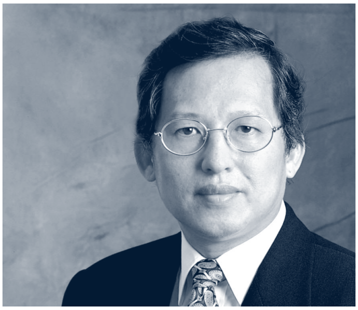

FOREWORD BY CHAIRMAN

THE ADOPTION OF A PRUDENT AND CAUTIOUS STANCE TOWARDS NEW INVESTMENTS DURING THE YEAR HAS PUT THE GROUP IN A GOOD POSITION AS IT STILL HAS SUBSTANTIAL CASH RESOURCES AVAILABLE TO CAPITALISE ON FUTURE INVESTMENT OPPORTUNITIES.

On behalf of the Board of Directors, I am pleased to present the Group's results for the financial year ended 31 December 2001 ("FY 2001").

The year 2001 was extremely challenging for the global hospitality industry and City e-Solutions Limited ("ces"). It was a year when the slowdown in the US economy and the tragic events which followed the terrorist attacks on September 11 ("9/11") significantly affected the operations of the Group, which has most of its activities in the United States.

As the Group's revenues are allied to business volume and revenue stream of our customers, the operating margins of management contracts have consequently witnessed compression while the room reservations traffic has fallen. At the same time, materialisation of new contracts proved more difficult.

Accordingly, after an assessment of the impact of 9/11 on our operations, we conducted a significant restructuring starting in the fourth quarter to re-align our business to market conditions. We have scaled back our business development plans and will focus more of our efforts on hotel management (Richfield) and reservations distribution (Sceptre).

In the year under review, the Group recorded a turnover of HK$98.2 million comprising mainly interest income of HK$22.9 million and the first full year revenue contribution of HK$74.7 million from SWAN Holdings Limited's ("SWAN's") business units which commenced operations on 29 December 2000.

SWAN Group, an 85% owned subsidiary, reported a loss of HK$24.7 million for the year 2001 due to losses incurred by its hospitality solutions business. Included under Other Net Expenses, HK$12.8 million was principally attributed to unrealised exchange loss from foreign currency bank deposits denominated in Sterling Pound which were received in the year 1999 from the disposal of its interest in subsidiaries and dividends. Also, an amount of HK$4.5 million was provided for diminution in value of the Group's minor investments such that these investments were stated at fair values as at the financial year end.

Consequently, for the year under review, the Group reported a loss of HK$35.7 million attributable to its shareholders. Basic loss per share was HK9.31 cents calculated on 383,125,524 ordinary shares in issue during the year. Group's Net Tangible Asset backing per share declined to HK$1.40 from HK$1.51 a year earlier.

PROSPECTS

Following a business review completed in early 2002, the Group has taken prudent steps to scale back its business development plans and reduce its cost structure to align itself to current market conditions. A one-off restructuring charge estimated to be up to HK$17.2 million (US$2.2 million) will be incurred in the first-half of the year.

The adoption of a prudent and cautious stance towards new investments during the year has put the Group in a good position as it still has substantial cash resources available to capitalise on future investment opportunities.

On behalf of the Board of Directors, I would like to thank our customers, business partners, shareholders, management and staff for their continuing support during the year. In particular I wish to express my sincere appreciation to the management and staff for their understanding and support of the tough decisions we had to make during a very challenging year.

Kwek Leng Beng
Chairman

20 March 2002