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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

2011 FINAL RESULTS — ANNOUNCEMENT

AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

RESULTS

The Directors of City e-Solutions Limited (the “Company”) announce the following final audited consolidated results of the Company and its subsidiaries and its jointly controlled entities (the “Group”) for the year ended 31 December 2011 together with comparative figures.

Consolidated income statement for the year ended 31 December 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Continuing operations			
Turnover	2	109,336	83,686
Cost of sales		<u>(33,901)</u>	<u>(13,560)</u>
Gross profit		75,435	70,126
Other net losses	3	(28,275)	(7,474)
Administrative expenses	4	(86,533)	(67,198)
Finance cost		<u>(2,393)</u>	<u>(721)</u>
Loss before taxation		(41,766)	(5,267)
Income tax	5	<u>1,419</u>	<u>7,302</u>
(Loss)/Profit from continuing operations		(40,347)	2,035

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Discontinued operations			
Profit from discontinued operations, net of tax	6	<u>9,002</u>	<u>5,477</u>
(Loss)/Profit for the year	7	<u><u>(31,345)</u></u>	<u><u>7,512</u></u>
Attributable to:			
Equity shareholders of the Company		(31,231)	8,994
Non-controlling interests		<u>(114)</u>	<u>(1,482)</u>
(Loss)/Profit for the year		<u><u>(31,345)</u></u>	<u><u>7,512</u></u>
Earnings per share			
Basic (losses)/earnings per share	9	<i>HK cents</i> <u><u>(8.17)</u></u>	<i>HK cents</i> <u><u>2.35</u></u>
Continuing operations			
Basic (losses)/earnings per share	9	<i>HK cents</i> <u><u>(10.52)</u></u>	<i>HK cents</i> <u><u>0.92</u></u>

Consolidated statement of comprehensive income
for the year ended 31 December 2011

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the year	(31,345)	7,512
Other comprehensive income for the year		
(after taxation):		
Exchange differences on translation of financial statements of foreign operations	<u>(146)</u>	<u>1,093</u>
Total comprehensive income for the year	<u><u>(31,491)</u></u>	<u><u>8,605</u></u>
Attributable to:		
Equity shareholders of the Company	(31,369)	10,065
Non-controlling interests	<u>(122)</u>	<u>(1,460)</u>
Total comprehensive income for the year	<u><u>(31,491)</u></u>	<u><u>8,605</u></u>

Statements of financial position
as at 31 December 2011

	<i>Note</i>	The Group		The Company	
		2011	2010	2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Property, plant and equipment		90,775	36,912	210	799
Intangible assets		2,564	3,953	—	—
Goodwill	10	2,232	1,625	—	—
Interests in subsidiaries		—	—	220,859	220,859
Deferred tax assets		<u>21,928</u>	<u>20,337</u>	<u>—</u>	<u>—</u>
Total non-current assets		<u>117,499</u>	<u>62,827</u>	<u>221,069</u>	<u>221,658</u>
Current assets					
Trading securities		79,900	119,614	74,784	113,239
Trade and other receivables	11	53,547	18,379	844	2,379
Current tax recoverable		357	299	—	—
Cash and cash equivalents		<u>399,681</u>	<u>460,438</u>	<u>279,790</u>	<u>267,874</u>
		<u>533,485</u>	<u>598,730</u>	<u>355,418</u>	<u>383,492</u>
Current liabilities					
Trade and other payables	12	(33,788)	(26,916)	(26,647)	(19,024)
Interest-bearing loans	13	(562)	(558)	—	—
Provision for taxation		<u>—</u>	<u>(97)</u>	<u>—</u>	<u>(97)</u>
		<u>(34,350)</u>	<u>(27,571)</u>	<u>(26,647)</u>	<u>(19,121)</u>
Net current assets		<u>499,135</u>	<u>571,159</u>	<u>328,771</u>	<u>364,371</u>
Total assets less current liabilities					
		616,634	633,986	549,840	586,029
Non-current liabilities					
Interest-bearing loans	13	<u>(37,439)</u>	<u>(23,300)</u>	<u>—</u>	<u>—</u>
NET ASSETS		<u>579,195</u>	<u>610,686</u>	<u>549,840</u>	<u>586,029</u>

