

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to report the activities of the Group for the year 2001.

BUSINESS REVIEW

The Group has made further advancements in the information and technology ("IT") related businesses in the Mainland China, amidst slowdown in worldwide IT investment activities and tough economic environment in the year 2001.

The Group recorded turnover of HK\$112.6 million, gross profit of HK\$24 million and net loss of HK\$102.8 million for the year ended 31 December 2001. Turnover attributable from IT and related businesses increased from 94% to 97% of the total turnover and resulted overall growth in total turnover by 77% over last year. The overall net loss of the Group was mainly accounted for the high finance cost and provision for property projects and revaluation deficit.

IT and related businesses

The products and services of our IT businesses are well received by the market though most of them are at their early years of commencing operation. The aggregate net loss of IT businesses for the year was HK\$6.2 million.

Development and investment properties

A full marketing scheme has been launching since July 2001 after the property development project, "The Centrium", a Grade A commercial/office building at Arbuthnot Road/ Wyndham Street in Central district obtained the official occupation permit on 29 June 2001. At present, approximately all of the ground floor shops and around 25% of the total office areas have been leased out.

Rental income from other investment properties went up slightly in the current year due to a higher occupancy rate.

As a result of the declining property market, the Group has made HK\$28.5 million provisions on investment in property projects and HK\$3.4 million deficit on property revaluation.

Travel and related services

During the year, the Group disposed all of its equity interest in Fourseas.com Limited ("Fourseas"). However, the Group still maintained its participation in the travel and related businesses by acquiring 49% equity interest in Fourseas' travel business subsidiaries.

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LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2001, the Group had cash and bank balances of HK\$17.3 million. The Group's gearing ratio is approximately 4.6 based on the total long-term liabilities of HK\$379.5 million over the aggregate of shareholders' equity HK\$26.5 million and minority interests of HK\$56.1 million. The Group's operations continue to be financed by both bank borrowings and lending from holding companies at arm's length basis.

On 28 February 2002, the shareholders of the Company approved a capital reorganization proposal in which the par value of the share capital of the Company would be reduced from HK\$0.10 to HK\$0.01. The capital reduction would be subject to the confirmation of the Court in the Cayman Islands and would not have any material adverse impact on the financial position of the Group nor would it have any impact on the rights of the Shareholders and creditors of the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2001, the Group had no exposure to fluctuation in exchange rates and any related hedges.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In September 2001, Fourseas completed its financial restructuring proposal. The Group acquired its entire property portfolio together with the related mortgages and 49% of its travel related businesses for a consideration of HK\$15 million. The Group received HK\$70 million as repayment from Fourseas in its financial restructuring. The cash receipt was used to reduce the Group's indebtedness to its holding companies.

Apart from the aforesaid transaction, there has been no material acquisition and disposal of subsidiaries and associated companies by the Group in 2001.

CHARGES ON GROUP ASSETS

The Group's assets of net book values of approximately HK\$150.9 million was pledged as collateral for the Group's banking facilities.

STAFF

Total number of staff as at 31 December 2001 was approximately 400.

The Group considers its staff as its most valuable asset. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidised training programmes are offered to all staff members of the Group. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. Individual staff may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.

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OUTLOOK

IT and related businesses

We believe that we have a fine and dedicated team of employees, advanced technologies, and the resources to meet the challenges and tackle the difficulties. Thus, we feel that we are fully prepared to focus on our mission of providing leading-edge, best-of-class, highest quality services to our customers in both Hongkong and China.

Development and investment properties

Given the present stagnant property market, the leasing progress of the Grade A commercial/office building at Central, The Centrium is presently slow. The situation is anticipated to stay until the local property market and the overall economic environment improve.

Some of the existing investment properties with poor occupancy are being or will be renovated to improve leasing income.

The Group is currently considering disposing some or the entire existing property portfolio to reduce its heavy indebtedness to banks and the holding company.

Travel and related services

China's accession to the WTO and the successful hosting of Olympic Games in the years to come, we believe that the Greater China is now experiencing a continuous growth in the travel industry. The increase in leisure and business trips between China, Hong Kong, Macau and Taiwan, a corresponding growth in China related travel business is therefore expected. More marketing and support staff is employed to cope with this rapid expanding market.

Post balance sheet events

On 28 February 2002, the shareholders of the Company have approved a capital reorganisation proposal involving the reduction of the share capital of the Company. A circular dated 1 February 2002 containing details of the proposal has been dispatched to the shareholders.

On 22 April 2002, the Company has entered into agreements with an independent third party, not connected with the directors or substantial shareholders or chief executive of the Company to effect a financial restructuring proposal of the Group. The independent third party will essentially inject HK\$66 million into the Company. Further details of the agreements will be disclosed as soon as possible.

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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.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
24 April 2002