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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 2011

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 (the “Group”) for the nine months ended 30 September 2011.

This announcement is made in accordance with Rule 13.09(1) of the Listing Rules.

The unaudited consolidated loss attributable to equity shareholders of the Company for the nine months ended 30 September 2011 was approximately HK\$28.9 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 (the “Group”) for the nine months ended 30 September 2011 (the “Period”).

CONSOLIDATED INCOME STATEMENT

		Nine months ended	
		30 September	
	<i>Note</i>	2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Continuing operations			
Turnover	2	80,953	64,973
Cost of sales		<u>(22,825)</u>	<u>(8,338)</u>
Gross profit		58,128	56,635
Other net losses	3	(27,030)	(4,055)
Administrative expenses	4	(68,497)	(45,554)
Finance cost		<u>(1,674)</u>	<u>(315)</u>
(Loss)/Profit from operations before taxation		(39,073)	6,711
Income tax		<u>1,085</u>	<u>5,518</u>
(Loss)/Profit from continuing operations		(37,988)	12,229
Discontinued operations			
Profit from discontinued operations, net of tax	5	<u>9,002</u>	<u>2,956</u>
(Loss)/Profit for the period	6	<u>(28,986)</u>	<u>15,185</u>
Attributable to:			
Equity shareholders of the Company		(28,853)	16,129
Non-controlling interests		<u>(133)</u>	<u>(944)</u>
(Loss)/Profit for the period		<u>(28,986)</u>	<u>15,185</u>
(Losses)/Earnings per share			
Basic (losses)/earnings per share		HK cents <u>(7.54)</u>	HK cents <u>4.22</u>
Continuing operations			
Basic (losses)/earnings per share		HK cents <u>(9.90)</u>	HK cents <u>3.44</u>

STATEMENT OF FINANCIAL POSITION

	The Group	
	As At	As At
	30 September	31 December
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Non-current assets		
Property, plant and equipment	89,700	36,912
Intangible assets	3,002	3,953
Goodwill	1,629	1,625
Deferred tax assets	21,718	20,337
Total non-current assets	116,049	62,827
Current assets		
Trading securities	80,618	119,614
Trade and other receivables	52,840	18,379
Current tax recoverable	—	299
Cash and cash equivalents	400,324	460,438
	<u>533,782</u>	<u>598,730</u>
Current liabilities		
Trade and other payables	(31,602)	(26,916)
Interest-bearing loans	(563)	(558)
Provision for taxation	(1)	(97)
	<u>(32,166)</u>	<u>(27,571)</u>
Net current assets	<u>501,616</u>	<u>571,159</u>
Total assets less current liabilities	617,665	633,986
Non-current liabilities		
Interest-bearing loans	(35,415)	(23,300)
NET ASSETS	<u><u>582,250</u></u>	<u><u>610,686</u></u>
CAPITAL AND RESERVES		
Share capital	382,450	382,450
Reserves	165,050	193,433
Total equity attributable to equity shareholders of the Company	547,500	575,883
Non-controlling interests	<u>34,750</u>	<u>34,803</u>
TOTAL EQUITY	<u><u>582,250</u></u>	<u><u>610,686</u></u>

Notes:-

1. The Group's unaudited consolidated financial results for the nine months ended 30 September 2011 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 2010 and have not been reviewed by the Company's auditors.

2. **Turnover**

	Nine months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Revenue from external customer		
- Investment holding	1,167	32,120
- Hospitality	78,125	32,062
Interest income	<u>1,661</u>	<u>791</u>
	<u>80,953</u>	<u>64,973</u>

3. **Other net losses**

	Nine months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange gains	8,777	2,015
Net realised and unrealised losses on trading securities	(39,555)	(6,324)
Gain arising from legal settlement	3,879	—
Others	<u>(131)</u>	<u>254</u>
	<u>(27,030)</u>	<u>(4,055)</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. **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. (Loss)/Profit for the period is arrived after charging/(crediting)

	Nine months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	2,734	1,217
Amortisation of intangible assets	1,286	49
Dividends and interest income	(2,828)	(32,911)
Gain on disposal of investment in a jointly controlled entity	<u>(9,002)</u>	<u>(2,956)</u>

BUSINESS REVIEW AND PROSPECTS

The Group recorded an improvement in revenue to HK\$81.0 million, an increase of HK\$16.0 million or 24.6% from HK\$65.0 million in the previous corresponding period. However, the Group reported a net loss attributable to the equity shareholders of the Company of HK\$28.9 million as compared with a net profit attributable to the equity shareholders of the Company of HK\$16.1 million in the previous corresponding period.

For the period under review, the Group recorded a net realised and unrealised translation exchange gain of HK\$8.8 million arising mainly from the Sterling Pound denominated trading security and cash deposits held in Sterling Pound and Chinese Renminbi. However, the Group's profit was negatively impacted by the net unrealised loss of HK\$39.6 million as a result of the revaluation of the Group's trading securities to fair value as at 30 September 2011.

The Group's Investment segment recorded lower dividend and interest income of HK\$1.6 million for the period under review, down by HK\$31.0 million, as compared with HK\$32.6 million in the previous corresponding period.

Additional revenue contribution of HK\$20.6 million by the Group's jointly controlled entity ("JCE") which owns the Crowne Plaza Syracuse Hotel, New York, USA, since 19 July 2010, and HK\$11.7 million contributed by a newly-established JCE, which acquired the Sheraton Chapel Hill Hotel on 22 March 2011.

Further, the Group's U.S. hotel management arm, Richfield, recorded a higher management fee of HK\$23.5 million as compared with HK\$14.1 million reported in previous corresponding period as a result of securing 10 new contracts for the period under review.

The Crowne Plaza Syracuse Hotel has completed the major refurbishment in 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\$3.6 million (approx. US\$0.5 million). A small pre-tax profit was recorded after accounting for the bank interest expense of HK\$1.7 million and depreciation charge of HK\$1.4 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\$1.5 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.

Consequently, the Hospitality segment reported a smaller pre-tax loss of HK\$1.9 million as compared with a loss of HK\$14.8 million incurred in the previous corresponding period.

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.

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 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.