

CONTENTS

Financial Highlights.01
Foreword by Chairman.02
Corporate Information.04

1.

Products and Services
Company History and Services
Corporate Hospital and Community
Social Responsibility
Source

2.

Financial Review.09
Group Performance
Financial Position
Cash Flow and Borrowings
Treasury Activities
Employees
Financial Summary.13

3.

Audited Accounts.15
Directors' Report
Auditors' Report
Consolidated Profit and Loss Account
Balance Sheets
Consolidated Statement of
Changes in Equity
Consolidated Cash Flow
Notes on the Financial

FINANCIAL REVIEW

GROUP PERFORMANCE

City e-Solutions Limited Group recorded a net profit attributable to its shareholders of HK\$33.1 million, an increase of 61.6%, as compared to a net profit of HK\$20.5 million in the previous year. The improvement in the Group's result was due mainly to dividend income and lower expenses which included allowance for doubtful receivables of HK\$2.2 million as well as the absence of a one-off restructuring charge of HK\$13.5 million incurred in the previous year. Consequently, administrative expenses amounted to HK\$49.1 million, down 30.7% from HK\$70.9 million in the previous year.

The Group's turnover increased by 9.1% to HK\$84.9 million from HK\$77.8 million due to higher investment income. Dividend income from its investment in equity securities had more than offset the lower interest income received during the year. The Group's hospitality related activities comprising hotel management and reservation distribution reported higher revenues from new contracts secured during the year. However, as a result of the rationalization of its risk management services and the cessation in provision of accounting services, the overall revenue contribution from its hospitality related activities was lower by 6.1% as compared to the previous year.

The Group reported lower other net income of HK\$18.0 million, down 40.5% from HK\$30.2 million in the previous year. Other net income comprises principally an amount of HK\$14.6 million to restate the Group's investment at fair value as at 31 December 2003. In the previous year, translation exchange gain of HK\$29.2 million was recognized on the Sterling Pound deposits previously held by the Group which had been converted to the United States dollar during the year under review.

The analysis of the Group's Revenue and Profit/(Loss) from Operations by business and geographical segments are as set out in note (6) to the financial statements.

FINANCIAL POSITION

As at 31 December 2003, the Group's gross assets stood at HK\$629.5 million, up from HK\$609.6 million as at the end of the last financial year ended 31 December 2002.

The Group reports its results in Hong Kong dollars and it is the objective of the Group to preserve its value in terms of Hong Kong dollars.

CASH FLOW AND BORROWINGS

For the year under review, net cash inflow from operating activities amounted to HK\$1.4 million. The Group received interest and dividend income of HK\$7.5 million and HK\$1.6 million respectively. To increase returns from capital, an amount of HK\$24.8 million was invested in a quoted equity security. The main non-operational cash outflow related to purchase of fixed assets of HK\$1.9 million. Also, HK\$7.7 million was paid to shareholders as dividends during the year.

The Group's cash and cash equivalents accordingly decreased by HK\$23.8 million in the financial year 2003. This decrease was compounded by the unfavourable exchange translation loss of HK\$2.4 million which resulted in a cash balance of HK\$527.2 million as at the end of the financial year, down from HK\$553.4 million as at the last financial year-end. Cash and cash equivalents are mainly held in United States dollars as at the financial year-end.

The Group has no borrowings for the year under review.

The Group's hospitality related activities comprising hotel management and reservation distribution reported higher revenues from new contracts secured during the year.

FINANCIAL REVIEW

TREASURY ACTIVITIES

The Group's major foreign currency exposure has been reduced significantly. The Sterling Pound deposits previously held by the Group had been converted to the United States dollar. With respect to the United States dollar deposits, as long as the Hong Kong dollar trades within the existing United States dollar peg arrangement, currency risk will be minimal.

EMPLOYEES

As at 31 December 2003, the Group had 42 employees, same as at the end of the last financial year ended 31 December 2002. The total payroll costs for the year 2003 was HK\$28.9 million.