

CHAIRMAN'S STATEMENT

After taking over the management in September 2001, I am glad to report the annual results of Fourseas.com Limited (the "Company") on behalf of the Board of Directors (the "Board") and its subsidiaries (the "Group") for the year ended 31st December 2001.

FINANCIAL REVIEW

For the year ended 31st December 2001, the Group's turnover amounted to HK\$677,767,000, a slight decrease of 6% over the previous year (2000: HK\$719,995,000). Loss attributable to shareholders reached HK\$56,664,000 (2000: Loss attributable to shareholders HK\$39,020,000). Loss per share was 3.7 HK cents (2000: Loss per share 16.2 HK cents).

The Board does not recommend any payment of final dividend for the year ended 31st December 2001. (2000: Nil)

BUSINESS REVIEW

On the completion of a financial restructuring as set out in a circular dated 2nd August 2001 during the year, the Group disposed of its entire interest in certain subsidiaries engaged in property investment and 49% equity interest in certain subsidiaries engaged in the sale of air tickets and the provision of other travel related services.

The global travel industry faced severe challenge in 2001 due to the global economic downturn and the 911 terrorist attacks in the United States. The Group has implemented several measures to combat the difficult business environment, such as stringent cost control, increased provision of star cruise package sales to organizations and the broadening of client base. In order to enhance the Group's business, efforts have also been made on the diversification of business.

During the year under review, the Group was committed to implement effective cost control measures and prudent management policies to tackle the unfavorable macro factors amid the weakening business environment in the travel industry. The Group managed to minimize loss and maintained the turnover at HK\$677,767,000 subsequent to the implementation of strategic business solutions.

In order to increase its revenue, the Group proactively improved and developed more attractive travel packages and sales-mix, as well as the expansion of clientele, such as the increment of star cruise package sales to organizations.

On the other hand, several government policies were proposed and enforced which helped facilitate the travel business between Hong Kong and the PRC. These positive factors included the abolishment of the quota system which restricted the daily number of mainland visitors, the fee reduction of the PRC's travel agencies for trips to Hong Kong, as well as the motion for 24-hour border checkpoint clearance between Hong Kong and the PRC.

PROSPECTS

Due to the infrequent provisions and other related financial costs, the Company recorded loss during the year, but these unfavorable factors were eliminated upon the completion of share capital and debt restructuring.

Regardless of the difficult business environment and the intense competition in the industry, the Group will continue to improve its performance in travel business and seize the opportunities brought by the PRC's accession to the World Trade Organization and its successful bid for the hosting of Olympic Games 2008. The Group will also explore more potential travel projects, scenic spots, portfolios, customer groups and so on, in order to broaden the source of revenue.

In addition, the Group will proactively diversify its business and seek for investment projects with higher return. With the PRC's enormous market, travel and related businesses, property investments and other potential investment projects are the targets, as well as the direction of the Group in the future.

The Group will grasp every opportunity with all its strength and dedicate to make full use of its experiences and competitive edges on its current operation. The Group's corporate decisions are formulated so as to maximize its profit and the shareholders' return.

CHAIRMAN'S STATEMENT

SIGNIFICANT CORPORATE EVENTS

Upon the completion of the share capital on 29th August 2001 and debt restructuring on 3rd September 2001, Giant Glory Assets Limited ("Giant Glory") injected HK\$70,000,000 to the Company subsequently became the Company's controlling shareholder. The proceeds from the capital injection and the related sale of assets were used to repay the major debt of the Company.

On 6th December 2001, the Company announced the controlling shareholder, Giant Glory, placed 100,000,000 existing shares at the price of HK\$0.32 per Placing Share to independent third parties by the Placing Agent, Interchina Securities Limited. Giant Glory also entered into a Subscription Agreement with the Company for 100,000,000 new shares at a price equal to the Placing Price.

The 100,000,000 Placing Shares represent approximately 2.58% of the Company's existing issued share capital and approximately 2.51% of its issued share capital as enlarged by the Subscription Shares at the date of the announcement. After completion of the Placing, the shareholding held by Giant Glory would be reduced from approximately 67.00% to approximately 64.42%. Upon completion of the Subscription, the shareholding held by Giant Glory would then increase from approximately 64.42% to approximately 65.31%.

The total net proceeds of the Subscription amounted to approximately HK\$31,000,000 and were used partly as the working capital and the remaining as funding for potential investment projects as suitable opportunities arose.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position is healthy and stable. During the year ended 31st December 2001, the Group's cash and bank deposits reached HK\$36,363,000 (2000: HK\$1,832,000). Bank borrowings decreased approximately 76% over prior year to approximately HK\$27,565,000 (2000: HK\$115,771,000).

The business operation was generally financed by the Group's internal funding. For the year, net cash outflow from operating activities amounted approximately to HK\$28,384,000 (2000: Net cash outflow HK\$16,421,000).

CAPITAL STRUCTURE

As at 31st December 2001, consolidated shareholders' equity reached HK\$20,762,000 and aggregated interest-bearing borrowings were approximately HK\$27,565,000. The Group's debt to equity ratio was approximately 1.3 (2000: 5.7).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December 2001, the total number of staff of the Group was approximately 110. Remuneration packages including basic salaries, bonus and other kinds of staff benefits are normally reviewed by performance appraisal scheme in line with the Group's policies. The Group also provides Mandatory Provident Fund entitlement to Hong Kong's employees.

AUDIT COMMITTEE

On 3rd September 2001, the original Board of Directors together with Directors of the Audit Committee resigned in accordance with the restructuring and reorganization of the Company passed by a special resolution on 29th August 2001 at a special general meeting. On 13th September 2001, Mr. Chan Wai Dune and Mr. Goh Gen Cheung were appointed as independent non-executive directors of the Company and as members of the Audit Committee. In establishing the terms of reference for this committee, the Directors have had regard to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

CHAIRMAN'S STATEMENT

APPRECIATION

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

By order of the Board

He Xuechu

Chairman

Hong Kong, 25th April 2002

FS . *com*