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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

**2011 INTERIM RESULTS — ANNOUNCEMENT
UNAUDITED CONSOLIDATED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

RESULTS

The Directors of City e-Solutions Limited (the “Company”) announce the following interim unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 together with comparative figures.

Consolidated income statement
for the six months ended 30 June 2011 — unaudited

		Six months ended	
		30 June	
	<i>Note</i>	2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Turnover	2	49,490	47,881
Cost of sales		<u>(15,309)</u>	<u>(3,231)</u>
Gross profit		34,181	44,650
Other net income/(losses)	3	132	(25,778)
Administrative expenses	4	(44,777)	(24,415)
Finance cost		<u>(1,032)</u>	<u>—</u>
Loss from operations before taxation		(11,496)	(5,543)
Income tax	5	<u>789</u>	<u>2,858</u>
Loss from continuing operations		(10,707)	(2,685)
Discontinued operations			
Profit from discontinued operations, net of tax	6	<u>9,002</u>	<u>2,334</u>
Loss for the period	7	<u><u>(1,705)</u></u>	<u><u>(351)</u></u>
Attributable to:			
Equity shareholders of the Company		(1,429)	199
Non-controlling interests		<u>(276)</u>	<u>(550)</u>
Loss for the period		<u><u>(1,705)</u></u>	<u><u>(351)</u></u>
Earnings per share			
Basic (losses)/earnings per share	9	HK cents <u>(0.37)</u>	HK cents <u>0.05</u>
Continuing operations			
Basic losses per share	9	<u><u>(2.73)</u></u>	<u><u>(0.56)</u></u>

**Consolidated statement of comprehensive income
for the six months ended 30 June 2011 — unaudited**

	Six months ended	
	30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(1,705)	(351)
Other comprehensive income for the period (after taxation and reclassification adjustments):		
Exchange differences on translation of financial statements of foreign operations	<u>869</u>	<u>1,122</u>
Total comprehensive income for the period	<u>(836)</u>	<u>771</u>
Attributable to:		
Equity shareholders of the Company	(564)	1,174
Non-controlling interests	<u>(272)</u>	<u>(403)</u>
Total comprehensive income for the period	<u>(836)</u>	<u>771</u>

Consolidated statement of financial position at 30 June 2011 - unaudited

	<i>Note</i>	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
Non-current assets			
Property, plant and equipment		85,065	36,912
Intangible assets		3,426	3,953
Goodwill		1,625	1,625
Deferred tax assets		21,378	20,337
Total non-current assets		111,494	62,827
Current assets			
Trading securities		107,692	119,614
Trade and other receivables	10	47,038	18,379
Current tax recoverable		318	299
Cash and cash equivalents		403,300	460,438
		<u>558,348</u>	<u>598,730</u>
Current liabilities			
Trade and other payables	11	(28,802)	(26,916)
Interest-bearing loans		(562)	(558)
Provision for taxation		(1)	(97)
		<u>(29,365)</u>	<u>(27,571)</u>
Net current assets		<u>528,983</u>	<u>571,159</u>
Total assets less current liabilities		640,477	633,986
Non-current liabilities			
Interest-bearing loans		<u>(30,627)</u>	<u>(23,300)</u>
NET ASSETS		<u>609,850</u>	<u>610,686</u>
CAPITAL AND RESERVES			
Share capital		382,450	382,450
Reserves		<u>192,869</u>	<u>193,433</u>
Total equity attributable to equity shareholders of the Company		575,319	575,883
Non-controlling interests		<u>34,531</u>	<u>34,803</u>
TOTAL EQUITY		<u>609,850</u>	<u>610,686</u>

Notes: -

1. The interim financial result for the six months ended 30 June 2011 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 2011 has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 certain Hong Kong Financial Reporting Standards ("HKFRS") and a number of amendments to HKFRSs 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:

- Revised HKAS 24, *Related parties disclosure*
- Improvements to HKFRSs (2010)

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\$2.1 million (2010: HK\$32.7 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	
	2011	2010	2011	2010	2011	2010
	<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	1,124	32,120	47,395	15,222	48,519	47,342
Interest income	<u>422</u>	<u>361</u>	<u>549</u>	<u>178</u>	<u>971</u>	<u>539</u>
Reportable segment revenue	<u>1,546</u>	<u>32,481</u>	<u>47,944</u>	<u>15,400</u>	<u>49,490</u>	<u>47,881</u>
Reportable segment (loss)/ profit	<u>(8,775)</u>	<u>2,244</u>	<u>(2,721)</u>	<u>(7,787)</u>	<u>(11,496)</u>	<u>(5,543)</u>
Depreciation and amortisation	320	459	2,012	233	2,332	692
Net realised and unrealised (losses)/ gains on trading securities	(15,210)	(18,051)	1,288	(282)	(13,922)	(18,333)
Net realised and unrealised foreign exchange gains/ (losses)	10,281	(7,781)	—	—	10,281	(7,781)
Additions to non-current assets segment	—	—	9,124	105	9,124	105
Reportable segment assets	490,837	557,148	157,309	83,773	648,146	640,921
Reportable segment liabilities	6,262	8,820	53,729	41,954	59,991	50,774

