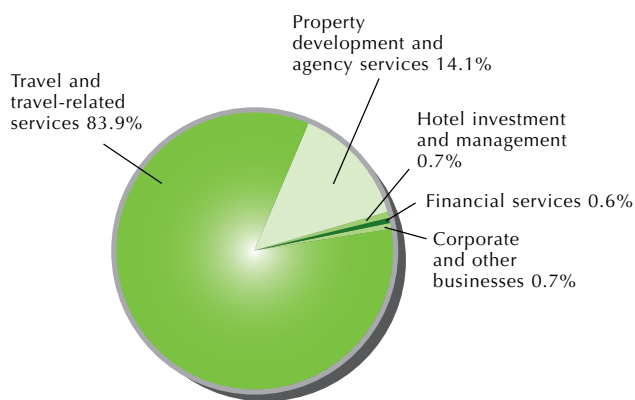


REVIEW OF FINANCIAL RESULTS

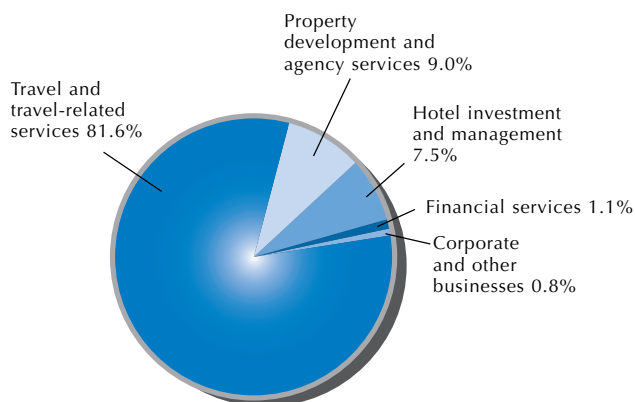
Financial Highlights

	2004		2003	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By business segments:				
Travel and travel-related services	418,135	(16,280)	364,488	(7,630)
Property development and agency services	70,851	(5,745)	40,104	(10,204)
Hotel investment and management	3,327	916	33,566	3,445
Financial services	3,030	4,862	5,125	471
Corporate and other businesses	3,305	1,370	3,486	3,262
Eliminations	(3,989)	-	(4,052)	-
	494,659	(14,877)	442,717	(10,656)
Interest and dividend income	-	2,182	-	3,641
Unallocated expenses	-	(28,470)	-	(11,369)
Total	494,659	(41,165)	442,717	(18,384)

