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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

2010 FINAL RESULTS — ANNOUNCEMENT AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

RESULTS

The Directors of City e-Solutions Limited (the “Company”) announce the following final audited consolidated results of the Company and its subsidiaries and its jointly controlled entity (the “Group”) for the year ended 31 December 2010 together with comparative figures.

Consolidated income statement for the year ended 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Continuing operations			
Turnover	2	83,686	65,270
Cost of sales		<u>(13,560)</u>	<u>(18,130)</u>
Gross profit		70,126	47,140
Other net (losses)/income	3	(7,474)	49,337
Administrative expenses	4	(67,198)	(44,516)
Finance cost		<u>(721)</u>	<u>—</u>
(Loss)/Profit from operations		(5,267)	51,961
Share of losses of an associate		<u>—</u>	<u>(544)</u>
(Loss)/Profit before taxation		(5,267)	51,417
Income tax	5	<u>7,302</u>	<u>(119)</u>
Profit from continuing operations		2,035	51,298
Discontinued operations			
Profit from discontinued operations, net of tax	6	<u>5,477</u>	<u>5,105</u>
Profit for the year	7	<u><u>7,512</u></u>	<u><u>56,403</u></u>
Attributable to:			
Equity shareholders of the Company		8,994	55,865
Non-controlling interests		<u>(1,482)</u>	<u>538</u>
Profit for the year		<u><u>7,512</u></u>	<u><u>56,403</u></u>
Earnings per share			
Basic earnings per share	9	HK cents <u>2.35</u>	HK cents <u>14.61</u>
Continuing operations			
Basic earnings per share	9	HK cents <u>0.92</u>	HK cents <u>13.28</u>

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year	7,512	56,403
Other comprehensive income for the year (after taxation):		
Exchange differences on translation of:		
- financial statements of foreign operations	1,093	(155)
- monetary items forming part of net investment in a foreign operation	—	(11)
Exchange differences realised on disposal of discontinued operations	—	(273)
Exchange differences realised on disposal of an associate	—	895
	<u>1,093</u>	<u>456</u>
Total comprehensive income for the year	<u><u>8,605</u></u>	<u><u>56,859</u></u>
Attributable to:		
Equity shareholders of the Company	10,065	56,324
Non-controlling interests	<u>(1,460)</u>	<u>535</u>
Total comprehensive income for the year	<u><u>8,605</u></u>	<u><u>56,859</u></u>

Statements of financial position as at 31 December 2010

	<i>Note</i>	The Group		The Company	
		2010	2009	2010	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Property, plant and equipment		36,912	2,472	799	1,853
Intangible assets		3,953	103	—	—
Goodwill		1,625	—	—	—
Interests in subsidiaries		—	—	220,859	220,859
Deferred tax assets		20,337	12,814	—	—
Total non-current assets		62,827	15,389	221,658	222,712
Current assets					
Trading securities		119,614	95,340	113,239	89,140
Trade and other receivables	10	18,379	22,745	2,379	10,922
Current tax recoverable		299	395	—	—
Cash and cash equivalents		460,438	489,219	267,874	263,017
		<u>598,730</u>	<u>607,699</u>	<u>383,492</u>	<u>363,079</u>
Current liabilities					
Trade and other payables	11	(26,916)	(20,127)	(19,024)	(10,941)
Interest-bearing loans	12	(558)	—	—	—
Provision for taxation		(97)	(880)	(97)	(818)
		<u>(27,571)</u>	<u>(21,007)</u>	<u>(19,121)</u>	<u>(11,759)</u>
Net current assets		<u>571,159</u>	<u>586,692</u>	<u>364,371</u>	<u>351,320</u>
Total assets less current liabilities		633,986	602,081	586,029	574,032
Non-current liabilities					
Interest-bearing loans	12	(23,300)	—	—	—
NET ASSETS		<u>610,686</u>	<u>602,081</u>	<u>586,029</u>	<u>574,032</u>
CAPITAL AND RESERVES					
Share capital		382,450	382,450	382,450	382,450
Reserves		193,433	183,368	203,579	191,582
Total equity attributable to equity shareholders of the Company		575,883	565,818	586,029	574,032
Non-controlling interests		<u>34,803</u>	<u>36,263</u>	—	—
TOTAL EQUITY		<u>610,686</u>	<u>602,081</u>	<u>586,029</u>	<u>574,032</u>

