

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2001 (2000: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Restructuring of the Group

On 2 August 2001, the Company entered into the Restructuring Agreements with a new investor, Sourcebase, and with the trustee for the convertible bondholders of the Company. The proposals under the Restructuring Agreements were for debt restructuring involving creditors' schemes of arrangements, subscription of new shares and warrants, whitewash waiver and creeper authorisation and the details are set out in the circular dated 22 October 2001. After the Restructuring Agreements were approved by the independent shareholders at a special general meeting held by the Company on 13 November 2001 and subsequently completed on 10 December 2001, the winding-up petition was withdrawn and the Provisional Liquidators were released and discharged on 10 December 2001.

Business Review

As a result of Asian financial crisis, there was a significant decrease in the Group's trading volume, resulting in its financial difficulty. Since 20 April 2000, the Group has undergone two financial restructurings. The second restructuring was successfully completed on 10 December 2001.

Concurrently with the completion of the restructuring, the new investor, Sourcebase, subscribed for 5,500,000,000 shares at nominal value of HK\$0.01 each from the Company with cash in the aggregate amount of HK\$55,000,000, for the settlement of creditors' indebtedness and substantially improving the Group's financial position by providing sufficient working capital for the Group to carry on its business following the completion of the restructuring, which is conducive to its future business expansion and development. After the completion of the restructuring, the Group's net assets was HK\$1,627,000 as at 31 December 2001 (30 June 2001: net liabilities of HK\$182,968,000).

For the six months ended 31 December 2001, the Group's turnover and net profit for the period were HK\$17,630,000 (2000: HK\$2,912,000) and HK\$129,595,000 (2000: loss of HK\$60,456,000) respectively. The revenues were mainly derived from the trading business as well as the provision of on-line booking of air tickets and hotel accommodations; the net profit mainly comprised the gain of HK\$138,897,000 arising from the waiver of creditors' indebtedness.

Prospects

Following the Group Restructuring, the Group had employed a number of experienced management professionals, to provide valuable and professional advice in establishing the Group's future development direction. The new management will re-position the Group's business scope and geographical distribution and also adopt a proactive and pragmatic approach in the challenging but optimistic future.

In view of the Hong Kong government's initiatives in attracting tourists to Hong Kong through developing new scenic spots and implementing a series of measures, the Group expects the growth in overseas visitors will benefit the business segment of providing on-line booking of air tickets and hotel accommodations.

With the strong and sustained economic growth in the People's Republic of China (the "PRC"), coupled with its successful accession to the World Trade Organisation and being the organizer of the 2008 Olympic Games, both the PRC and Hong Kong will benefit from the ensuing enormous business opportunities in respect of their long-term development. Looking ahead, the Group will strengthen its present business and also explore new investment and business opportunities in the PRC and Hong Kong in order to create value for the shareholders.

Liquidity and Financial Resources

The Group's cash on hand and deposits held in banks as at 31 December 2001 totaled approximately HK\$1,033,000.

As at 31 December 2001, the total assets of the Group were HK\$2,005,000 (30 June 2001: HK\$29,877,000), representing a decrease of 93.29% as compared with that as at 30 June 2001. As at 31 December 2001, there was no outstanding borrowings (30 June 2001: HK\$203,003,000) of the Group and the net current assets of the Group were HK\$1,627,000 (30 June 2001: net current liabilities of HK\$182,968,000), representing an increase of 100.89%, and the current ratio was 5.3 (current assets/current liabilities).

The management consider that there are sufficient financial resources for future development plans. The management believe that the Group will be able to acquire financing on favourable terms should there be any need for additional funding for other business opportunities in the future.

Capital Commitments and Contingent Liabilities

As at 31 December 2001, the Group has no material capital commitments and contingent liabilities.

Employment and Remuneration Policy

As at 31 December 2001, the Group had a total of 14 employees in Hong Kong. Staff costs for the period amounted to HK\$810,000. In order to maintain competitiveness, the salary and bonus of the staff are based on their individual performance. Apart from setting up a retirement benefits scheme for its staff, the Group has also provided them with various training and development programs.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2001, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

| Name of director | Personal interest | Corporate interest |
|-------------------------|--------------------------|---------------------------|
| Mr. Zhang Yang | – | 3,500,000,000 (Note 1) |