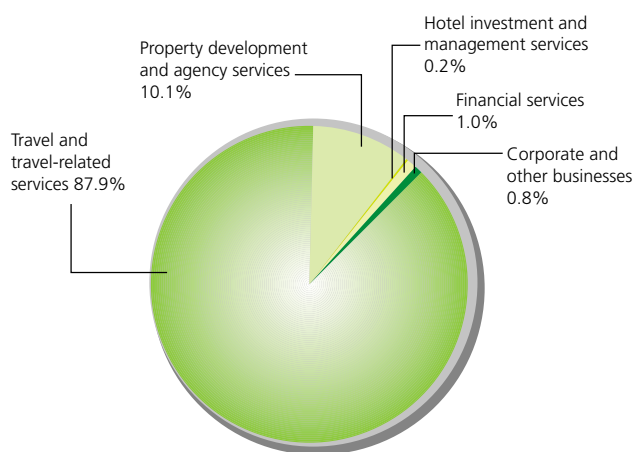


## REVIEW OF FINANCIAL RESULTS

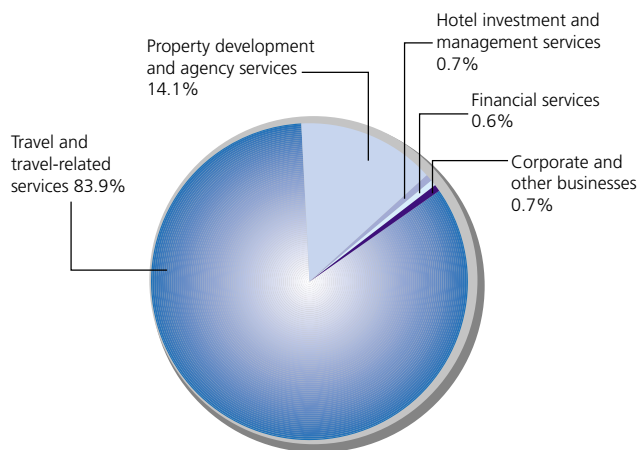
### Financial Highlights

	2005		2004	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By business segments:				
Travel and travel-related services	432,034	(20,845)	418,135	(16,280)
Property development and agency services	49,457	762	70,851	(5,745)
Hotel investment and management services	1,062	28,694	3,327	916
Financial services	4,669	(1,252)	3,030	4,862
Corporate and other businesses	4,073	4,658	3,305	1,370
Eliminations	(5,865)	-	(3,989)	-
	<b>485,430</b>	<b>12,017</b>	<b>494,659</b>	<b>(14,877)</b>
Interest and dividend income	-	2,783	-	2,182
Unallocated expenses	-	(16,179)	-	(28,470)
Total	<b>485,430</b>	<b>(1,379)</b>	<b>494,659</b>	<b>(41,165)</b>