Notes:-

1. The annual results for the year ended 31 December 2010 have been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements as set out below.

The Hong Kong Institute of Certified Public Accountants (HKICPA) has issued two revised Hong Kong Financial Reporting Standards (“HKFRS”), a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in subsidiary*
- Amendment to HKAS 39, *Financial instruments: Recognition and measurement-eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. Included in reportable segment revenue are dividends and interest income amounting to HK\$35.3 million (2009: HK\$13.2 million). Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments for the year is set out below:

	Investment Holding		Hospitality		Property Investment		Total continuing operations		Education (Discontinued)		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	34,241	10,286	48,404	39,553	—	12,547	82,645	62,386	—	7,837	82,645	70,223
Interest income	849	2,146	187	734	5	4	1,041	2,884	—	5	1,041	2,889
Reportable segment revenue	35,090	12,432	48,591	40,287	5	12,551	83,686	65,270	—	7,842	83,686	73,112
Reportable segment profit/(loss)	15,022	49,612	(20,261)	1,619	(28)	730	(5,267)	51,961	—	(558)	(5,267)	51,403
Depreciation and amortisation	739	1,104	2,591	568	—	—	3,330	1,672	—	604	3,330	2,276
Unrealised losses/(gains) on trading securities	5,477	(30,549)	(928)	(1,771)	—	—	4,549	(32,320)	—	—	4,549	(32,320)
Unrealised foreign exchange losses/(gains)	5,908	(15,430)	—	—	—	—	5,908	(15,430)	—	—	5,908	(15,430)
Additions to non-current assets	—	12	4,775	140	—	—	4,775	152	—	187	4,775	339
Reportable segment assets	553,862	529,570	83,773	77,205	3,286	3,104	640,921	609,879	—	—	640,921	609,879
Reportable segment liabilities	8,754	6,423	41,954	13,644	66	60	50,774	20,127	—	—	50,774	20,127

(a) **Reconciliations of reportable segment profit or loss, assets and liabilities**

	Note	2010 HK\$'000	2009 HK\$'000
Profit			
Reportable segment (loss)/profit		(5,267)	51,403
Share of losses of an associate		—	(544)
Elimination of discontinued operations	6	—	558
Consolidated (loss)/profit before taxation from continuing operations		<u>(5,267)</u>	<u>51,417</u>
Assets			
Reportable segment assets		640,921	609,879
Deferred tax assets		20,337	12,814
Current tax recoverable		299	395
Consolidated total assets		<u>661,557</u>	<u>623,088</u>
Liabilities			
Reportable segment liabilities		50,774	20,127
Provision for taxation		97	880
Consolidated total liabilities		<u>50,871</u>	<u>21,007</u>

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

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange (losses)/gains	(3,174)	15,452
Net realised and unrealised (losses)/gains on trading securities	(4,549)	32,376
Gain on disposal of an associate	—	819
Gain on disposal of property, plant and equipment	222	216
Others	<u>27</u>	<u>474</u>
	<u><u>(7,474)</u></u>	<u><u>49,337</u></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. **Income tax**

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax - Overseas		
Provision for the year	180	173
Under/(Over) provision in respect of prior years	<u>34</u>	<u>(179)</u>
	<u>214</u>	<u>(6)</u>
Deferred tax		
Origination of temporary differences	(7,516)	(1,089)
Utilisation of deferred tax assets previously recognised	<u>—</u>	<u>1,214</u>
	<u>(7,516)</u>	<u>125</u>
Income tax expense from continuing operations	<u><u>(7,302)</u></u>	<u><u>119</u></u>

The provision for Hong Kong Profits Tax for 2010 is calculated at the rate of 16.5% (2009: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries has been provided on estimated assessable profits at the rates of taxation ruling in the relevant countries.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands. The tax concession was renewed for a further period of twenty years from 2 June 2009.

