

**Directors' Interests** (cont'd)

- \* The options were offered on 15 September, 1997 and the market value on offer date was HK\$2.80 per share.
- \*\* The options were offered on 15 January, 2000 and the market value at 14 January, 2000, which was the last trading day immediately before the offer date, was HK\$2.50 per share.
- \*\*\* The share options were exercised at an adjusted price of HK\$1.00 each on 10 August, 2000 pursuant to certain conditions under the 1997 Scheme. The market value of the Company's shares at the date of exercise was HK\$3.40 per share.
- # All unexercised options as at 10 August, 2000 were waived by the option holders to facilitate the capital restructuring exercise.

(d) Pursuant to the Millennium & Copthome Hotels plc Executive Share Option Scheme (M&C Executive Share Option Scheme) operated by M&C, a Director has outstanding options thereunder (M&C Options) to subscribe for M&C shares for cash as follows:

Name of Director	Part*	Date Granted	Number of M&C Options Outstanding	Exercise Price Per M&C Share	Exercise Period
Vincent Yeo Wee Eng	A	5/3/1998	6,509	£4.6087	5/3/2001 to 4/3/2008
	B	5/3/1998	15,186	£4.6087	5/3/2001 to 4/3/2005
	B	5/3/1999	20,693	£4.8321	5/3/2002 to 4/3/2006

(e) Save as disclosed herein, as at 31 December, 2000, none of the Directors or their associates had any beneficial or non-beneficial interest in the securities of the Company or any of its associated corporations which require notification pursuant to Section 28 of the SDI Ordinance (including any interests which any such Director is deemed or taken to have under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which have been entered in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance.

**\*Note:**

M&C Executive Share Option Scheme has two parts. Part A is designed for the approval by the UK Inland Revenue, which approval was obtained under Schedule 9 of the Income and Corporation Taxes Act 1988 on 12 April, 1996. Part B is an unapproved executive share option scheme designed for UK and non-UK executives.

**Substantial Shareholders**

As at 31 December, 2000, the information recorded in the register maintained by the Company under Section 16 of the SDI Ordinance for the purpose of Sections 3 to 7 of that Ordinance was as follows:

Name of Shareholder	Number of Shares Held		Percentage Holding in the Company
eMpire Investments Limited	190,523,819	(1)	49.73%
City Developments Limited	200,854,743	(2)	52.43%
Hong Leong Investment Holdings Pte. Ltd.	231,119,512	(3)	60.33%
Kwek Holdings Pte. Ltd.	231,119,512	(4)	60.33%

Save as aforesaid, so far as the Directors are aware, there were no other persons who, directly or indirectly, were beneficially interested in 10 per cent or more of the issued share capital of the Company as at 31 December, 2000.

**Directors' Interests in Contracts**

No contracts of significance to which the Company or any of its subsidiaries, fellow subsidiaries or holding companies were a party subsisted at the end of or at any time during the year in which any Director of the Company had a material interest.

**Arrangements to Acquire Shares**

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, fellow subsidiaries or holding companies a party to any arrangements to enable any Director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

**Notes:**

1. On 23 October, 2000, a total of 190,523,819 shares in the Company were transferred from City Developments Limited (CDL) to eMpire Investments Limited, a wholly-owned subsidiary of CDL.
2. As at 31 December, 2000, 200,854,743 shares were beneficially owned by wholly-owned subsidiaries of CDL representing approximately 52.43% of the issued share capital of the Company. Shares indicated in (1) are included in the aggregate number of shares disclosed.
3. The interest of CDL as at 31 December, 2000 in 200,854,743 shares representing approximately 52.43% of the issued share capital of the Company, is included in the aggregate number of shares disclosed.
4. The interest of Hong Leong Investment Holdings Pte. Ltd. as at 31 December, 2000 in 231,119,512 shares, representing approximately 60.33% of the issued share capital of the Company, is included in the aggregate number of shares disclosed.



### **Controlling Shareholders' Interest**

Save as disclosed herein, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

### **Connected Transactions**

#### *Transfer of Assets and Group Restructuring*

On 23 June, 2000, the Company entered into a conditional Transfer Agreement (Transfer) with City Development Limited (CDL) pursuant to which the Company has agreed to transfer to CDL (or its wholly-owned subsidiary or subsidiaries) 147,785,025 shares of Millennium & Copthorne Hotels plc (M&C) (representing approximately 52.4% of the issued share capital of M&C) for a total consideration of HK\$6,100 million, representing approximately £3.534 per M&C share (approximately HK\$41.28). CDL is the controlling shareholder of the Company. In addition, the Company has entered into the Contribution Agreement with M&C on the same day in which the Company will incorporate and co-invest in SWAN Holdings Limited, of which the Company and M&C holds 85% and 15% in equity respectively to develop internet based hospitality business. Details of the transactions were set out in the circular to shareholders dated 17 July, 2000.