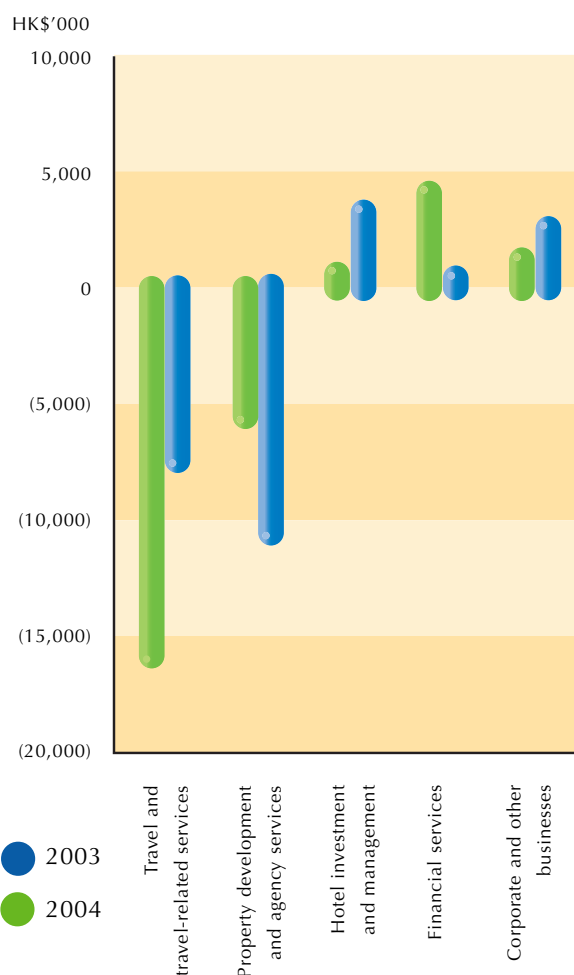
Turnover by Business Segments – 2004



Turnover by Business Segments – 2003

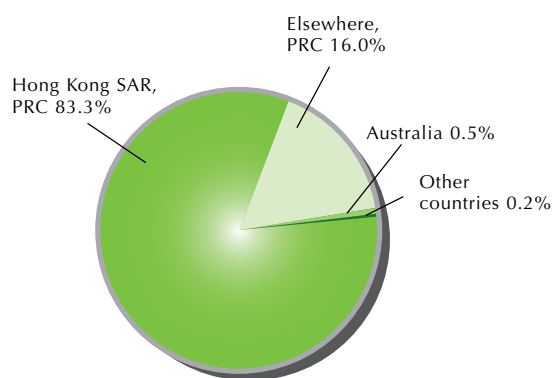


Contribution by Business Segments

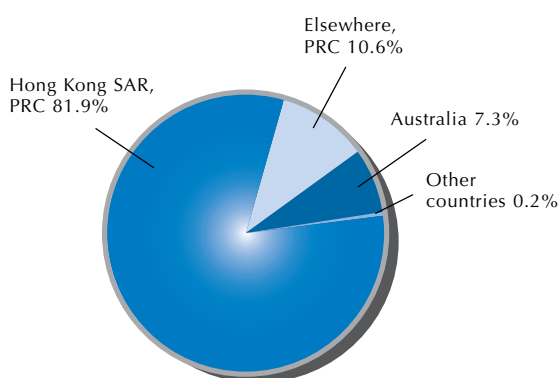


	2004		2003	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By geographical segments:				
People's Republic of China ("PRC"):				
Hong Kong	412,175	(9,559)	362,533	(3,198)
Elsewhere	79,072	(6,053)	46,740	(10,508)
Australia	2,249	(79)	32,377	2,314
Other countries	1,163	814	1,067	736
Eliminations	–	–	–	–
	494,659	(14,877)	442,717	(10,656)
Interest and dividend income	–	2,182	–	3,641
Unallocated expenses	–	(28,470)	–	(11,369)
Total	494,659	(41,165)	442,717	(18,384)

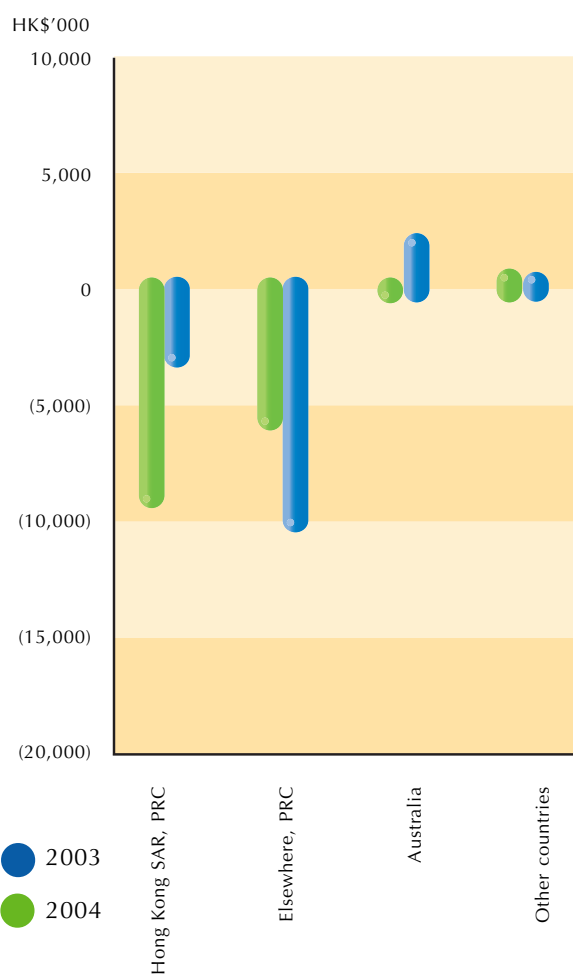
Turnover by Geographical Segments – 2004



Turnover by Geographical Segments – 2003



Contribution by Geographical Segments



Group Overview

For the year ended 31st December, 2004, the Group's consolidated turnover amounted to HK\$494,659,000, an increase of 11.7% as compared to HK\$442,717,000 for 2003.