	<i>Note</i>	The Group		The Company	
		2011	2010	2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CAPITAL AND RESERVES					
Share capital		382,450	382,450	382,450	382,450
Reserves		<u>162,064</u>	<u>193,433</u>	<u>167,390</u>	<u>203,579</u>
Total equity attributable to equity shareholders of the Company		544,514	575,883	549,840	586,029
Non-controlling interests		<u>34,681</u>	<u>34,803</u>	—	—
TOTAL EQUITY		<u>579,195</u>	<u>610,686</u>	<u>549,840</u>	<u>586,029</u>

Notes:-

1. The annual results for the year ended 31 December 2011 have been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements as set out below.

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRS”) and one new Interpretation 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:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

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\$4.0 million (2010: HK\$35.3 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 year is set out below:

	Investment holding		Hospitality		Total continuing operations	
	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	1,467	34,241	105,372	48,404	106,839	82,645
Interest income	<u>645</u>	<u>854</u>	<u>1,852</u>	<u>187</u>	<u>2,497</u>	<u>1,041</u>
Reportable segment revenue	<u>2,112</u>	<u>35,095</u>	<u>107,224</u>	<u>48,591</u>	<u>109,336</u>	<u>83,686</u>
Reportable segment (loss)/profit	<u>(39,637)</u>	<u>14,994</u>	<u>(2,129)</u>	<u>(20,261)</u>	<u>(41,766)</u>	<u>(5,267)</u>
Depreciation and amortisation	589	739	6,028	2,591	6,617	3,330
Unrealised losses/(gains) on trading securities	40,605	5,477	735	(928)	41,340	4,549
Unrealised foreign exchange (gains)/losses	(9,317)	5,908	—	—	(9,317)	5,908
Additions to non-current assets	—	—	17,460	4,775	17,460	4,775
Reportable segment assets	459,496	557,148	169,203	83,773	628,699	640,921
Reportable segment liabilities	7,464	8,820	64,325	41,954	71,789	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:

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	2	5
Reportable segment loss	(42)	(28)
Reportable segment assets	168	3,286
Reportable segment liabilities	55	66

Reconciliations of reportable segment assets and liabilities

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Reportable segment assets	628,699	640,921
Deferred tax assets	21,928	20,337
Current tax recoverable	<u>357</u>	<u>299</u>
Consolidated total assets	<u>650,984</u>	<u>661,557</u>
Liabilities		
Reportable segment liabilities	71,789	50,774
Provision for taxation	<u>—</u>	<u>97</u>
Consolidated total liabilities	<u>71,789</u>	<u>50,871</u>

3. Other net losses

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange gain/(losses)	9,317	(3,174)
Net realised and unrealised losses on trading securities	(41,340)	(4,549)
Gain arising from legal settlement	3,879	—
Others	<u>(131)</u>	<u>249</u>
	<u>(28,275)</u>	<u>(7,474)</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

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax - Overseas		
Provision for the year	187	180
(Over)/Under provision in respect of prior years	<u>(7)</u>	<u>34</u>
	<u>180</u>	<u>214</u>
Deferred tax		
Origination of temporary differences	(1,071)	(7,516)
Over provision in respect of prior years	<u>(528)</u>	<u>—</u>
	<u>(1,599)</u>	<u>(7,516)</u>
Income tax expense from continuing operations	<u>(1,419)</u>	<u>(7,302)</u>

The provision for Hong Kong Profits Tax for 2011 is calculated at the rate of 16.5% (2010: 16.5%) of the estimated assessable profits for the year. No provision has been made for Hong Kong Profits Tax, as the Group did not earn any income subject to Hong Kong Profits Tax during the year. 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 31 December 2011, the Group had 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 instalment 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.

The earnings per share for discontinued operation is HK 2.35 cents (2010: HK 1.43 cents) (see note 9).

7. (Loss)/Profit for the year

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

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	4,630	1,823
Amortisation of intangible assets	1,987	1,507
Dividends and interest income	(3,964)	(35,282)
Gain on disposal of discontinued operation	(9,002)	(5,477)
Loss/(Gain) on disposal of plant and equipment	109	(222)
Impairment losses on trade receivables	<u>95</u>	<u>1,733</u>

Included in the dividends and interest income is stock distribution amounting to HK\$Nil (2010: HK\$31.5 million) from the Group's unlisted marketable equity mutual fund.