As a result of a change to the structure of the Group, investment property segment is no longer reportable and the following balances had been included in the investment holding segment:

	Six months 2011	Six months 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	1	3
Reportable segment loss	(22)	(20)
Reportable segment assets	3,440	3,286
Reportable segment liabilities	70	66

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

	Six months ended 30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange gains/(losses)	10,281	(7,781)
Net realised and unrealised losses on trading securities	(13,922)	(18,333)
Gain arising from legal settlement	3,879	—
Others	<u>(106)</u>	<u>336</u>
	<u>132</u>	<u>(25,778)</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	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax - Overseas		
Provision for the period	248	70
Under-provision in respect of prior years	<u>2</u>	<u>34</u>
	<u>250</u>	<u>104</u>
Deferred tax		
Origination and reversal of temporary differences	(1,039)	(684)
Recognition of deferred tax assets	<u>—</u>	<u>(2,278)</u>
	<u>(1,039)</u>	<u>(2,962)</u>
Income tax expense from continuing operations	<u>(789)</u>	<u>(2,858)</u>

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2010: 16.5%) of the estimated assessable profits for the period ended 30 June 2011. 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 2011, the Group has not recognised deferred tax assets in respect of tax losses of approximately HK\$4.1 million (31 December 2010: 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. ("MindChamps") on 23 March 2009.

The earnings per share for discontinued operation is 2.35 HK cents (30 June 2010: 0.61 HK cents) (note 9).

7. Loss for the period

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

	Six months ended 30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	1,474	659
Amortisation of intangible assets	858	33
Dividends and interest income	(2,095)	(32,659)
Gain on disposal of investment in a jointly controlled entity	<u>(9,002)</u>	<u>(2,334)</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 2011 (2010: 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 2011 and 2010.

9. Earnings per share

a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on losses attributable to ordinary equity shareholders of the Company of HK\$1.4 million (six months ended 30 June 2010: Profit of HK\$0.2 million) and the weighted average number of ordinary shares of 382,449,524 (2010: 382,449,524) in issue during the period.

For the period ended 30 June 2011, (losses)/earnings per share for continuing and discontinued operations have been calculated using the loss relating to continuing operations of HK\$10.4 million (2010: Loss of HK\$2.1 million) and the profit relating to discontinued operations of HK\$9.0 million (2010: Profit of HK\$2.3 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 2011	At 31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current or less than 1 month overdue	7,908	4,603
1 to 3 months overdue	1,330	616
3 to 12 months overdue	<u>609</u>	<u>909</u>
Total trade receivables, less impairment losses	9,847	6,128
Other receivables and deposits	8,441	6,065
Amount owing by a jointly controlled entity	23,272	—
Amounts owing by affiliated companies	<u>948</u>	<u>830</u>
Loans and receivables	42,508	13,023
Prepayments	<u>4,530</u>	<u>5,356</u>
	<u><u>47,038</u></u>	<u><u>18,379</u></u>

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.

11. Trade and other payables

	At 30 June 2011	At 31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	6,039	291
Other payables and accrued charges	22,727	26,446
Amounts owing to affiliated companies	<u>36</u>	<u>179</u>
	<u><u>28,802</u></u>	<u><u>26,916</u></u>

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

	At 30 June	At 31 December
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 1 month or on demand	11,413	17,161
Due after 1 month but within 3 months	10,877	6,040
Due after 3 months but within 12 months	<u>6,512</u>	<u>3,715</u>
	<u><u>28,802</u></u>	<u><u>26,916</u></u>

12. Acquisition of jointly controlled entity

On 22 March 2011, the Group, through SWAN USA Inc (“SWAN”), a direct wholly owned subsidiary of SWAN Holdings Limited and Shelbourne Falcon Investors, LP (“Shelbourne”) entered into a Joint Venture (“JV”) agreement for the formation and operation of RSF Carolina Partners, LLC (“RSFC”) with SWAN and Shelbourne each having a 50% participating interest in RSFC.

