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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 the Group, through SWAN USA Inc, has entered into the SHR JV Agreement on February 27, 2012 with Whiteboard Labs, LLC for the formation of Sceptre Hospitality Resources, LLC, as a 51-49 owned joint venture.

The principal business of Sceptre Hospitality Resources, LLC is to provide reservation technologies capable of delivering revenue-generating connectivity solutions for hotels.

Whiteboard Labs, LLC and its ultimate beneficial owners are Independent Third Parties. The joint venture formation under the SHR JV Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

A. THE SHR JV AGREEMENT

The Board is pleased to announce that the Group, through SWAN, has entered into the SHR JV Agreement on February 27, 2012 with WBL in relation to the formation of SHR as a joint venture. The material terms are summarized below:

1. *Date*

February 27, 2012

2. *Parties*

The SHR JV Agreement was executed by SWAN and WBL.

SWAN is a corporation established under the laws of the State of Colorado, USA and a direct wholly owned subsidiary of SWAN Holdings, which is in turn held 85% by the Company and 15% by M&C.

WBL is a limited liability company established under the laws of the State of Texas and is owned by private individuals and companies. It is an international travel industry CRS (Central Reservation System) and application development firm. WBL and its ultimate beneficial owners are Independent Third Parties.

3. Effective Date and shareholdings

The SHR JV Agreement took effect on February 27, 2012, upon which SHR issued 4,335 and 4,165 common units to SWAN and WBL, respectively, representing 51% and 49% of their equity interests in SHR.

4. Capital contributions

Concurrently with execution of the SHR JV Agreement, SWAN and WBL made their respective capital contributions to SHR in exchange for 51% and 49% equity interests in SHR respectively. The capital contributions included the cash contribution from SWAN of approximately US\$1.3 million (approximately HK\$10.1 million) and the WBL Assets from WBL, representing substantially all of WBL's assets. SHR will utilize proceeds from SWAN's cash contribution to distribute to WBL to pay off its outstanding convertible notes and other liabilities, so that no WBL Assets acquired by SHR are encumbered. In addition, SWAN agreed to advance to SHR a line of unsecured credit in the sum of US\$1 million (approximately HK\$7.8 million), to be drawn upon by SHR as needed for its working capital. The annual rate of interest is 1% plus the ten year U.S. Treasury rate and the term is 3 years after the date of grant of the credit. The terms of the credit line were agreed on a commercial basis acceptable to the parties having regard to its nature, that it is similar to a typical shareholder's loan.

The aggregate capital commitment of SWAN, in cash, under the SHR JV Agreement is approximately US\$2.3 million (approximately HK\$18 million). The capital contributions by SWAN to SHR are determined and agreed by the Group after considering the amounts required to settle the existing liabilities of WBL, such that the WBL Assets housed under SHR are free from encumbrances, and the estimated working capital needs of SHR to position itself for international growth and market share expansion. The operations of SHR are intended to be financed by, among other things, its operations and the initial cash contributions from SWAN. The board of directors of SHR has discretion to make call for additional capital contributions from

its members, having regard to its then obligations and resources. There is no additional capital commitment on SWAN and WBL under the SHR JV Agreement or any guarantee/indemnity provided by both members in connection with the establishment of SHR save as mentioned above. The Company currently does not foresee any further capital (equity, loan or otherwise) contribution commitment on the part of SWAN other than those mentioned above. If and when SWAN is required to make further capital contribution to SHR, the Company will comply with the applicable provisions in the Listing Rules. The Group will fund its cash capital contribution and advances under the credit facility to SHR from its internal cash resources.

5. Principal business

The principal business of SHR is to provide reservation technologies, capable of delivering revenue-generating connectivity solutions for hotels and expand this platform beyond reservations management to maximize operations such as PMS (property management systems), CRM (customer relationship management), guest loyalty programs, property-level sales and marketing, and sales force automation.

6. Board composition

SWAN and WBL are each entitled to appoint 3 and 2 directors to the board of directors of SHR respectively. Management of SHR will comply with the decisions of the board of directors as provided in the SHR JV Agreement.

