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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

2012 FINAL RESULTS — ANNOUNCEMENT AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 entities (the “Group”) for the year ended 31 December 2012 together with comparative figures.

Consolidated income statement
for the year ended 31 December 2012

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Continuing operations			
Turnover	2	135,085	109,336
Cost of sales		<u>(33,034)</u>	<u>(33,901)</u>
Gross profit		102,051	75,435
Other net gains/(losses)	3	16,284	(28,275)
Administrative expenses	4	(115,215)	(86,533)
Finance cost		<u>(2,884)</u>	<u>(2,393)</u>
Profit/(Loss) before taxation		236	(41,766)
Income tax	5	<u>2,528</u>	<u>1,419</u>
Profit/(Loss) from continuing operations		2,764	(40,347)
Discontinued operations			
Profit from discontinued operations, net of tax	6	<u>—</u>	<u>9,002</u>
Profit/(Loss) for the year	7	<u>2,764</u>	<u>(31,345)</u>
Attributable to:			
Equity shareholders of the Company		7,064	(31,231)
Non-controlling interests		<u>(4,300)</u>	<u>(114)</u>
Profit/(Loss) for the year		<u>2,764</u>	<u>(31,345)</u>
Earnings per share			
Basic earnings/(losses) per share	9	<u>1.85</u>	<u>(8.17)</u>
Continuing operations			
Basic earnings/(losses) per share	9	<u>1.85</u>	<u>(10.52)</u>

Consolidated statement of comprehensive income
for the year ended 31 December 2012

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) for the year	2,764	(31,345)
Other comprehensive income for the year (after taxation):		
Exchange differences on translation of financial statements of foreign operations	<u>999</u>	<u>(146)</u>
Total comprehensive income for the year	<u><u>3,763</u></u>	<u><u>(31,491)</u></u>
Attributable to:		
Equity shareholders of the Company	8,074	(31,369)
Non-controlling interests	<u>(4,311)</u>	<u>(122)</u>
Total comprehensive income for the year	<u><u>3,763</u></u>	<u><u>(31,491)</u></u>

**Statements of financial position
as at 31 December 2012**

	<i>Note</i>	The Group		The Company	
		2012	2011	2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Property, plant and equipment		88,337	90,775	513	210
Intangible assets		17,350	2,564	—	—
Goodwill	10	9,477	2,232	—	—
Interests in subsidiaries		—	—	220,859	220,859
Interest in associate		1,550	—	—	—
Deferred tax assets		23,270	21,928	—	—
Total non-current assets		<u>139,984</u>	<u>117,499</u>	<u>221,372</u>	<u>221,069</u>
Current assets					
Trading securities		93,150	79,900	88,996	74,784
Trade and other receivables	11	59,178	53,547	1,013	844
Current tax recoverable		1,452	357	—	—
Cash and cash equivalents		379,533	399,681	276,358	279,790
		<u>533,313</u>	<u>533,485</u>	<u>366,367</u>	<u>355,418</u>
Current liabilities					
Trade and other payables	12	(36,899)	(33,788)	(29,024)	(26,647)
Interest-bearing loans	13	(666)	(562)	—	—
		<u>(37,565)</u>	<u>(34,350)</u>	<u>(29,024)</u>	<u>(26,647)</u>
Net current assets		<u>495,748</u>	<u>499,135</u>	<u>337,343</u>	<u>328,771</u>
Total assets less current liabilities		635,732	616,634	558,715	549,840
Non-current liabilities					
Interest-bearing loans	13	(37,031)	(37,439)	—	—
NET ASSETS		<u>598,701</u>	<u>579,195</u>	<u>558,715</u>	<u>549,840</u>
CAPITAL AND RESERVES					
Share capital		382,450	382,450	382,450	382,450
Reserves		170,138	162,064	176,265	167,390
Total equity attributable to equity shareholders of the Company		552,588	544,514	558,715	549,840
Non-controlling interests		46,113	34,681	—	—
TOTAL EQUITY		<u>598,701</u>	<u>579,195</u>	<u>558,715</u>	<u>549,840</u>

Notes:-

1. The annual results for the year ended 31 December 2012 have been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements as set out below.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these are relevant to the Group's financial statements. 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 dividend and interest income amounting to HK\$7.5 million (2011: HK\$4.0 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 years ended 31 December 2012 and 2011 are set out below:

