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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

UNAUDITED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

SUMMARY

To provide the market with updated information, the Board of City e-Solutions Limited announces the unaudited consolidated financial results of the Company and its subsidiaries and its jointly controlled entities (the “Group”) for the nine months ended 30 September 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 nine months ended 30 September 2012 was approximately HK\$4.7 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 nine months ended 30 September 2012 (the “Period”).

CONSOLIDATED INCOME STATEMENT

		Nine months ended	
		30 September	
	<i>Note</i>	2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Continuing operations			
Turnover	2	101,503	80,953
Cost of sales		<u>(24,540)</u>	<u>(22,825)</u>
Gross profit		76,963	58,128
Other net gains/(losses)	3	12,929	(27,030)
Administrative expenses	4	(87,460)	(68,497)
Finance cost		<u>(2,156)</u>	<u>(1,674)</u>
Profit/(Loss) from operations before taxation		276	(39,073)
Income tax		<u>1,304</u>	<u>1,085</u>
Profit/(Loss) from continuing operations		1,580	(37,988)
Discontinued operations			
Profit from discontinued operations, net of tax	5	<u>—</u>	<u>9,002</u>
Profit/(Loss) for the period	6	<u><u>1,580</u></u>	<u><u>(28,986)</u></u>
Attributable to :			
Equity shareholders of the Company		4,717	(28,853)
Non-controlling interests		<u>(3,137)</u>	<u>(133)</u>
Profit/(Loss) for the period		<u><u>1,580</u></u>	<u><u>(28,986)</u></u>
Earnings/(Losses) per share		HK cents	HK cents
Basic earnings/(losses) per share		<u>1.23</u>	<u>(7.54)</u>
Continuing operations		HK cents	HK cents
Basic earnings/(losses) per share		<u>1.23</u>	<u>(9.90)</u>

STATEMENT OF FINANCIAL POSITION (unaudited)

	The Group	
	As At 30	As At 31
	September	December
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	88,401	90,775
Intangible assets	18,350	2,564
Goodwill	9,481	2,232
Deferred tax assets	22,940	21,928
Total non-current assets	139,172	117,499
Current assets		
Trading securities	90,002	79,900
Trade and other receivables	52,482	53,547
Current tax recoverable	556	357
Cash and cash equivalents	385,253	399,681
	<u>528,293</u>	<u>533,485</u>
Current liabilities		
Trade and other payables	(32,383)	(33,788)
Interest-bearing loans	(561)	(562)
	<u>(32,944)</u>	<u>(34,350)</u>
Net current assets	495,349	499,135
Total assets less current liabilities	634,521	616,634
Non-current liabilities		
Interest-bearing loans	(37,042)	(37,439)
NET ASSETS	<u>597,479</u>	<u>579,195</u>
CAPITAL AND RESERVES		
Share capital	382,450	382,450
Reserves	167,747	162,064
Total equity attributable to equity shareholders of the Company	550,197	544,514
Non-controlling interests	47,282	34,681
TOTAL EQUITY	<u>597,479</u>	<u>579,195</u>

Notes:-

- The Group's unaudited consolidated financial results for the nine months ended 30 September 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, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements and have not been reviewed by the Company's auditors.

- Turnover**

	Nine months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Revenue from external customer		
- Investment holding	3,085	1,167
- Hospitality	95,431	78,125
Interest income	<u>2,987</u>	<u>1,661</u>
	<u>101,503</u>	<u>80,953</u>

- Other net gains/(losses)**

	Nine months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange gains	2,853	8,777
Net realised and unrealised gains/(losses) on trading securities	10,076	(39,555)
Gain arising from legal settlement	—	3,879
Others	<u>—</u>	<u>(131)</u>
	<u>12,929</u>	<u>(27,030)</u>

- Administrative expenses**

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

- 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)**

	Nine months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	4,638	2,734
Amortisation of intangible assets	2,432	1,286
Dividends and interest income	(6,072)	(2,828)
Gain on disposal of discontinued operations	<u>—</u>	<u>(9,002)</u>

7. **Acquisition of a new subsidiary, Sceptre Hospitality Resources, LLC**

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% equity interest.

For the period under review, the capital contribution included the cash contribution of US\$1.3 million (approximately HK\$10.1 million) and substantially all of WBL’s assets. Arising from this acquisition, the Group recognised an intangible asset and goodwill of approximately HK\$18.2 million and HK\$7.2 million respectively 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\$4.7 million as compared with a net loss attributable to the equity shareholders of the Company of HK\$28.9 million in the previous corresponding period due mainly to the unrealised valuation gains from the Group’s securities holding as at 30 September 2012.

On the Investment Holding segment, the Group recorded a net realised and unrealised translation exchange gains of HK\$2.8 million arising mainly from the Sterling Pound denominated trading security and cash deposit as well as an unrealised valuation gain of HK\$10.1 million from the Group’s securities holding as at 30 September 2012. Overall, a total net realised and unrealised gains of HK\$12.9 million was recorded for the period under review as compared with a total net realised and unrealised losses of HK\$30.8 million reported in the previous corresponding period. Also, during the period under review, the Group recorded higher dividend and interest income of HK\$6.1 million, up by HK\$3.2 million, from HK\$2.9 million reported in the previous corresponding period.

During the period under review, the Group reported an improvement in revenue to HK\$101.5 million, an increase of HK\$20.5 million or 25.3% from HK\$81.0 million in the previous corresponding period due mainly to additional revenue arising from acquisitions by the Group's Hospitality segment.

The Group's new 51%-owned subsidiary, SHR, contributed additional revenue of HK\$21.9 million for the period under review, however, incurred a loss of HK\$0.8 million before accounting for depreciation and amortization charges as well as acquisition related expense. The proportionate pre-tax profit contribution to the Group's results from the Group's jointly-controlled entities, which own the two hotels in the U.S., amounted to HK\$3.4 million for the period under review as compared with a pre-tax loss of HK\$1.0 million incurred in the previous corresponding period. Overall, the Group's Hospitality segment reported a higher pre-tax loss of HK\$6.2 million as compared with a pre-tax loss of HK\$1.9 million incurred in the previous corresponding period which can be attributed mainly to depreciation and amortization, interest expenses, acquisition related expenses as well as the consolidation of operating expenses for the new subsidiary, SHR.

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 November 2012

As at the date of this announcement, the Board comprises 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.