

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in the sale of air tickets and the provision of other travel related services ("Travel Business") and property investment. The activities of its principal subsidiaries are set out in note 32 to the financial statements.

Pursuant to a financial restructuring completed 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 Travel Business to South China Information and Technology Limited, a former controlling shareholder of the Company, for a consideration of HK\$15,000,000.

RESULTS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 12.

No dividend was paid by the Company during the year.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group disposed of certain subsidiaries which held all of the Group's leasehold land and buildings. Prior to the disposal of these subsidiaries, the Group's leasehold land and buildings were revalued at 30th June, 2001 by Sallmanns (Far East) Limited, an independent firm of professional valuers, on an open market value basis. The deficit arising on revaluation amounted to HK\$11,343,000, of which HK\$7,009,000 was charged to the property revaluation reserve attributable to the relevant properties and the balance of HK\$4,334,000 was charged to the income statement.

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 12 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group disposed of certain subsidiaries which held investment properties of the Group. Prior to the disposal of these subsidiaries, the Group's investment properties were revalued at 30th June, 2001 by Sallmanns (Far East) Limited, an independent firm of professional property valuers, on an open market value basis. The deficit arising on revaluation amounted to HK\$81,000,000, of which HK\$1,293,000 was charged to the investment property revaluation reserve and the balance of HK\$79,707,000 was charged to the income statement.

Details of these and other movements during the year in the investment properties of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the consolidation of ordinary shares, reduction in capital and other movements during the year in the share capital of the Company are set out in note 20 to the financial statements.

REPORT OF THE DIRECTORS**DIRECTORS**

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. He Xuechu	(appointed on 3rd September, 2001)
Mr. Dai Zhi Kang	(appointed on 11th March, 2002)
Mr. Ku Wai Kwan	(appointed on 3rd September, 2001)
Mr. Wong Hing Kwok	(appointed on 3rd September, 2001)
Mr. Zhou Teng	(appointed on 3rd September, 2001)
Mr. Ng Hung Sang, Robert	(resigned on 3rd September, 2001)
Ms. Cheung Choi Ngor, Christina	(resigned on 3rd September, 2001)
Mr. Richard Howard Gorges	(resigned on 3rd September, 2001)
Mr. Yuen Kam Tim, Francis	(resigned on 3rd September, 2001)
Mr. Hui Wai Yin	(resigned on 31st May, 2001)

Independent non-executive directors

Mr. Chan Wai Dune	(appointed on 13th September, 2001)
Mr. Goh Gen Cheung	(appointed on 13th September, 2001)
Mr. Cheah Kim Teck	(resigned on 3rd September, 2001)
Mr. Chiu Sin Chun, Peter	(resigned on 3rd September, 2001)

In accordance with clauses 87(1) and 169 of the Company's bye-laws, Mr. Wong Hing Kwok and Mr. Zhou Teng will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors have been appointed for a term of 2 years.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

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

Name of director	Number of ordinary shares held
	Corporate interests
Mr. He Xuechu	2,600,000,000

These shares were held by Giant Glory Assets Limited, representing approximately 65% of the Company's issued share capital at 31st December, 2001, in which 40% of its issued share capital is beneficially owned by Mr. He Xuechu.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interests in any securities of the Company or any of its associated corporations.

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SHARE OPTIONS

Pursuant to a resolution passed on 8th October, 1992, the Company adopted a share option scheme (the "Scheme") for the primary purpose of providing incentives to directors and eligible employees. In accordance with the Scheme, the directors of the Company may, at any time within a period of ten years after 8th October, 1992, grant options ("Options") to employees, including directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at their discretion.

The total number of shares available for issue under the Scheme, representing the maximum aggregate number of shares issued and to be issued on the exercise of Options granted and that may be granted, cannot exceed 10% of the total number of shares of the Company in issue from time to time excluding any shares issued on the exercise of Options. The maximum number of shares issued and to be issued on the exercise of Options granted and that may be granted to each eligible individual under the Scheme cannot exceed 25% of total number of shares available for issue under the Scheme.

Options granted must be taken up within 28 days of the date of grant and HK\$1 is payable on each grant of Options. Options can be exercised at any time during a period, as notified by the directors, which shall not exceed ten years from the date of grant.

The exercise price is determined by the directors of the Company, and shall be the higher of a price being not less than 80% of the average of the closing prices of the Company's shares stated in the daily quotations sheets of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five business days immediately preceding the date of grant of Options, and the nominal value of each of the Company's shares.

There were no options granted or exercised during the year or outstanding at 31st December, 2001.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Scheme as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Each of Mr. He Xuechu, Mr. Ku Wai Kwan, Mr. Wong Hing Kwok and Mr. Zhou Teng entered into a service contract with the Company on 3rd September, 2001, which will continue unless and until terminated by either party.

CONNECTED TRANSACTIONS

During the year, the Group entered into certain related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of these transactions are set out in note 29 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed in the section of directors and chief executives' interests in securities, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses no other person as having an interest of 10% or more in the share capital of the Company at 31st December, 2001.

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PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales for the year.

During the year, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 33% and 60%, respectively, of the Group's total purchases for the year.

None of the directors of the Company, their associates or any shareholders (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) has any interest in the Company's five largest suppliers.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

POST BALANCE SHEET EVENT

Details of the significant event occurring after the balance sheet date are set out in note 33 to the financial statements.

AUDITORS

During the year, Messrs. PricewaterhouseCoopers who acted as auditors of the Company for the past three years resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

He Xuechu

Chairman

25th April, 2002