As at 31 December 2010, the Group had not recognised deferred tax assets in respect of tax losses of approximately HK\$4.1 million (31 December 2009: HK\$4.0 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. The tax losses do not expire under the current tax legislations.

6. Discontinued operations

On 13 March 2009, the Group entered into an agreement to dispose of its 50% shareholding interest in MindChamps Holdings Pte. Limited (“MindChamps”), a jointly controlled entity for a total consideration of S\$3.5 million (about HK\$19.0 million). The disposal was completed on 23 March 2009.

The total consideration of S\$3.5 million (about HK\$19.0 million) shall be settled by cash in the following manner:

- (a) S\$0.75 million (HK\$3.84 million) paid on 23 March 2009;
- (b) S\$0.25 million (HK\$1.33 million) by 5 equal monthly instalments of S\$0.05 million (HK\$0.27 million) each payable on or before the 4th business day of each month, with the first instalment paid in May 2009; and
- (c) The remaining S\$2.5 million (about HK\$13.8 million) in March 2011.

Pursuant to the agreement dated 13 March 2009, the Group had received a total of S\$1.0 million (HK\$5.17 million) during the year 2009.

Following a settlement arrangement in December 2009, the remaining balance of S\$2.5 million (about HK\$13.8 million), was received/will be received by the Group in the following manner:

- (a) US\$0.05 million (about HK\$0.39 million) was received in December 2009;
- (b) US\$1.05 million (about HK\$8.14 million) payable by 14 December 2010; and
- (c) The remaining of about HK\$5.27 million due by March 2011.

For the year under review, US\$0.7 million (HK\$5.48 million) was received. The remaining balance of HK\$7.93 million is due by March 2011.

The Group would record additional gains as and when the deferred consideration is received.

The results of the discontinued operations are set out below:

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Turnover		—	7,842
Expenses		—	(8,400)
Loss before taxation		—	(558)
Income tax		—	—
Loss after taxation		—	(558)
Gain on disposal of discontinued operations		5,477	5,663
Profit from discontinued operations		<u>5,477</u>	<u>5,105</u>
Basic earnings per share (cents)	9	<u>1.43</u>	<u>1.33</u>

7. Profit for the year

Profit for the year is arrived at after charging/(crediting):

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	1,823	2,023
Amortisation of intangible assets	1,507	253
Dividends and interest income	(35,282)	(13,175)
Gain on disposal of discontinued operation	(5,477)	(5,663)
Gain on disposal of an associate	—	(819)
Gain on disposal of property, plant and equipment	(222)	(216)
Impairment losses on trade receivables	<u>1,733</u>	<u>364</u>

Included in the dividends and interest income is stock distribution amounting to HK\$31.5 million from the Group's unlisted marketable equity mutual fund.

8. Dividends

The Directors of the Company have resolved not to propose any final dividend for the year ended 31 December 2010 (2009: HK Nil cents).

No interim dividend was paid for the year ended 31 December 2010 (2009: HK Nil cents)

9. Earnings per share

a) *Basic earnings per share*

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of HK\$9.0 million (2009: HK\$55.9 million) and on the weighted average number of ordinary shares of 382,449,524 (2009: 382,449,524) during the year.

For the year ended 31 December 2010, earnings per share for continuing and discontinued operations have been calculated using the profit relating to continuing operations of HK\$3.5 million (2009: HK\$50.8 million) and the profit relating to discontinued operations of HK\$5.5 million (2009: HK\$5.1 million).

b) *Diluted earnings per share*

Diluted earnings per share are not applicable as there are no dilutive potential ordinary shares during the year.