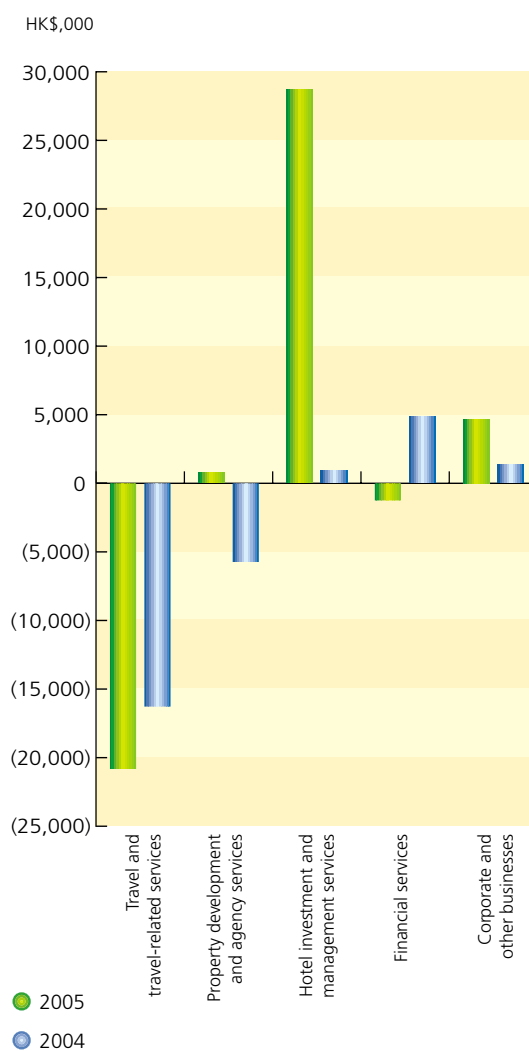
Turnover by Business Segments - 2005



Turnover by Business Segments - 2004

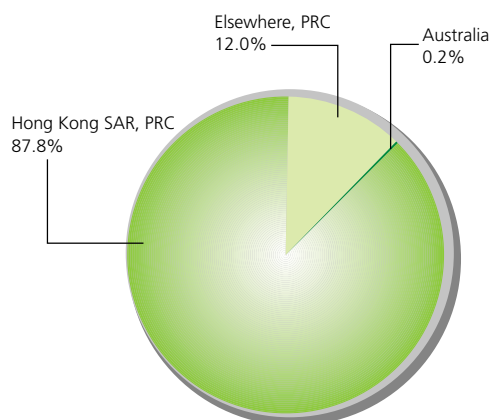


Contribution by Business Segments

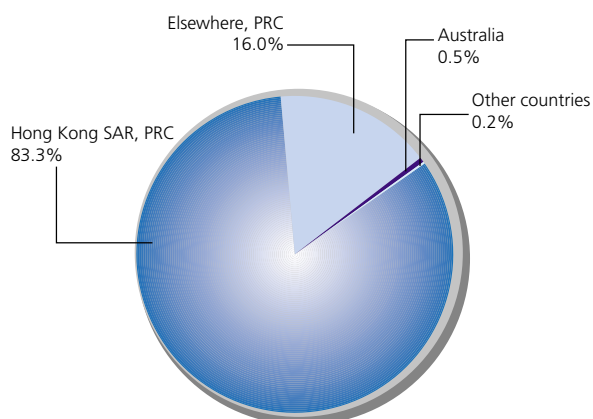


	2005		2004	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By geographical segments:				
The People's Republic of China ("PRC"):				
Hong Kong	425,904	(16,606)	412,175	(9,559)
Elsewhere	58,465	(142)	79,072	(6,053)
Australia	1,061	29,894	2,249	(79)
Other countries	–	(1,129)	1,163	814
Eliminations	–	–	–	–
	<b>485,430</b>	<b>12,017</b>	494,659	(14,877)
Interest and dividend income	–	2,783	–	2,182
Unallocated expenses	–	(16,179)	–	(28,470)
Total	<b>485,430</b>	<b>(1,379)</b>	494,659	(41,165)

