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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

UNAUDITED FINANCIAL RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2013

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, jointly controlled entity and associates (the “Group”) for the three months ended 31 March 2013.

The unaudited consolidated loss attributable to equity shareholders of the Company for the three months ended 31 March 2013 was approximately HK\$3.3 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.

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, jointly controlled entity and associates (the “Group”) for the three months ended 31 March 2013 (the “Period”).

CONSOLIDATED INCOME STATEMENT (unaudited)

		Three months ended 31 March	
		2013	2012
	Note	HK\$'000	HK\$'000 (restated)
Turnover	2	23,358	21,026
Cost of sales		<u>(4,570)</u>	<u>(5,008)</u>
Gross profit		18,788	16,018
Other net gains	3	54	11,395
Administrative expenses	4	<u>(22,915)</u>	<u>(21,836)</u>
(Loss)/Profit from operating activities		(4,073)	5,577
Share of losses of a jointly-controlled entity		(163)	(1,573)
Share of losses of associates		<u>(1,001)</u>	<u>—</u>
(Loss)/Profit before taxation		(5,237)	4,004
Income tax		<u>557</u>	<u>1,404</u>
(Loss)/Profit for the period	5	<u><u>(4,680)</u></u>	<u><u>5,408</u></u>
Attributable to :			
Equity shareholders of the Company		(3,273)	7,604
Non-controlling interests		<u>(1,407)</u>	<u>(2,196)</u>
(Loss)/Profit for the period		<u><u>(4,680)</u></u>	<u><u>5,408</u></u>
(Losses)/Earnings per share		HK cents	HK cents
Basic (losses)/earnings per share		<u><u>(0.86)</u></u>	<u><u>1.99</u></u>

STATEMENT OF FINANCIAL POSITION (unaudited)

	The Group	
	As At 31	As At 31
	March	December
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)
Non-current assets		
Property, plant and equipment	43,226	43,602
Intangible assets	15,626	16,289
Goodwill	8,946	8,938
Interest in a jointly controlled entity	9,443	10,404
Interest in associates	7,534	1,550
Deferred tax assets	23,875	23,270
Total non-current assets	108,650	104,053
Current assets		
Trading securities	97,886	93,150
Trade and other receivables	61,139	58,610
Current tax recoverable	1,544	1,452
Cash and cash equivalents	364,917	376,452
	525,486	529,664
Current liabilities		
Trade and other payables	(40,144)	(34,889)
Finance lease liabilities	(37)	(39)
	(40,181)	(34,928)
Net current assets	485,305	494,736
Total assets less current liabilities	593,955	598,789
Non-current liabilities		
Finance lease liabilities	(82)	(88)
NET ASSETS	<u>593,873</u>	<u>598,701</u>
CAPITAL AND RESERVES		
Share capital	382,450	382,450
Reserves	166,684	170,138
Total equity attributable to equity shareholders of the Company	549,134	552,588
Non-controlling interests	44,739	46,113
TOTAL EQUITY	<u>593,873</u>	<u>598,701</u>

Notes:-

1. Accounting policies

The Group's unaudited consolidated financial results for the three months ended 31 March 2013 have not been reviewed by the Company's auditors.

The Group's unaudited consolidated financial results for the three months ended 31 March 2013 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 2012, except for the adoption of HKFRS 11 *Joint arrangements* on 1 January 2013.

HKFRS 11, which replaces HKAS 31 *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method. Proportionate consolidation is no longer allowed as an accounting policy choice.

The adoption of HKFRS 11 has changed the Group's accounting policy for its jointly controlled entity which was previously accounted for using proportionate consolidation. The financial effects on the Group's consolidated financial position as at 31 December 2012 and its income statement for the three months ended 31 March 2012 as restated comparatives in the Group's unaudited consolidated financial results for the three months ended 31 March 2013 are as follows:

	Impact on financial position as at 31 December 2012		
	As previously reported	Retrospective effect of change in accounting policy	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	139,984	(35,931)	104,053
Current assets	533,313	(3,649)	529,664
Current liabilities	(37,565)	2,637	(34,928)
Non-current liabilities	(37,031)	36,943	(88)
Net assets	<u>598,701</u>	<u>—</u>	<u>598,701</u>