	Investment holding		Hospitality		Total continuing operations	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	3,379	1,467	127,571	105,372	130,950	106,839
Interest income	<u>2,120</u>	<u>645</u>	<u>2,015</u>	<u>1,852</u>	<u>4,135</u>	<u>2,497</u>
Reportable segment revenue	<u>5,499</u>	<u>2,112</u>	<u>129,586</u>	<u>107,224</u>	<u>135,085</u>	<u>109,336</u>
Reportable segment profit/(loss)	<u>8,906</u>	<u>(39,637)</u>	<u>(8,670)</u>	<u>(2,129)</u>	<u>236</u>	<u>(41,766)</u>
Depreciation and amortisation	(303)	589	8,856	6,028	8,553	6,617
Net realised and unrealised valuation gains/(losses) on trading securities	12,302	(40,605)	384	(735)	12,686	(41,340)
Net realised and unrealised foreign exchange gains	3,598	9,317	—	—	3,598	9,317
Additions to non-current assets	—	—	2,114	17,460	2,114	17,460
Reportable segment assets	464,957	459,496	183,618	169,203	648,575	628,699
Reportable segment liabilities	6,901	7,464	67,695	64,325	74,596	71,789

Reconciliations of reportable segment assets

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Reportable segment assets	648,575	628,699
Deferred tax assets	23,270	21,928
Current tax recoverable	<u>1,452</u>	<u>357</u>
Consolidated total assets	<u><u>673,297</u></u>	<u><u>650,984</u></u>

3. Other net gains/(losses)

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised and unrealised foreign exchange gains	3,598	9,317
Net realised and unrealised valuation gains/(losses) on trading securities	12,686	(41,340)
Gain arising from legal settlement	—	3,879
Loss on disposal of property, plant and equipment	—	(109)
Others	<u>—</u>	<u>(22)</u>
	<u><u>16,284</u></u>	<u><u>(28,275)</u></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. Income tax

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax - Overseas		
Provision for the year	93	187
Over provision in respect of prior years	<u>(1,274)</u>	<u>(7)</u>
	<u>(1,181)</u>	<u>180</u>
Deferred tax		
Origination of temporary differences	(1,618)	(1,071)
Under/(Over) provision in respect of prior years	<u>271</u>	<u>(528)</u>
	<u>(1,347)</u>	<u>(1,599)</u>
Income tax credit from continuing operations	<u><u>(2,528)</u></u>	<u><u>(1,419)</u></u>

The provision for Hong Kong Profits Tax for the year ended 31 December 2012 is calculated at the rate of 16.5% (2011: 16.5%) of the estimated assessable profits for the year. No provision has been made for Hong Kong Profits Tax, as the Group did not earn any income subject to Hong Kong Profits Tax during 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 2012, the Group had not recognised deferred tax assets in respect of tax losses of approximately HK\$4.1 million (31 December 2011: HK\$4.1 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

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. Ltd. on 23 March 2009.

The earnings per share for discontinued operation in the year ended 31 December 2012 is nil (2011: HK 2.35 cents) (Note 9).

7. Profit/(Loss) for the year

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

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	5,145	4,630
Amortisation of intangible assets	3,408	1,987
Dividend and interest income	(7,514)	(3,964)
Gain on disposal of discontinued operation	—	(9,002)
Loss on disposal of property, plant and equipment	—	109
Impairment losses on trade receivables	<u>88</u>	<u>95</u>

8. Dividends

The Directors of the Company have resolved not to propose any final dividend for the year ended 31 December 2012 (2011: nil).

No interim dividend was paid for the year ended 31 December 2012 (2011: nil).

9. Earnings per share

a) *Basic earnings/(losses) per share*

The calculation of basic earnings/(losses) per share is based on profit attributable to ordinary equity shareholders of the Company of HK\$7.1 million (2011: loss of HK\$31.2 million) and on the weighted average number of ordinary shares of 382,449,524 (2011: 382,449,524) in issue during the year.

For the year ended 31 December 2012, earnings per share for continuing and discontinued operations have been calculated using the profit relating to continuing operations of HK\$7.1 million (2011: loss of HK\$40.2 million) and the profit relating to discontinued operations of nil (2011: HK\$9.0 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. Goodwill

	<i>HK\$'000</i>
At 1 January 2011	1,625
Adjustment arising from revision of purchase price allocation	(1,086)
Acquisition of interest in a jointly controlled entity	<u>1,693</u>
At 31 December 2011	2,232
Acquisition of interest in a subsidiary	7,252
Translation differences	<u>(7)</u>
At 31 December 2012	<u><u>9,477</u></u>

On 27 February 2012, the Group successfully acquired Whiteboard Labs, LLC and merged it with the Group's in-house reservations management and electronic distribution arm, Sceptre Hospitality, to create a new subsidiary, Sceptre Hospitality Resources, in which the Group holds a 51% equity interest. Goodwill with a carrying amount of HK\$7.2 million had been recorded (Note 14).

