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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 2010**

#### **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 entity (the “Group”) for the nine months ended 30 September 2010.

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 2010 was approximately HK\$16.1 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 entity (the “Group”) for the nine months ended 30 September 2010 (the “Period”).

## CONSOLIDATED INCOME STATEMENT

		<b>Nine months ended</b>	
	<i>Note</i>	<b>30 September</b>	
		<b>2010</b>	<b>2009</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Continuing operations</b>			
<b>Turnover</b>	2	64,973	46,975
Cost of sales		<u>(8,338)</u>	<u>(16,637)</u>
<b>Gross profit</b>		56,635	30,338
Other net (losses)/income	3	(4,055)	57,314
Administrative expenses	4	(45,554)	(29,098)
Finance cost		<u>(315)</u>	<u>—</u>
<b>Profit from operations</b>		6,711	58,554
Share of losses of an associate		<u>—</u>	<u>(544)</u>
<b>Profit before taxation</b>		6,711	58,010
Income tax		<u>5,518</u>	<u>(1,998)</u>
<b>Profit from continuing operations</b>		12,229	56,012
<b>Discontinued operations</b>			
Profit from discontinued operations, net of tax	5	<u>2,956</u>	<u>4,721</u>
<b>Profit for the period</b>	6	<u><u>15,185</u></u>	<u><u>60,733</u></u>
<b>Attributable to:</b>			
Equity shareholders of the Company		16,129	59,826
Non-controlling interests		<u>(944)</u>	<u>907</u>
<b>Profit for the period</b>		<u><u>15,185</u></u>	<u><u>60,733</u></u>
<b>Earnings per share</b>			
Basic earnings per share		<u>4.22</u>	<u>15.64</u>
<b>Continuing operations</b>			
Basic earnings per share		<u>3.44</u>	<u>14.41</u>

**CONSOLIDATED BALANCE SHEET (unaudited)**

	<b>As at 30 September 2010 HK\$'000</b>	<b>As at 31 December 2009 HK\$'000</b>
<b>Non-current assets</b>		
Plant and equipment	41,749	2,472
Intangible assets	54	103
Deferred tax assets	18,462	12,814
Total non-current assets	60,265	15,389
<b>Current assets</b>		
Trading securities	120,219	95,340
Trade and other receivables	20,541	22,745
Current tax recoverable	395	395
Cash and cash equivalents	<u>457,882</u>	<u>489,219</u>
	<u>599,037</u>	<u>607,699</u>
<b>Current liabilities</b>		
Trade and other payables	(20,454)	(20,127)
Provision for taxation	<u>(116)</u>	<u>(880)</u>
	(20,570)	(21,007)
<b>Net current assets</b>	<u>578,467</u>	<u>586,692</u>
<b>Total assets less current liabilities</b>	638,732	602,081
<b>Non current liabilities</b>		
Bank borrowing	<u>(20,835)</u>	—
<b>NET ASSETS</b>	<u>617,897</u>	<u>602,081</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	382,450	382,450
Reserves	<u>200,120</u>	<u>183,368</u>
<b>Total equity attributable to equity shareholders of the Company</b>	582,570	565,818
<b>Non-controlling interests</b>	<u>35,327</u>	<u>36,263</u>
<b>TOTAL EQUITY</b>	<u>617,897</u>	<u>602,081</u>

Notes:-

- The Group's unaudited consolidated financial results for the nine months ended 30 September 2010 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 2009 and have not been reviewed by the Company's auditors.

2. **Turnover**

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Revenue from external customer		
- Investment holding	32,120	560
- Hospitality related services	32,062	31,440
- Property investment	<u>—</u>	<u>12,405</u>
	64,182	44,405
Interest income	<u>791</u>	<u>2,570</u>
	<u>64,973</u>	<u>46,975</u>
<b>Discontinued operations</b>		
Education related services	<u>—</u>	<u>7,842</u>
	<u>64,973</u>	<u>54,817</u>

3. **Other net (losses)/income**

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange gains	2,015	13,601
Net realised and unrealised (losses)/gains on trading securities	(6,324)	42,617
Gain on disposal of interest in an associate	—	819
Other income	<u>254</u>	<u>277</u>
	<u>(4,055)</u>	<u>57,314</u>

4. **Administrative expenses**

Administrative expenses comprise mainly expenses incurred by the Group's Hospitality Related Services business segment which includes the acquisition-related costs and expenses incurred by the Group's newly-acquired, jointly-controlled entity.