10. Trade and other receivables

Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current or less than 1 month overdue	4,603	4,907
1 to 3 months overdue	616	1,576
3 to 12 months overdue	<u>909</u>	<u>261</u>
Total trade receivables, less impairment losses	6,128	6,744
Other receivables and deposits	6,065	12,292
Amounts owing by affiliated companies	<u>830</u>	<u>1,177</u>
Loans and receivables	13,023	20,213
Prepayments	<u>5,356</u>	<u>2,532</u>
	<u>18,379</u>	<u>22,745</u>

Trade receivables are due within 30 days from the date of billing. Receivables with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from its customers.

11. Trade and other payables

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Due within 1 month or on demand	17,161	13,668
Due 1 to 3 months	6,040	3,142
Due 3 to 12 months	<u>3,715</u>	<u>3,317</u>
	<u>26,916</u>	<u>20,127</u>

12. Interest-bearing loans

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Bank loans (secured)		
Current	558	—
Non-current	<u>23,300</u>	<u>—</u>
	<u>23,858</u>	<u>—</u>

The bank loans are repayable on August 2015 and bear interests fixed at 7.50% during the tenure of the loan.

13. On 7 May 2010, the Group, through SWAN USA Inc (“SWAN”), a direct wholly owned subsidiary of SWAN Holdings Limited and Shelbourne Falcon Investors, LP (“Shelbourne”) entered into a Joint Venture agreement (“JV”) for the formation and operation of RSF Syracuse Partners, LLC (“RSFP”) with SWAN and Shelbourne each having a 50% participating interest in RSFP.

The principal activities of RSFP are acquiring and overseeing the operation of a hotel.

The Group recognised its interest in RSFP using proportionate consolidation by combining its share of each of the assets, liabilities, income and expenses of RSFP with the similar items on line by line basis.

In July 2010, the Group, through its 50% jointly controlled entity, RSFP acquired the Renaissance Syracuse Hotel (“Hotel”) located in Syracuse, New York, USA. The purchase price of the Hotel is US\$10 million (about HK\$78 million), financed partially with an external bank loan of US\$4.8 million (about HK\$38 million).

The effect of the acquisition is set out below:

	<i>HK\$’000</i>
Freehold land	3,490
Building	27,146
Furniture, fixtures and equipment	1,163
Intangible assets	
- Profit from advance bookings	780
- Tax benefits	4,153
- Trade name	<u>423</u>
Total identifiable net assets — Group’s 50% share	37,155
Consideration paid, satisfied in cash	<u>38,780</u>
Goodwill	<u><u>1,625</u></u>

The Group’s share of the financial results of the jointly controlled entity is as follows:

	<i>HK\$’000</i>
Turnover	14,424
Expenses	<u>(22,311)</u>
Loss for the year	<u><u>(7,887)</u></u>

For the year under review, the Group has contributed a total of US\$3.5 million (HK\$26.9 million) capital contributions under the JV agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded an improvement in revenue to HK\$83.7 million, an increase of HK\$18.4 million or 28.2% from HK\$65.3 million in the previous year. However, net profit attributable to the equity shareholders of the Company of HK\$9.0 million declined by 83.9% from HK\$55.9 million in the previous corresponding year.

Whilst higher dividend income and additional revenue contribution was recorded by the Group's newly-acquired jointly controlled entity which owns the 279-room Crowne Plaza Syracuse Hotel (formerly known as Renaissance Syracuse Hotel), New York, USA, the Group's profit was negatively impacted by the net unrealised loss of HK\$4.5 million as a result of the revaluation of the Group's trading securities to fair value as at 31 December 2010 as well as a net realised and unrealised translation exchange loss of HK\$3.2 million arising mainly from the Sterling Pound denominated trading security and cash deposit.

