

RESEARCH AND DEVELOPMENT

In the first half of 2001, the Company continued to develop and improve its new-generation ETD products in an effort to provide participants of the air travel and tourism industries with information technology solutions and services which can improve their value chains. During the period, the Company completed the development of its Market Information Data Tape (MIDT) product. In addition, the Company also completed the development of the Ticket Control Number data service which conforms to the APTCO settlement standard. The Ticket Control Number data service enables airlines to get timely access to accurate passenger information at the point of ticket sales and at the time of boarding. Moreover, when the BSP ticket management system, which was developed by the Company, is connected to the system of the International Air Transport Association (IATA), the BSP ticket management department will be able to supervise, on a timely basis, the use of BSP tickets by travel agencies. Furthermore, the Company completed the development of its Agency Intelligent Terminal system which enables travel agencies to provide air travel customers with better business travel services. The Group will promote the aforesaid new products and services progressively, and it is anticipated that these new products and services will better satisfy the increasing needs of participants of the Chinese air travel and tourism industries to enhance operational efficiency through the adoption of information technology solutions and services. In addition, the Company is currently working with domestic commercial banks in joint efforts to develop for air travel consumers a complete set of electronic services ranging from tickets reservation and settlement to boarding, and to provide air travel suppliers with electronic sale and settlement solutions.

By applying the advanced OPEN/ENV technology, the Company has improved the data exchange mechanism between the ICS system and the CRS system, enhanced the processing abilities of the two systems and strengthened the processing abilities of the host systems in catering for open platform access. The Company also purchased for its ETD system a mainframe computer which will be in use in the second half of 2001, and which is anticipated to significantly improve the processing ability, functions and efficiency of the ETD system.