## 5. Discontinued Operations

	Nine months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Turnover	—	7,842
Expenses	<u>—</u>	<u>(8,400)</u>
Loss before taxation	—	(558)
Income tax	<u>—</u>	<u>—</u>
Loss after taxation	—	(558)
Gain on disposal of discontinued operations	<u>2,956</u>	<u>5,279</u>
Profit from discontinued operations	<u>2,956</u>	<u>4,721</u>

## 6. Profit for the period is arrived after charging/(crediting)

	Nine months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Depreciation of plant and equipment	1,217	1,623
Amortisation of intangible assets	49	234
Dividends and interest income	<u>(32,120)</u>	<u>(3,135)</u>

## BUSINESS REVIEW AND PROSPECTS

The Group recorded a net profit attributable to the equity shareholders of the Company of HK\$16.1 million as compared with a net profit of HK\$59.8 million in the previous corresponding period.

The decrease in profit is mainly due to a net unrealised translation exchange loss of HK\$6.3 million as a result of the revaluation of the Group's trading securities to fair value as at 30 September 2010 and a net realised and unrealised translation exchange gain of HK\$2.0 million arising mainly from the Sterling Pound denominated trading security and cash deposit. Accordingly, a total net realised and unrealised translation exchange loss of HK\$4.3 million was recorded for the period under review as compared with a total net realised and unrealised translation exchange gain of HK\$56.2 million reported in the previous corresponding period. Nevertheless, the negative impact is reduced by higher dividend income of HK\$32.1 million for the period under review as compared with HK\$0.6 million in the previous corresponding period. The dividend income arises from one of the Group's trading securities and therefore an ex-dividend markdown for the security has also been reflected in the unrealised loss on trading securities under other net losses.

The higher dividend income together with the additional revenue contribution from Crowne Plaza Syracuse Hotel (formerly known as Renaissance Syracuse Hotel) have boosted the Group's revenue for the period under review to HK\$65.0 million, up by HK\$18.0 million as compared with HK\$47.0 million in the previous corresponding period.

The Group no longer holds investment property following the sale of the remaining two residential properties in the previous corresponding period. Hence, for the period under review, no revenue was recorded from this business segment as compared with revenue of HK\$12.4 million and pre-tax profit of HK\$0.8 million from the sale of two residential properties reported in the previous corresponding period.

The Group's Hospitality Related Services business segment recorded higher operating revenue of HK\$32.1 million, up by HK\$0.7 million or 2.0%, as compared with HK\$31.4 million in the previous corresponding period. Whilst additional revenue of HK\$6.3 million was contributed by the Group's newly-acquired, jointly-controlled entity which owns the 279-room Crowne Plaza Syracuse Hotel ("Hotel"), New York, USA, since 19 July 2010, lower management fee income was recorded from the Group's managed hotels.

In line with the Group's accounting policy, all acquisition-related costs were written off in the period under review which resulted in an operating loss of HK\$5.3 million by the jointly-controlled entity which owns the Hotel. Since the acquisition, the Hotel has performed in-line with expectations and a major refurbishment has been commenced that will be carried out in phases to minimise disruption on the hotel operations.

The continuing challenging economic environment has resulted in a decline in the managed hotels' operating results as well as a reduction in the number of managed hotels in its portfolio and this has adversely affected the management fees recorded by the Group's U.S. hotel management arm, Richfield. Consequently, the revenue contribution for the period under review decreased to HK\$25.7 million, down by HK\$5.7 million, from HK\$31.4 million recorded in the previous corresponding period. The decrease in revenue and higher operating expenses have led to an operating loss of HK\$9.5 million as compared with an operating profit of HK\$6.5 million in the previous corresponding period.

For the period under review, the Group recorded a profit from discontinued operations of HK\$2.9 million as a result of the deferred consideration received from the disposal of 50% equity interest in MindChamps on 23 March 2009.

Business conditions continue to remain challenging in the last quarter of 2010 and management will adopt a cost-conscious approach towards managing its current

business. 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.

As the global recession continues and the credit environment remains tight, investment opportunities may become available at attractive valuations. The Group still has significant cash reserves to capitalise on such price dislocations that may arise in the current environment.

**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 2010

*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.*