compared with the previous corresponding period. The losses can be attributed mainly to depreciation and amortisation, interest expenses, acquisition-related expenses as well as the consolidation of operating expenses for a new subsidiary, Sceptre Hospitality Resources ("SHR").

As announced 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 named SHR, in which the Group holds a 51% equity 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. Following the completion of this acquisition, SHR contributed additional revenue of HK\$11.5 million to the Group's revenue. However, an operating loss of HK\$1.6 million was incurred due mainly to an amount of HK\$2.6 million incurred for acquisition-related expenses.

The Group's jointly-controlled entities ("JCE") which own the two hotels in the U.S. contributed a full six months revenue of HK\$29.9 million for the period under review, an increase of HK\$6.1 million or 25.6%, from HK\$23.8 million in the corresponding period due to the partial proportionate consolidation of the JCE which owns the Sheraton Chapel Hill Hotel as the acquisition was only completed on 22 March 2011. Consequently, the proportionate contribution from the JCE to the Group's results was a pre-tax profit of HK\$1.2 million for the period under review, as compared with a pre-tax loss of HK\$1.7 million in the previous corresponding period which had included acquisition-related expenses.

For the Investment Holding segment, the Group recorded a net realised and unrealised translation exchange loss of HK\$3.5 million, arising mainly from the Sterling Pound denominated trading security and cash deposits held in Sterling Pound and Chinese Renminbi currencies. In contrast, an unrealised valuation gain of HK\$9.6 million was recorded from the Group's securities holding as at 30 June 2012. Overall, a total net realised and unrealised gain of HK\$6.1 million was recorded for the period under review as compared with a total net realised and unrealised loss of HK\$4.9 million reported in the previous corresponding period. Also, during the period under review, the Group recorded higher dividend and interest income of HK\$4.9 million, up by HK\$2.8 million, as compared with HK\$2.1 million in the previous corresponding period.

PROSPECTS

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.

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 2012.

CORPORATE GOVERNANCE

In the opinion of the Directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (“CG Code”) 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 six months ended 30 June 2012.

Under the revised code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 20 April 2012 (“2012 AGM”), our chairman was unable to attend the meeting as he had to attend to other commitments. He appointed Mr. Gan Khai Choon to chair the meeting on his behalf. Further Mr. Chan Bernard Charnwut, a non-executive director and member of Audit Committee and Nomination Committee, was invited to attend the meeting to answer any question from the shareholders concerning the Company’s corporate governance. As provided for in the revised code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The 3 independent non-executive directors were unable to attend the 2012 AGM.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

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.

CHANGES IN DIRECTORS' INFORMATION

Mr Kwek Leng Joo was appointed President of Singapore Compact for Corporate Social Responsibility on 28 May 2012.

Mr. Chan Bernard Charnwut was appointed a member of the Executive Council of Hong Kong SAR in 2012.

Dr Lo Ka Shui was appointed a member of The Exchange Fund Advisory Committee of the Hong Kong Monetary Authority on 1 February 2012.

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 2012.

By Order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 7 August 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.