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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 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 three months ended 31 March 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 three months ended 31 March 2011 was approximately HK\$4.6 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 three months ended 31 March 2011 (the “Period”).

CONSOLIDATED INCOME STATEMENT

		Three months ended	
		31 March	
	<i>Note</i>	2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Continuing operations			
Turnover	2	18,738	7,736
Cost of sales		<u>(5,476)</u>	<u>(1,526)</u>
Gross profit		13,262	6,210
Other net (losses)/income	3	(7,783)	15,259
Administrative expenses	4	(21,017)	(10,788)
Finance cost		<u>(538)</u>	<u>—</u>
(Loss)/Profit from operations before taxation		(16,076)	10,681
Income tax		<u>1,963</u>	<u>962</u>
(Loss)/Profit from continuing operations		(14,113)	11,643
Discontinued operations			
Profit from discontinued operations, net of tax	5	<u>9,002</u>	<u>—</u>
(Loss)/Profit for the period	6	<u><u>(5,111)</u></u>	<u><u>11,643</u></u>
Attributable to :			
Equity shareholders of the Company		(4,613)	11,879
Non-controlling interests		<u>(498)</u>	<u>(236)</u>
(Loss)/Profit for the period		<u><u>(5,111)</u></u>	<u><u>11,643</u></u>
(Losses)/Earnings per share		HK cents	HK cents
Basic (losses)/earnings per share		<u>(1.21)</u>	<u>3.11</u>
Continuing operations		HK cents	HK cents
Basic (losses)/earnings per share		<u>(3.56)</u>	<u>3.11</u>

STATEMENT OF FINANCIAL POSITION (unaudited)

	The Group	
	As At	As At
	31 March	31 December
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	82,001	36,912
Intangible assets	4,283	3,953
Goodwill	1,628	1,625
Deferred tax assets	22,401	20,337
Total non-current assets	110,313	62,827
Current assets		
Trading securities	104,599	119,614
Trade and other receivables	45,085	18,379
Current tax recoverable	472	299
Cash and cash equivalents	402,629	460,438
	<u>552,785</u>	<u>598,730</u>
Current liabilities		
Trade and other payables	(29,002)	(26,916)
Interest-bearing loans	(563)	(558)
Provision for taxation	—	(97)
	<u>(29,565)</u>	<u>(27,571)</u>
Net current assets	<u>523,220</u>	<u>571,159</u>
Total assets less current liabilities	633,533	633,986
Non-current liabilities		
Interest-bearing loans	<u>(27,193)</u>	<u>(23,300)</u>
NET ASSETS	<u>606,340</u>	<u>610,686</u>
CAPITAL AND RESERVES		
Share capital	382,450	382,450
Reserves	<u>189,534</u>	<u>193,433</u>
Total equity attributable to equity shareholders of the Company	571,984	575,883
Non-controlling interests	<u>34,356</u>	<u>34,803</u>
TOTAL EQUITY	<u>606,340</u>	<u>610,686</u>

Notes:-

- The Group's unaudited consolidated financial results for the three months ended 31 March 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.

- Turnover**

	Three months ended	
	31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Revenue from external customer		
- Investment holding	—	566
- Hospitality	18,406	6,905
Interest income	<u>332</u>	<u>265</u>
	<u><u>18,738</u></u>	<u><u>7,736</u></u>

- Other net (losses)/income**

	Three months ended	
	31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange gain/(losses)	8,791	(11,517)
Net realised and unrealised (losses)/gain on trading securities	(16,574)	26,783
Other losses	<u>—</u>	<u>(7)</u>
	<u><u>(7,783)</u></u>	<u><u>15,259</u></u>

- Administrative expenses**

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

- 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)

	Three months ended	
	31 March	
	2011	2010
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	463	337
Amortisation of intangible assets	5	14
Dividends and interest income	<u>(332)</u>	<u>(831)</u>

BUSINESS REVIEW AND PROSPECTS

The Group recorded an improvement in revenue to HK\$18.7 million, an increase of HK\$11.0 million or 142.2% from HK\$7.7 million in the previous corresponding period. However, the Group reported a net loss attributable to the equity shareholders of the Company of HK\$4.6 million as compared with a net profit attributable to the equity shareholders of the Company of HK\$11.9 million in the previous corresponding period.

For the period under review, the Group's profit was negatively impacted by the net unrealised loss of HK\$16.6 million as a result of the revaluation of the Group's trading securities to fair value as at 31 March 2011, partially offsetted by a net realised and unrealised translation exchange gain of HK\$8.8 million arising mainly from the Sterling Pound denominated trading security and cash deposit. Consequently, a total net realized and unrealized loss of HK\$7.8 million was recorded for the period under review as compared with a total net realized and unrealized gain of HK\$15.3 million reported in the previous corresponding period.

The Group's Hospitality segment recorded higher operating revenue of HK\$18.4 million, up by HK\$11.5 million or 166.6%, as compared with HK\$6.9 million in the previous corresponding period. This was due to the additional revenues of HK\$6.5 million contributed by the Group's jointly-controlled entity ("JCE") which owns the Crowne Plaza Syracuse Hotel, New York, USA, since 19 July 2010, and HK\$0.6 million contributed by a newly-acquired JCE, which owns the Sheraton Chapel Hill Hotel on 21 March 2011. The Sheraton Chapel Hill Hotel, North Carolina, USA, is a full service hotel with 168 rooms and 17,000 square feet of meeting space which was acquired at a purchase price of US\$12 million (about HK\$93.6 million), representing US\$71,600 (about HK\$558,480) per key. Further, the Group's U.S. hotel management arm, Richfield, had recorded a higher management fee of HK\$7.0 million as compared with HK\$3.6 million reported in previous corresponding period as a result of securing 3 new contracts.

However, an overall higher operating loss of HK\$5.3 million was incurred by the Group's Hospitality segment as compared with HK\$2.8 million in the previous corresponding period. This is mainly due to higher payroll cost and the write off of acquisition-related costs incurred for the period under review.

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 a loss 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, 11 May 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.