Both agreements were approved by the Independent Shareholders (shareholders other than CDL Group, Hong Leong Investment Holdings Pte. Ltd. Group and their respective associates) at the Extraordinary General Meeting held on 9 August, 2000.

Upon completion of the Transfer on 14 August, 2000, the Company ceased to be a shareholder of M&C and CDL increased its effective interest in M&C from 28.4% to 52.4%.

#### *Hospitality Related Transactions*

Hospitality Related Transactions refer to the services provided by the Group to hotels owned by the M&C Group, which include hotel reservation services and hospitality related risk management services. The Independent Shareholders have approved the Hospitality Related Transactions at the Extraordinary General Meeting held on 9 August, 2000. Details of the transactions were set out in the circular to shareholders dated 17 July, 2000.

Since the transfer of the assets from Richfield Hospitality Services, Inc. only took effect on 29 December, 2000, the Group did not recognise any revenue generated from Hospitality Related Transactions for this year.

#### *Accounting Services*

Accounting Services, which include period-end consolidations, are provided by Richfield Hospitality Services, Inc. to the M&C Group. Details of the transactions were set out in the circular to shareholders dated 17 July, 2000.

Since the transfer of the assets from Richfield Hospitality Services, Inc. only took effect on 29 December, 2000, the Group did not recognise any revenue generated from the provision of Accounting Services for this year.

#### *Leasing of Office Spaces*

The Company has entered into a Tenancy Agreement on 30 August, 2000 with an indirect subsidiary of Hong Leong Investment Holdings Pte. Ltd., which is a substantial shareholder of the Company by virtue of its indirect substantial shareholding in the Company through CDL. Details of the transaction were set out in a press announcement dated 30 August, 2000. A total rental of HK\$256,612 was paid under this agreement during the year under review.

**Connected Transactions** (cont'd)

*Other Related Parties Transactions*

Other related parties transactions are set out in note 29 to the accounts.

**Service Contracts of Directors**

None of the Directors has a service contract with the Company or its subsidiaries.

**Pre-emptive Rights**

Under present Cayman Islands laws and the Articles of Association of the Company, no pre-emptive rights are imposed which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

**Purchase, Sale or Redemption of Listed Securities**

During the year, the Company repurchased 468,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$1,058,050, all of which shares were subsequently cancelled and accordingly, the issued capital of the Company was reduced by the nominal value of those shares. Details of the repurchases are as follows:

Month of the Repurchases	Total Number of Ordinary Shares Repurchased	Highest Price Paid Per Share HK\$	Lowest Price Paid Per Share HK\$	Aggregate Consideration HK\$
March 2000	206,000	2.25	2.20	458,950
March 2000	262,000	2.325	2.225	599,100
	468,000			1,058,050

Apart from the above and except for the Group reorganisation described above which involved a listed subsidiary neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

**Compliance with the Code of Best Practice**

The Company has complied throughout the year ended 31 December, 2000 with the Code of Best Practice set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules. The independent non-executive Directors have not been appointed for a specific term but are subject to retirement by rotation.



## **Significant Events During the Year**

### *August 2000*

The Company embarked on a corporate restructuring exercise after obtaining approval from its shareholders on 9 August, 2000.

The Company changed its name to City e-Solutions Limited to reflect its new business strategy to develop the hospitality internet business and other e-commerce business initiatives in other industries.

### *December 2000*

Following the corporate restructuring exercise, the Company invested approximately US\$28.3 million for an 85% stake in SWAN Holdings Limited with the balance 15% being held by a wholly-owned subsidiary of Millennium & Copthorne Hotels plc (M&C), the London-listed hotel arm of the Hong Leong Group for a cash consideration of US\$5.0 million.

Subsequently, SWAN Holdings Limited invested US\$10 million in SWAN Inc., a wholly-owned and US incorporated subsidiary of the Company. Following the fund injection, SWAN Inc. paid US\$5 million to Richfield Hospitality Services, Inc., a wholly-owned subsidiary of M&C, to acquire the Sceptre hotel reservation system, hospitality related risk management business and the hotel management contracts as stipulated in the circular to shareholders dated 17 July, 2000.

## **Auditors**

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

## **Kwek Leng Beng**

Chairman

Hong Kong, 20 March, 2001