RSFC acts as a sole member to 2 companies, Richfield Carolina Hotels Partners, LLC (“RCHP”) and RCHP-Financing LLP (“RCHP-Financing”) whereby the principal activities for the 2 companies are acquiring and overseeing the operation of a hotel and securing a loan from a local commercial bank, respectively.

On the same day of its incorporation, RSFC acquired Sheraton Chapel Hill (“Hotel”) located in Chapel Hill, North Carolina, USA. The purchase price (excluding external legal fees and due diligence expenses) of the Hotel is US\$10.6 million (about HK\$81.9 million). The consideration was paid in cash financed through internal funding.

The Group recognised its interest in RSFC using proportionate consolidation by combining its share of each of the assets, liabilities, income and expenses of RSFC with the similar items on line by line basis.

The effect of the acquisition is set out below on a provisional basis pending completion of an independent valuation:

	<i>HK\$'000</i>
Leasehold building	40,604
Intangible asset — Franchise fees	<u>330</u>
Total identifiable net assets — Group’s 50% share	<u><u>40,934</u></u>

For the period under review, the Group has contributed a total of US\$3 million (HK\$23 million) capital contributions under the JV agreement.

The Group's share of the financial results of the jointly controlled entity is as follows:

	<i>HK\$'000</i>
Turnover	6,728
Expenses	<u>(8,537)</u>
	<u>(1,809)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded an improvement in revenue to HK\$49.5 million, an increase of HK\$1.6 million or 3.3% from HK\$47.9 million in the previous corresponding period. However, the Group reported a net loss attributable to the equity shareholders of the Company of HK\$1.4 million as compared with a net profit attributable to the equity shareholders of the Company of HK\$0.2 million in the previous corresponding period.

For the period under review, the Group recorded a net realised and unrealised translation exchange gain of HK\$10.3 million arising mainly from the Sterling Pound denominated trading security and cash deposit. However, the Group's profit was negatively impacted by the net unrealised loss of HK\$13.9 million as a result of the revaluation of the Group's trading securities to fair value as at 30 June 2011.

The Group's Investment segment recorded lower dividend and interest income of HK\$1.5 million for the period under review, down by HK\$31.0 million, as compared with HK\$32.5 million in the previous corresponding period.

Additional revenues of HK\$17.1 million is contributed by the Group's jointly controlled entity ("JCE") which owns the Crowne Plaza Syracuse Hotel, New York, USA, since 19 July 2010, and HK\$6.7 million is contributed by a newly-established JCE, which acquired the Sheraton Chapel Hill Hotel on 22 March 2011. The Sheraton Chapel Hill Hotel, North Carolina, USA, is a full service hotel with 168 rooms and 17,000 square feet of meeting space which was acquired at a purchase price (including acquisition-related expenses) of US\$12 million (about HK\$93.6 million), representing US\$71,600 (about HK\$558,480) per key. Further, the Group's U.S. hotel management arm, Richfield, had recorded a higher management fee of HK\$14.3 million as compared with HK\$8.1 million reported in previous corresponding period as a result of securing 3 new contracts.

The Crowne Plaza Syracuse Hotel is expected to complete the major refurbishment by September 2011. For the period under review, the JCE which owns this hotel recorded a pre-tax profit before interest and depreciation and amortisation (EBITDA) of HK\$1.7 million (approx. US\$0.2 million). A small pre-tax profit was recorded after accounting for the bank interest expense of HK\$1.0 million and depreciation charge of HK\$0.7 million incurred during the period under review.

While the newly-established JCE which owns the Sheraton Chapel Hill Hotel had incurred a pre-tax loss of HK\$1.8 million (approx. US\$0.2 million) mainly due to the write off of the acquisition-related costs incurred by the newly-established JCE in accordance with the Group's accounting policy.

The Group recorded a profit from discontinued operations of HK\$9.0 million (S\$1.46 million) with the settlement of the final instalment payment in March 2011 in respect of the deferred consideration from the disposal of 50% equity interest in MindChamps.

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 2011.

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, for the annual general meeting held on 14 April 2011, 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.

CHANGE IN DIRECTOR'S INFORMATION

Mr. Kwek Leng Joo retired as a non-executive Director of Millennium & Copthorne Hotels plc with effect from 6 May 2011 and ceased to be a Director of Council for Third Age Ltd. with effect from 27 May 2011.

Mr. Chan Bernard Charnwut retired as an independent non-executive Director of Kingboard Laminates Holdings Ltd. with effect from 4 May 2011.

Dr. Lo Ka Shui ceased to be a Board Member of the Hong Kong Airport Authority with effect from 31 May 2011.

Mr Lee Jackson retired as an independent non-executive Director of Hong Leong Finance Limited with effect from 21 April 2011.

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 2011.

By Order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 8 August 2011

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.