For the year under review, the Group recorded a loss from operating activities of HK\$41,165,000 as compared to a loss of HK\$18,384,000 for 2003. The loss from ordinary activities attributable to shareholders for the year ended 31st December, 2004 amounted to HK\$38,955,000, against a loss of HK\$23,928,000 for 2003.

Travel and Tourism Division

Total turnover for the Group's travel and travel-related services for the year ended 31st December, 2004 amounted to HK\$418,135,000, an increase of 14.7% as compared to HK\$364,488,000 for 2003. Morning Star Travel Service Limited ("MST"), the Group's travel arm, recorded a higher turnover compared with last year. The number of customers who joined the outbound tours of MST increased by 9.6% compared with last year. Besides, MST's Ticketing Department recorded 56.0% increase in turnover compared with last year.

Persistent intense competition and weakened Hong Kong dollar continued to exert downward pressure on tour fare and profit margin of local outbound tour industry. Customers tended to choose lower-priced destinations, such as Thailand and Taiwan, instead of high-priced long-haul tour packages.

For the year under review, the Travel and Tourism Division recorded a loss of HK\$16,280,000 as compared to a loss of HK\$7,630,000 for 2003.

Property Division

Total turnover of the Property Division for the year ended 31st December, 2004 amounted to HK\$70,851,000 as compared to HK\$40,104,000 for 2003. The increase of 76.7% in turnover as compared to 2003 was due to the increase in turnover of Morning Star Villa and Morning Star Plaza by 70.0% and 125.2% respectively. The Property Division recorded a loss of HK\$5,745,000 for 2004 as compared to a loss of HK\$10,204,000 for 2003.

As at 31st December, 2004, the completion rate for the 168 units under Phase 8 Part I of Firenze of Morning Star Villa was about 93.5%. A total of 77 units with an accumulated sales value of HK\$24,371,000 were sold and the units sold have been delivered to the buyers in September 2004. As compared with 2003, the total number of units sold under Phase 8 Part I of Firenze increased by 96.2%. A total of 90 units of stock on hand under Phase 1 to Phase 7 with a total sales value of HK\$26,983,000 were sold in 2004, an increase of 69.8% in terms of units sold as compared with 2003.

For Morning Star Plaza, a total of 138 units with an accumulated sales value of HK\$27,529,000 for Part I and Part II of Western site were sold and the units sold under Part II of "Colourful City" have been delivered to buyers in November 2004. As the percentage of construction work for Part III of Western site was only 8.3% as at 31st December, 2004, the revenue and profit arising from the 20 units sold with an accumulated sales value of HK\$3,473,000 have not been recognised in the Group's profit and loss account.

Hotel Division

Total turnover for the Group's hotel investment and management business for the year ended 31st December, 2004 amounted to HK\$3,327,000 as compared to HK\$33,566,000 for 2003. The Group's hotel property in Australia, Corus Grosvenor Hotel in Adelaide, was sold in October 2003. For the year ended 31st December, 2003, the turnover arising from the sold hotel property amounted to HK\$30,304,000 or 90.3% of the total turnover of the Hotel Division. The operating results for 2004 amounted to HK\$916,000 as compared to HK\$3,445,000 for 2003.

During the year, the Group acquired a further 9% interest in Plaza on Hyde Park Limited ("POHP"). After the acquisition, the Group holds a total 49% interest in POHP and POHP remains as an associate of the Group. The Group continued to equity account for the results of POHP. For the year ended 31st December, 2004, the Group recorded its share of profit before tax amounting to HK\$2,994,000 as compared to HK\$2,966,000 for 2003.

Financial Services Division

Total turnover for the Group's financial services business for the year ended 31st December, 2004 amounted to HK\$3,030,000 as compared to HK\$5,125,000 for 2003. The turnover of the Financial Services Division derived from securities broking. The Financial Services Division achieved a profit of HK\$4,862,000 for the year ended 31st December, 2004 as compared to HK\$471,000 for 2003. The improvement in operating results for 2004 as compared to last year was due to gain on capital distribution received from unlisted investment amounting to HK\$6,040,000.

Corporate and Other Businesses

The turnover for other operations, representing rental income in respect of certain leased office space in AXA Centre, amounted to HK\$423,000 for the year ended 31st December, 2004 (2003: HK\$423,000).