Consequently, a total net realised and unrealised loss of HK\$7.7 million was recorded for FY2010 as compared with a total net realised and unrealised gain of HK\$47.8 million reported in the previous corresponding year. Nevertheless, the negative impact was reduced by higher dividend income of HK\$31.5 million 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 Group has always been seeking investment opportunities and through the Group's 50% jointly controlled entity, successfully completed the acquisition of the Crowne Plaza Syracuse Hotel ("Hotel") in July 2010 at a purchase price of US\$10 million (about HK\$78 million), representing US\$35,842 per key and a 14% yield on FY2009 net operating income. For the year under review, this Hotel contributed additional revenue amounting to HK\$14.4 million to the Group's revenue which more than offset the decrease in the management fee income from the Group's US hotel management business unit, Richfield. Since the acquisition, this Hotel has performed in line with expectations and a major refurbishment has commenced in FY2010 that will be carried out in phases to minimise disruption on the hotel operations. Although the Hotel had recorded a pre-tax profit before interest and depreciation and amortization ("EBITDA") of HK\$1.0 million (US\$0.13 million), a pre-tax loss of HK\$7.9 million was recognised for the 1st partial year of operation in FY2010 due mainly to the write off of the acquisition-related costs incurred by the jointly-controlled entity in accordance with the Group's accounting policy.

The continuing challenging economic environment has resulted in a decline in the managed hotels' operating results. This, together with a reduction in the number of managed hotels as compared with the previous year has adversely affected the

management fees recorded by Richfield. Consequently, the revenue for the year under review decreased to HK\$34.0 million, down by HK\$5.6 million, from HK\$39.6 million recorded in the previous corresponding year. However, Richfield has successfully secured new management contracts during the year under review and is operating 23 hotels representing over 4,000 rooms in the US as at 31 December 2010 as compared with 19 hotels with over 3,000 rooms as at 31 December 2009. It is anticipated that Richfield will contribute higher management fees to the Group in FY 2011.

Following the sale of the remaining two residential properties in the previous corresponding year, no revenue was recorded from this business segment in FY2010 as compared with a revenue and pre-tax profit of HK\$12.5 million and HK\$0.7 million respectively in the previous corresponding year. Also, for the year under review, the Group recorded profit from discontinued operations of HK\$5.5 million as a result of the deferred consideration received from the disposal of the Group's 50% equity interest in MindChamps on 23 March 2009.

Basic earnings per share for the year under review amounted to HK2.35 cents, calculated on the weighted average number of 382,449,524 ordinary shares in issue during the year. The Group's Net Tangible Assets per share increased slightly to HK\$1.49 as at 31 December 2010, up from HK\$1.48 as at 31 December 2009. The Board is not proposing a final dividend for the year under review.

PROSPECTS

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 revaluation of foreign currency cash deposits.

The current year will present both challenges and opportunities. Though conditions appear more favourable than this time last year, there are still uncertainties that have yet to be dealt with in the world economy. However we are confident that investment opportunities may become more available in year 2011.

AUDIT COMMITTEE

The members of the Audit Committee of the Company comprise 2 independent non-executive directors and 1 non-executive director of the Company. It has reviewed the annual results of the Group for the year ended 31 December 2010.

CORPORATE GOVERNANCE

In the opinion of the Directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the year.

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. However, in the annual general meeting held on 21 April 2010, our chairman was unable to attend the meeting as he had to attend to an urgent matter. He appointed Mr. Gan Khai Choon to chair the meeting on his behalf.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (“Model Code”). All directors have confirmed that they have complied with the Model Code throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2010.

STATUTORY INFORMATION

The Annual General Meeting of the Company will be held on 14 April 2011.

In order to qualify for attending the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on 11 April 2011, as the register of members of the Company will be closed from 12 - 14 April 2011, both dates inclusive.

By Order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 22 February 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.