8. Dividends

The Directors of the Company have resolved not to propose any final dividend for the year ended 31 December 2011 (2010: Nil).

No interim dividend was paid for the year ended 31 December 2011 (2010: Nil)

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\$31.2 million (2010: Profit of HK\$9.0 million) and on the weighted average number of ordinary shares of 382,449,524 (2010: 382,449,524) in issue during the year.

For the year ended 31 December 2011, earnings per share for continuing and discontinued operations have been calculated using the loss relating to continuing operations of HK\$40.2 million (2010: Profit of HK\$3.5 million) and the profit relating to discontinued operations of HK\$9.0 million (2010: HK\$5.5 million).

b) *Diluted earnings per share*

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

10. Goodwill

	<i>HK\$'000</i>
At 1 January 2010	—
Acquisition of interest in a jointly controlled entity	<u>1,625</u>
At 31 December 2010	1,625
Adjustment arising from revision of purchase price allocation	(1,086)
Acquisition of interest in a jointly controlled entity	<u>1,693</u>
At 31 December 2011	<u><u>2,232</u></u>

In July 2010, the Group, through its 50% jointly controlled entity, RSF Syracuse Partners, LLC acquired the Crowne Plaza Syracuse Hotel (formerly known as Renaissance Syracuse Hotel) (the “Hotel”) located in Syracuse, New York, U.S.. In year 2010, the Group has allocated the purchase consideration to the respective assets acquired based on a provisional basis. The goodwill determined based on provisional basis was HK\$1.6 million. During the year 2011, the Group has reviewed the value allocated to the respective assets acquired and reduced the goodwill to HK\$0.5 million.

In March 2011, the Group through its 50% jointly controlled entity, RSF Carolina Partner, LLC acquired the Sheraton Chapel Hill Hotel, located in Chapel Hill, North Carolina, U.S.. A goodwill with a carrying amount of HK\$1.7 million had been recorded (see note 14).

11. Trade and other receivables

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

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current or less than 1 month overdue	9,735	4,603
1 to 3 months overdue	4,773	616
3 to 12 months overdue	<u>488</u>	<u>909</u>
Total trade receivables, less impairment losses	14,996	6,128
Other receivables and deposits	6,243	6,065
Amounts owing by a jointly controlled entity	23,261	—
Amounts owing by affiliated companies	<u>478</u>	<u>830</u>
Loans and receivables	44,978	13,023
Prepayments	<u>8,569</u>	<u>5,356</u>
	<u><u>53,547</u></u>	<u><u>18,379</u></u>

All trade and other receivables are expected to be recovered within one year. The amounts owing by subsidiaries and affiliated companies are unsecured, interest-free and repayable on demand.

The amount owing by a jointly controlled entity is secured, interest-bearing and repayable on demand.

12. Trade and other payables

The ageing analysis of the trade and other payables is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Due within 1 month or on demand	21,776	17,161
Due 1 to 3 months	2,861	6,040
Due 3 to 12 months	<u>9,151</u>	<u>3,715</u>
	<u>33,788</u>	<u>26,916</u>

13. Interest-bearing loans

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Bank loans (secured)		
Current	562	558
Non-current	<u>37,439</u>	<u>23,300</u>
	<u>38,001</u>	<u>23,858</u>

The bank loans are repayable by August 2015 and bear interests fixed at 7.50% p.a. during the tenure of the loans.

14. Acquisition of a 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, U.S.. The purchase price of the Hotel is US\$11.2 million (about HK\$86.9 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 as below by an independent valuation:

	<i>HK\$'000</i>
Freehold land	5,040
Building	33,419
Furniture, fittings and equipment	3,024
Intangible assets	
- Profits from advance booking	<u>271</u>
Total identifiable net assets — Group's 50% share	41,754
Consideration paid, satisfied in cash	<u>(43,447)</u>
Goodwill	<u><u>1,693</u></u>

The goodwill is attributable mainly to the skills and technical talents of the Hotel's assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

For the year under review, the Group has contributed a total of US\$3.0 million (HK\$23.4 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	17,981
Expenses	<u>(17,761)</u>
	<u><u>220</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded an improvement in revenue to HK\$109.3 million, an increase of HK\$25.6 million or 30.6% from HK\$83.7 million in the previous corresponding year. However, the Group reported a net loss attributable to the equity shareholders of the Company of HK\$31.2 million as compared with a net profit attributable to the equity shareholders of the Company of HK\$9.0 million in the previous corresponding year, largely due to the unrealised valuation losses from the Group's securities holding as at 31 December 2011.