11. Trade and other receivables

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current or less than 1 month overdue	8,336	9,735
1 to 3 months overdue	8,027	4,773
3 to 12 months overdue	<u>971</u>	<u>488</u>
Total trade receivables, less impairment losses	17,334	14,996
Other receivables and deposits	7,719	6,243
Amounts owing by a jointly controlled entity, non-trade	23,255	23,261
Amounts owing by affiliated companies, non-trade	<u>1,481</u>	<u>478</u>
Loans and receivables	49,789	44,978
Prepayments	<u>9,389</u>	<u>8,569</u>
	<u><u>59,178</u></u>	<u><u>53,547</u></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.

All trade and other receivables are expected to be recovered within one year. The amounts owing by affiliated companies are unsecured, interest-free and repayable on demand.

The amount owing by a jointly controlled entity is secured, interest-bearing and repayable on demand.

12. Trade and other payables

The ageing analysis of the trade and other payables is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Due within 1 month or on demand	13,908	21,776
Due 1 to 3 months	8,157	2,861
Due 3 to 12 months	<u>14,834</u>	<u>9,151</u>
	<u><u>36,899</u></u>	<u><u>33,788</u></u>

13. Interest-bearing loans

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Bank loans (secured)		
Current	666	562
Non-current	<u>37,031</u>	<u>37,439</u>
	<u>37,697</u>	<u>38,001</u>

The bank loans are repayable by August 2015 and bear interest fixed at 7.50% p.a. during the tenure of the loans.

14. Acquisition of a new subsidiary, Sceptre Hospitality Resources, LLC

On 27 February 2012, the Group successfully acquired Whiteboard Labs, LLC (“WBL”) and merged it with the Group’s in-house reservations management and electronic distribution arm, Sceptre Hospitality, to create a new subsidiary, Sceptre Hospitality Resources, in which the Group holds a 51% equity interest.

During the year, the capital contribution included the cash contribution from Swan USA Inc. (“SWAN”) of US\$1.3 million (approximately HK\$10.1 million) and substantially all of WBL’s assets.

The effect of the acquisition on the financial statements for the year ended 31 December 2012 is set out below:

	<i>HK\$'000</i>
Property, plant and equipment	1,008
Intangible asset	18,201
Other receivables	465
Trade and other payables	<u>(1,101)</u>
Total identifiable net assets	<u>18,573</u>

Goodwill was recognised as a result of acquisitions as follows:

Consideration paid, satisfied in cash	10,082
Non-controlling interest, that entitle the holders to proportionate share of the acquiree’s net assets on liquidation, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	15,743
Fair value of identifiable net assets	<u>(18,573)</u>
Goodwill	<u>7,252</u>

15. Investment in a new associate, Cosmic Hospitality China Limited

On 11 October 2012, the Group, through Richfield Hospitality China Limited (“RHCL”), a wholly-owned subsidiary of SWAN Holdings Limited, invested in a new associate, Cosmic Hospitality China Limited (“CHCL”). RHCL contributed US\$200,000 (HK\$1,550,000) to obtain a 50% equity interest in CHCL. There is no goodwill arising from this investment as the associate is a newly incorporated entity.

The associate was dormant for the period ended 31 December 2012. The aggregated assets of the associate at 31 December 2012 are approximately HK\$3,100,000 which represents the share subscriptions from the shareholders. The aggregated liabilities, revenues and profit or loss are insignificant to the Group and hence these information are not presented.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group reported an improvement in revenue in financial year 2012 (“FY2012”) to HK\$135.1 million, an increase of HK\$25.8 million or 23.6% from HK\$109.3 million in the previous corresponding year due mainly to higher dividend and interest income and the additional revenue contribution from the acquisitions by the Group’s Hospitality segment. However, the Group’s Hospitality segment reported higher pre-tax loss of HK\$8.7 million in FY2012 as compared with a pre-tax loss of HK\$2.1 million in the previous corresponding year which can be attributed mainly to higher interest expense, depreciation and amortisation as well as the consolidation of operating and acquisition-related expenses of the new subsidiary in FY2012.