**Impact on results for the three months ended
31 March 2012**

	As previously reported	Retrospective effect of change in accounting policy	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	28,534	(7,508)	21,026
Gross profit	20,028	(4,010)	16,018
Share of losses of a jointly controlled entity	—	(1,573)	(1,573)
Profit before taxation	4,004	—	4,004
Profit for the period	<u>5,408</u>	<u>—</u>	<u>5,408</u>

2. Turnover

	Three months ended 31 March	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Revenue from external customers		
- Investment holding	—	900
- Hospitality	22,367	19,215
Interest income	<u>991</u>	<u>911</u>
	<u>23,358</u>	<u>21,026</u>

3. Other net gains

	Three months ended 31 March	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised gains on trading securities	8,829	9,034
Net realised and unrealised exchange (losses)/gains	<u>(8,775)</u>	<u>2,361</u>
	<u>54</u>	<u>11,395</u>

4. Administrative expenses

Administrative expenses comprise mainly expenses incurred by the Group's Hospitality segment which include expenses incurred by Sheraton Chapel Hill Hotel, North Carolina, U.S., a hotel jointly operated by the Group's subsidiary.

5. **(Loss)/Profit for the period is arrived after charging/(crediting)**

	Three months ended	
	31 March	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)
Depreciation of property, plant and equipment	614	646
Amortisation of intangible assets	677	—
Dividend and interest income	<u>(991)</u>	<u>(1,811)</u>

6. **Acquisition of interest in Doubletree Burlington Hotel**

On 30 January 2013, the Group's indirect subsidiary, SWAN USA, Inc, acquired an effective interest of approximately 19% in Doubletree Burlington Hotel, USA.

7. **Subsequent event**

As at the date of this announcement, Richfield Syracuse Hotel Partners, LLC, an indirect jointly-controlled entity of the Group, is in the process of negotiations with a third party on the disposal of its U.S. hotel, Crowne Plaza Syracuse.

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group reported an improvement in revenue to HK\$23.3 million, an increase of HK\$2.3 million or 11.1% from HK\$21.0 million in the previous corresponding period due to higher revenues from the Group's Hospitality segment. Consequently, the Group's Hospitality segment reported lower pre-tax loss of HK\$3.1 million for the period under review as compared with a pre-tax loss of HK\$5.2 million in the previous corresponding period.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. continued to enjoy good room occupancy and contributed a total revenue of HK\$6.2 million, up by HK\$1.0 million or an increase by 19.2% from HK\$5.2 million in the previous corresponding period. Accordingly, the profit contribution improved to HK\$1.2 million up from HK\$0.3 million in the previous corresponding period.

The Group's 51% equity interest in Sceptre Hospitality Resources (SHR), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded a full 3 months of revenue amounting to HK\$7.2 million, up from HK\$2.4 million being revenue recorded for approximately one month of operation as SHR commenced operation around end February 2012. However, the increase of HK\$4.8 million in revenue from

SHR was offset by a decrease of HK\$3.0 million from the in-house reservations management and distribution arm which had since ceased operation as a result of the merger with SHR at end February 2012. For the period under review, SHR incurred a lower loss at HK\$2.4 million as compared with HK\$3.3 million in the previous corresponding period.

On the Group's Investment Holding segment, the net realised and unrealised valuation gains of HK\$8.8 million was recognised from the Group's securities holding as at 31 March 2013. This was offset by net realised and unrealised foreign exchange losses of HK\$8.8 million which mainly arose from the Sterling Pound denominated trading securities and cash deposits. Overall, the total net realised and unrealised gains of less than HK\$0.1 million was recorded for the period under review as compared with total net realised and unrealised gains of HK\$11.4 million in the previous corresponding period.

Overall, the Group recorded a net loss attributable to the equity shareholders of the Company of HK\$3.3 million as compared with a net profit attributable to the equity shareholders of the Company of HK\$7.6 million in the previous corresponding period due mainly to the losses from the Group's Hospitality segment as discussed above.

The Group remains cautious in the midst of the global uncertainty, though there are signs of improvement in the U.S. real estate and hospitality market.

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.

The Group will continue to stay on the lookout for investments that meet its criteria.

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, 13 May 2013

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.