In respect of the Group's 1,500,000 shares of the 10% convertible cumulative preferred stock in Porchlight Entertainment, Inc. ("PEI"), dividends on the preferred stock by way of bonus issues totalling 93,397 shares were received by the Group till 15th July, 2004. After taking into consideration of such bonus issues, the Group held a total of 1,971,602 shares of the preferred stock in PEI. The dividends, which amounted to HK\$858,000 in value, was included in other revenue. On 15th July, 2004, the Group entered into an agreement and disposed all of the convertible cumulative preferred stock. After the sale consideration of HK\$4,984,000, the disposal incurred a net loss of HK\$10,533,000.

Geographical Segments

In analysing the geographical segments, the revenue for Hong Kong SAR mainly relates to travel and travel-related services, financial services and other businesses. The revenue for elsewhere in the PRC is principally from property development and agency services. The revenue for Australia is derived from hotel investment and management services. The revenue for other countries relates to travel and travel-related services conducted outside of Hong Kong.

REVIEW OF BALANCE SHEET

Overview

Non-current assets as at 31st December, 2004, consisting of property, plant and equipment, investment properties, interests in jointly-controlled entities, interests in associates, long term investments, pledged bank balances and time deposits and deferred tax assets, amounted to HK\$310,330,000, an increase of HK\$8,122,000 as compared to the amount of HK\$302,208,000 as at 31st December, 2003. Current assets as at 31st December, 2004 totalled HK\$307,427,000, against the amount of HK\$331,872,000 as at 31st December, 2003. Current liabilities as at 31st December, 2004 amounted to HK\$273,467,000, as compared to the amount of HK\$269,744,000 as at 31st December, 2003.

Capital Structure, Liquidity and Financial Resources

As at the balance sheet date, the Group's total borrowings was HK\$176,181,000, comprising mainly short-term bank borrowings with interest rates ranging from 2.31% to 6.00% per annum. The Group's available banking facilities not utilised totalled HK\$529,000 as at 31st December, 2004.

Group current and long-term debts as at 31st December, 2004 amounted to HK\$176,181,000 (2003: HK\$154,453,000). The Group's total equity as at the balance sheet date was HK\$260,621,000 (2003: HK\$278,109,000).

The Group's gearing ratio as at the balance sheet date was 0.68 as compared to 0.56 for 2003. The gearing ratio was based on total current and long-term debts over the total equity of the Group. The Group's gearing ratio increased in 2004 as the Group increased its bank borrowing and incurred a net loss during the year.

As part of treasury management, the Group centralises funding for all of its operations at the Group level. Financing is arranged at the Group level. The Group's foreign currency exposure relates mainly to Japanese yen which is required by MST for settlement of tour costs incurred in Japan. The Group manages its foreign exchange exposure generally by way of forward contracts with its principal bankers.

Capital Commitments

The Group had capital commitments totalling HK\$181,850,000 as at the balance sheet date. Such commitments were in respect of the Group's property projects in Zhongshan, PRC. It will be satisfied by funds generated from the sale of properties and from the Group's available cash and banking facilities.

Charges on Group Assets

As at the balance sheet date, certain assets of the Group with an aggregate carrying value of HK\$88,426,000 were pledged to certain banks to secure banking facilities to the Group. In addition, non-current bank balances and time deposits amounting to HK\$5,281,000 were pledged to certain banks to secure mortgage loan facilities to purchasers of properties developed by Morning Star Villa and Morning Star Plaza in Zhongshan, the PRC.

STAFF ANALYSIS

The total number of staff employed by the Group as at 31st December, 2004 was 460 as compared to 433 as at 31st December, 2003. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group does not have a share option scheme for its employees. The Group continues to implement the Total Quality Management programme as part of its overall human resource training and development programme to equip its employees with the necessary skills and experience to deal with the challenges and competition ahead.

NEW BUSINESS AND MATERIAL ACQUISITION

During the year, the Group acquired a further 9% interest in POHP. Before the acquisition, the Group held 40% interest of POHP which was acquired in 2001. After the acquisition, the Group holds 49% interest in POHP and POHP remains as an associate of the Group. The total consideration for the acquisition of a further 9% interest in POHP amounted to HK\$21,114,000 and the consideration was satisfied by funds from the banking facilities of the Group. POHP is a company incorporated in the United Kingdom ("UK"). The principal asset of POHP is its interest in Corus hotel Hyde Park located at Lancaster Gate, London W2 3LG, UK.