For the year ended 31 December 2012, the Group recorded a net realised and unrealised translation exchange gain of HK\$3.6 million mainly from the Sterling Pound denominated trading security and cash deposit. Further, an unrealised valuation gain of HK\$12.7 million was recorded from the Group’s securities holding as at 31 December 2012. Overall, a total net realised and unrealised gains of HK\$16.3 million was recorded for the year under review as compared with a total net realised and unrealised loss of HK\$32.0 million reported in the previous corresponding year. In addition, higher dividend and interest income amounting to HK\$7.5 million were recorded in FY2012, up by HK\$3.5 million, as compared with HK\$4.0 million in the previous corresponding year.

Consequently, the Group recorded a net profit attributable to the equity shareholders of the Company of HK\$7.1 million as compared with a net loss attributable to the equity shareholders of the Company of HK\$31.2 million in the previous corresponding year due mainly to the unrealised valuation gains from the Group’s securities holding as at 31 December 2012.

On 27 February 2012, the Group successfully completed the acquisition of Whiteboard Labs, LLC (WBL) and merged it with the Group's in-house reservations management and electronic distribution arm, Sceptre Hospitality, to create a new subsidiary named Sceptre Hospitality Resources (SHR), in which the Group holds a 51% equity interest. SHR contributed additional revenue of HK\$29.1 million to the Group's revenue for the year under review. However, an operating loss of HK\$7.6 million was recorded due mainly to an amount of HK\$2.7 million and HK\$2.4 million for acquisition-related expense and depreciation and amortisation charges which were incurred respectively during the year. WBL provides the Group with various important components of hotel reservation technology, including a proprietary, technologically-advanced Central Reservations System (CRS) platform that is currently used by over 5,000 hotels. This CRS platform will become an integral component of the Group's Hospitality segment and paves the way for additional sources of income and growth opportunities.

The Group's jointly-controlled entities (JCE) which own the two hotels in the U.S. contributed a total revenue of HK\$63.6 million to the Group's revenue, an increase of HK\$9.4 million or 17.3%, from HK\$54.2 million in the previous corresponding year due to the full year proportionate consolidation in FY2012 as compared with the partial proportionate consolidation since the acquisition of the Sheraton Chapel Hill Hotel by the JCE was only completed on 22 March 2011. The proportionate pre-tax profit from these 2 hotels amounted to HK\$1.6 million as compared with a proportionate total pre-tax losses of HK\$4.6 million in the previous corresponding year due partly to the write off of the acquisition-related expense.

Basic earnings per share for the year under review was HK1.85 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 decreased to HK\$1.37 as at 31 December 2012, down from HK\$1.41 as at 31 December 2011. The Board is not proposing a final dividend for the year under review.

PROSPECTS

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 look out for investments that meet its criteria.

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 2012.

CORPORATE GOVERNANCE

In the opinion of the Directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (“CG Code”) 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 twelve months ended 31 December 2012.

Under the revised code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 20 April 2012 (“2012 AGM”), our Chairman was unable to attend the 2012 AGM as he had to attend to other commitments. He appointed Mr. Gan Khai Choon to chair the 2012 AGM on his behalf. Further Mr. Chan Bernard Charnwut, a non-executive director and member of Audit Committee and Nomination Committee, was invited to attend the 2012 AGM to answer any question from the shareholders concerning the Company’s corporate governance. As provided for in the revised code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The 3 independent non-executive directors were unable to attend the 2012 AGM.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

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 period under review.

CHANGES IN DIRECTORS' INFORMATION

Mr. Kwek Leng Joo was appointed President of Singapore Compact for Corporate Social Responsibility on 28 May 2012.

Mr. Chan Bernard Charnwut was appointed a member of the Executive Council of Hong Kong SAR in 2012.

Dr. Lo Ka Shui was appointed a member of The Exchange Fund Advisory Committee of the Hong Kong Monetary Authority on 1 February 2012.

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 twelve months ended 31 December 2012.

STATUTORY INFORMATION

The Annual General Meeting of the Company will be held on 19 April 2013.

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 principal 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 17 April 2013, as the register of members of the Company will be closed from 17-19 April 2013, both dates inclusive.

By Order of the Board
Kwek Leng Beng
Chairman

Hong Kong, 25 February 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.