



It gives me great pleasure to present the annual report for City e-Solutions Ltd (ces) for the financial year ended 31 December, 2000.

Following a restructuring completed during the last financial year, 'ces' is now dedicated to being a global solutions provider for the hospitality industry. The restructuring, which was overwhelmingly endorsed by shareholders on 9 August, 2000, became effective on 7 October, 2000. It involved the transfer of the entire shareholding of Millennium and Copthorne Hotels plc (M&C) to its parent, City Developments Ltd (CDL); the allotment of bonus shares to shareholders; a capital reduction; and redistributing the cash received from this capital reduction to shareholders at HK95 cents per share.

“Like the proverbial phoenix rising from the ashes, a new company has emerged, one that embraces a bold new vision without completely shedding its past.”

CDL Hotels International Ltd is now known as 'ces'. Like the proverbial phoenix rising from the ashes, a new company has emerged, one that embraces a bold new vision without completely shedding its past. And what is this vision?

# Chairman's Message

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'ces' has already begun implementing a workable and practical strategy to provide business solutions for the hospitality industry. It is an industry the group understands well, and one which is facing major changes and opening up dramatic new opportunities that few other corporations in the world are as well poised to seize. As major hotel chains grow larger, small and medium-sized hotels are facing a technology gap which 'ces' intends to fill in as an integrated solutions provider. With the financial resources made available following the restructuring, 'ces' is gearing itself to be a major global player in this field.

I wish to stress at the onset that 'ces' will prudently apply its resources to offer both online and off-line solutions that are focused and have defined paths to profitability. The promise of our strategy lies in a merger of the old and new economies, with technologies as enablers to enhance profitability and efficiency. The pot of gold is to be found in grafting new technologies to old world financial discipline and business practices. Our strategy will be guided by the same business acumen and financial prudence that steered the Hong Leong Group in the past few decades. We will not rush to jump on to the Internet bandwagon.

To embrace this new vision, we have brought in a dynamic new management team with diverse experience in the hospitality industry and a firm grasp of how to blend the old and new economies. The team's mandate is to carve a niche in the global marketplace with initial focus on the United States. Given the vast U.S. lodging market that comprises over 37,000 hotels and the homogeneous nature of the market, this is the logical first step for 'ces'. Moreover, the United States is a fertile ground for us to source for new technologies to augment our product offering.

Spearheading this strategy is SWAN Holdings Limited (SWAN), which 'ces' and M&C have invested US\$28 million for an 85% equity stake and US\$5 million for a 15% equity stake, respectively. SWAN Inc., a wholly owned subsidiary of SWAN, was incorporated in the United States to acquire some of the operating businesses previously owned by M&C as approved in the Group's restructuring plan.





SWAN Inc., headquartered in Denver, Colorado, manages the existing business units including the Sceptre reservation system, the third-party hotels management business under Richfield Hospitality Services, and the e-Procurement business in alliance with Purchase Pro, a leading hospitality e-procurement engine in the United States. The Sceptre reservation system currently has over 102 hotel customers and Richfield Hospitality Services manages over 21 hotels in the United States. This corporate restructuring exercise allows us to leverage on the past experiences and best practices, as well as contacts, made in the hospitality industry through M&C. It is an advantage we will be exploiting as we chart our new destiny in the global hospitality industry.

#### **Financial Commentary**

Following the group restructuring, disposal of the Group's hotel and property interests and the change in principal activities of the Group during the year, comparison between Financial Year 2000's results to those of the previous year will not be meaningful.

The Company ended Financial Year 2000 with a cash balance of HK\$561 million. The major portion of the revenue is comprised of interest income on its cash holdings throughout the year including the HK\$6,100 million cash proceeds which it invested for a period of approximately two months. Included under other net (expenses)/income, HK\$37 million is principally attributed to exchange loss from foreign currency bank deposits.

Since the transfer of the assets and some of the operating businesses from Richfield Hospitality Services Inc. (a subsidiary of M&C) only took effect on 29 December, 2000, the Group recognised approximately HK\$94,000 as revenue generated by SWAN for this year.

With respect to the disposal of the Group's 52.4% in M&C for a consideration of HK\$6,100 million, a gain of HK\$3 million was recorded for the year under review after taking into consideration transaction-related expenses.

### **Dividends**

The Directors have proposed a first and final dividend for the year ended 31 December, 2000 of HK2 cents per share (1999: HK6 cents) to be satisfied by an allotment of new shares credited as fully paid by way of scrip dividend with a cash alternative. No interim dividend was paid for the year ended 31 December, 2000 (1999: HK4 cents and special cash dividend of HK20 cents).

### **Prospects and Management**

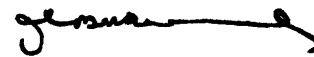
With the completion of the Group's reorganisation exercise, the Group will be laying the foundation this year for aggressive growth in 2002 and beyond, capturing the tremendous business opportunities that are available in the provision of solutions for the hospitality industry. Whilst costs relating to product development and sales acquisitions are unavoidable, they will be put in the context of achieving profitability as soon as possible. We will seek to attain the right balance between the growth in revenue and costs, ensuring at all times a prudent management of expenses.

With the addition of Scott Anderson to the senior management team, a well-known and well-respected hospitality industry figure in the United States, to head up SWAN's operation, we remain confident of the growth prospects and profitability for the hospitality e-business transformation. Prior to joining SWAN, Scott Anderson served as Executive Vice President, Internet, Travel Division and Executive Vice President, Sales and Marketing of the Cendant Group of the United States, where he directed the group's convergence strategy for merging its off-line and online businesses. He was the driving force behind the installation of property management systems, Intranet connections and direct marketing tools in about 6,300 Cendant hotels.

Once all its product platforms are in place, SWAN will grow its market share aggressively in the second half of 2001 to become a pre-eminent hospitality solutions provider in the United States. Ironically, the economic slowdown in the United States will create more interest in our solutions as hotels seek to maintain or increase profitability in a more difficult business environment.

Once we have firmly entrenched our operations in the United States, we will continue to strive and move forward to more ambitious geographical expansion to fulfil our vision of being a global hospitality service provider. The Group will continue to leverage on its management expertise while combining new skills and talents in ensuring the future growth of the Group in order to maximise value for our shareholders.

On behalf of the Board of Directors, I would like to thank our shareholders for their continuing support during this significant transformation of the Company. I would like to express my appreciation to our management and staff for their commitment and hard work throughout the year and I am sure they are ready and eager to share the joy of accomplishments in leading this Company into the new era as a premier global market player.



**Kwek Leng Beng**

Chairman

20 March, 2001

