

CHAIRMAN'S STATEMENT

I am pleased to report the activities of the Group for the year ended 31 December 2000.

REVIEW

The Group achieved and reported significant increase in turnover of HK\$720.0 million in the year 2000. The Group successfully recaptured its market share in the travel industry during last year and is one of the leading operators in Hong Kong.

The loss from operations for the year was HK\$17.8 million which represents 28.5% reduction compared to HK\$24.9 million for the nine months period ended 31 December 1999. The Group managed to mitigate its operating loss through stringent control of overheads. Loss-making retail branches and tours business were closed down, channeling resources to more profitable retail outlets. Much effort was directed to improve better profit margin products like expansion into corporate clientele and development in ticketing sales of the PRC routes.

The net loss for the year was approximately HK\$39.0 million. The fierce competition in the travel industry and a change in the incentive scheme of one of the major airline companies affected our profit margin, and also the high financial costs contributed mainly to the loss last year. The Group is still continuing to restructure the bank borrowings to further reduce financial costs.

LIQUIDITY AND FINANCIAL RESOURCES

In mid-July, the Group raised approximately HK\$56 million from its Open Offer of Shares for broadening the capital base of the Company, reducing its liabilities and for general working capital purposes.

At the end of the year, the Group had bank borrowings of approximately HK\$115.8 million, representing 27% reduction against the amount of HK\$158.5 million at the previous period end. Further part of the short-term rollover loans was substituted by long-term installment loans to achieve better competitive bank interest rates. The Group's long term bank borrowings amounted to HK\$78.7 million, shareholders' fund amounted to HK\$20.3 million, and resulted in gearing ratio of 3.88.

Most of the investment properties continued to generate stable rental income. Certain low-yield investment properties may be disposed to reduce bank borrowings and to further improve the cash flow position of the Group.

Details of the Group's contingent liabilities as at 31 December 2000 are set out in note 23 to the financial statements.

STAFF

The total number of employees of the Group as at 31 December 2000 was approximately 100. Remuneration packages including basic salaries, bonus and other kinds of staff benefits are normally reviewed by performance appraisal scheme in line with policies of the Group.



CHAIRMAN'S STATEMENT *(continued)*

OUTLOOK

With our continuing efforts in expanding market share and efficient cost control measures, the current operations are expected to be profitable before finance costs. The Group will continue its efforts on expanding the scope, variety and quality of travel products and services offered to our customers.

Several recent reductions and the overall market sentiment for further cuts in interest rates will have positive effect on the Group's financial costs. Some of the Group's investment properties may be disposed of to reduce bank borrowings and to further improve the cash flow position.

The Group will continue to seek suitable strategic alliances with leading business partners and service providers. We expect our business will further improve its performance in the year 2001.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

By Order of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
24th April 2001