The Group's Hospitality segment recorded a significant growth in revenue to HK\$105.4 million, an increase of HK\$57.0 million or 117.7% from HK\$48.4 million in the previous corresponding year. Consequently, a small loss of HK\$2.1 million was incurred in FY2011 by the Group's Hospitality segment as compared with a loss of HK\$20.3 million reported in the previous corresponding year.

The revenue from the Hospitality segment was boosted by the addition of new hotel management contracts by the Group's hotel management arm, Richfield Hospitality, as well as additional revenue contribution from the Group's jointly controlled entities ("JCE") which own the two acquired hotels in the U.S.. During the year under review, Richfield recorded a management fee of HK\$30.6 million as a result of securing 11 new contracts, up 58.5% as compared with HK\$19.3 million in the previous corresponding year. Currently, Richfield operates 25 hotels in the U.S. representing in excess of 4,600 rooms.

The Group, via a JCE, owns the 279-room Crowne Plaza Syracuse Hotel, New York, U.S., which was acquired in July 2010 for US\$35,842 per key including acquisition-related expenses. The hotel contributed full year revenue of HK\$36.2 million as compared with HK\$14.4 million recorded for 2010 due to the partial consolidation since the acquisition was only completed in July that year. A small pre-tax loss of HK\$1.8 million was reported by the JCE as compared with a loss of HK\$8.7 million incurred in the previous corresponding year due mainly to the write off of the acquisition-related costs incurred by the JCE.

Through the other JCE, the Group owns the Sheraton Chapel Hill Hotel, North Carolina, U.S., which was acquired in March 2011. The Sheraton Chapel Hill Hotel 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\$12.0 million (about HK\$93.6 million), representing US\$71,600 (about HK\$558,480) per

key. The JCE which owns this hotel contributed HK\$18.0 million in revenue for the year under review, though it incurred a pre-tax loss of HK\$2.8 million (approximately US\$0.4 million) mainly due to the write off of the acquisition-related costs incurred.

The volatile securities market and the absence of the one-off dividend income amounting to HK\$31.5 million from one of the Group's trading securities which was reported in the previous corresponding year had negatively impacted the Investment Holding segment, which recorded a loss of HK\$39.6 million for the year under review as compared with a profit of HK\$15.0 million in the previous corresponding year. However, the Group recorded a profit from its discontinued operation of HK\$9.0 million arising from the receipt of the last instalment payment of the deferred consideration from the disposal of its 50% equity interest in MindChamps on 23 March 2009.

For the year ended 31 December 2011, the Group recorded a net realised and unrealised foreign exchange gain of HK\$9.3 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 valuation losses of HK\$41.3 million from the Group's securities holding as at 31 December 2011. Overall, a total net realised and unrealised loss of HK\$32.0 million was recorded for the year under review as compared with a total net realised and unrealised loss of HK\$7.7 million reported in the previous corresponding year. While the global market in the first quarter of 2012 has continued to be volatile, fortunately the Group's securities and currencies have fared well and moved in a favorable direction.

Basic losses per share for the year under review were HK8.17 cents, calculated on the weighted average number of 382,449,524 ordinary shares in issue during the year. The Group's Net Tangible Assets per share decreased slightly to HK\$1.41 as at 31 December 2011, down from HK\$1.49 as at 31 December 2010. The Board is not proposing a final dividend for the year under review.

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 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 annual results of the Group for the year ended 31 December 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 year.

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 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 year 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 year ended 31 December 2011.

STATUTORY INFORMATION

The Annual General Meeting of the Company will be held on 20 April 2012.

In order to qualify for attending the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's principal registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on 17 April 2012, as the register of members of the Company will be closed from 18-20 April 2012, both dates inclusive.

By Order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 27 February 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.