7. Distribution and allocation of profit/loss

The profits and losses of SHR, as determined under the SHR JV Agreement, shall generally be allocated among the members based on their percentages of equity interests held in SHR, that is, 51% for SWAN and 49% for WBL, and paid on and subject to the terms of the SHR JV Agreement. The SHR JV Agreement includes provisions to the effect that the net cash derived from sales or refinancing of SHR assets will be paid to SWAN first so as to settle the outstanding amounts due under its line of credit granted to SHR.

B. REASONS FOR, AND BENEFITS OF, THE TRANSACTION

The Group's principal business includes investment holding, provision of hospitality solutions, hotel management services, reservation services, risk management services, revenue management consulting, accounting and payroll services, and procurement services.

SHR is a newly incorporated company for this joint venture transaction. It has not commenced operations as at the date of this announcement and has not recorded any profit or loss. The sole material assets of SHR are the WBL Assets contributed from WBL for approximately US\$1.8 million (approximately HK\$14 million) standing to the credit of its initial capital account in the books of SHR after taking into account the cash distribution to WBL to pay off its debts described above. The WBL Assets principally comprise WBL's assets and products, research and development and patents, as well as its facilities and staff in Shanghai, China, and Houston and Austin, Texas in the USA. The WBL Assets would become part of Sceptre/Richfield, a division of SWAN. With the addition of WBL Assets housed under the 51%-owned SHR, the Group will be in a position to serve, as supplier instead of distributor or reseller, more than 4,000 properties on the reservation platform of Sceptre/Richfield. The Company expects that the combination of the technology from WBL Assets and the distribution network of Sceptre/Richfield will enhance cross sell to clients and generate revenue for the Group as a whole.

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

C. LISTING RULES IMPLICATIONS

The aggregate capital contribution made by SWAN to SHR in cash, together with the amount of the credit facility granted to SHR, is approximately US\$2.3 million (approximately HK\$18 million). The consideration ratio, based on the said amount, exceeds 5%, but is less than 25%, and all the other applicable percentage ratios are below 5%. The joint venture formation under the SHR JV Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

D. DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Board”	means the board of directors of the Company
“CDL”	means 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 approximately 52.5% of the issued share capital of the Company

“Company”	means 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”	means the directors of the Company
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	means (to the best knowledge, information and belief of the Directors after having made all reasonable enquiry) a party who, together with its ultimate beneficial owner(s), is not a connected person of the Company and is also independent of the Company and its connected persons
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“M&C”	means 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”	means Richfield Hospitality, Inc., a Colorado, USA and a direct wholly owned subsidiary of SWAN. Richfield is an established independent hotel management company.
“Sceptre”	means Sceptre Hospitality Resources, Inc, a Colorado corporation and a wholly owned subsidiary of SWAN, and referenced to “equity interests” in Sceptre, or similar expressions, denote the common units issued by Sceptre in pursuance of the SHR JV Agreement, the holders of which (as members of SHR) have the voting rights and economic rights as set out in the SHR JV Agreement
“Shareholder(s)”	means the shareholder(s) of the Company
“SHR”	means Sceptre Hospitality Resources, LLC, a Delaware limited liability company

- “SHR JV Agreement” means the limited liability company agreement dated February 27, 2012 between SWAN and WBL in relation to formation of SHR as a joint venture, together with the contribution agreement made on the same date in respect of, among other things, capital contributions of the members of SHR (i.e. SWAN and WBL) upon founding
- “Stock Exchange” means the Stock Exchange of Hong Kong Limited
- “SWAN Holdings” means SWAN Holdings Limited, a limited liability company incorporated in Bermuda and owned 85% by the Company and 15% by M&C
- “SWAN” means 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” means the United States of America
- “US\$” means United States dollars, the lawful currency of the USA
- “WBL” means Whiteboard Labs, LLC, a Texas limited liability company
- “WBL Assets” means the assets of WBL contributed to SHR as contemplated under the SHR JV Agreement

By order of the Board
Kwek Leng Beng
Chairman

Hong Kong, February 27, 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.

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.