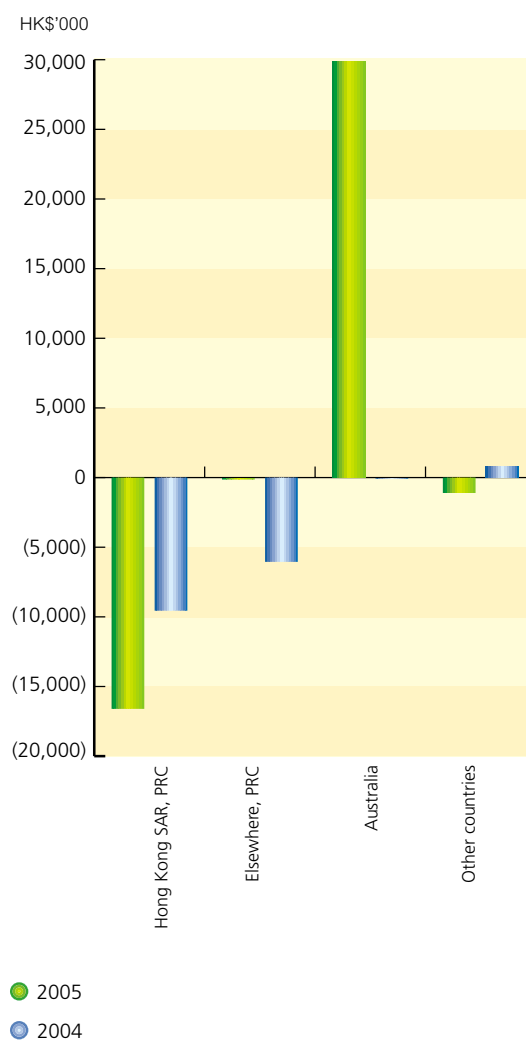
Turnover by Geographical Segments – 2005



Turnover by Business Segments – 2004



Contribution by Geographical Segments



### Group Overview

For the year ended 31st December, 2005, the consolidated turnover of the Group at HK\$485,430,000 was marginally lower than that for 2004 at HK\$494,659,000.

For the year under review, the Group reduced its loss from operating activities to HK\$1,379,000 from HK\$41,165,000 in 2004. There was a reduction in the loss attributable to equity holders of the parent for the year ended 31st December, 2005 to HK\$7,312,000, against HK\$38,955,000 in 2004. Included in this year's loss is a gain on disposal of the Group's 49% interest in Plaza on Hyde Park Limited which amounted to HK\$30,233,000.

### Travel and Tourism Division

Total turnover for the Group's travel and travel-related services for the year ended 31st December, 2005 increased 3.3% to HK\$432,034,000 compared to HK\$418,135,000 for 2004. The increase was contributed by Morning Star Travel Service Limited ("MST"), the Group's travel arm, which recorded a 3.3% growth compared with the previous year despite a decrease in the number of outbound passengers in 2005. The improved performance of MST was mainly due to its Ticketing Department which recorded a 21.9% increase in turnover in 2005 against the previous year.

Intense competition continued to exert downward pressure on tour fares and profit margin for the travel industry and particularly, the outbound tour sector. The adverse impact of the Asian financial crisis, negative equity for a large number of homeowners which resulted from falling property prices and deflation which lasted until the second half year in 2004 that affected the spending sentiment of Hong Kong residents has not been fully reversed despite a general recovery in the Hong Kong economy. Customers remain cautious and selective and tend to choose lower-priced tour packages and destinations such as Thailand and Taiwan, instead of higher-priced long-haul tour packages. The outbreak of H5N1 Avian influenza in Mainland China and other parts of the World caused a significant downturn in the number of tour groups to the affected regions.

For the year under review, the loss incurred by the Travel and Tourism Division increased to HK\$20,845,000 from a loss of HK\$16,280,000 for 2004 due to a decrease in profit margin and higher operating expenses.

### Property Division

Total turnover, net of sales tax, of the Property Division for the year ended 31st December, 2005 amounted to HK\$49,457,000 (2004 : HK\$70,851,000). For 2005, the Property Division recorded a profit of HK\$762,000 compared to a loss of HK\$5,745,000 for 2004 due to, amongst other factors, a significant reduction of operating expenses and improved profit margin.

In 2005, the Property Division focused on the sale of unsold completed residential units in Morning Star Villa and Morning Star Plaza resulting in over HK\$46,000,000 worth of stock on hand being sold during the year. As at 31st December, 2005, over 60% of completed units under Phase VIII Part I of Firenze were sold. For 2005, the overall gross profit margin of Morning Star Villa increased by 5.5 percentage points compared with 2004. To date, the accumulated sales for Parts I, II and III of the Western site of Morning Star Plaza exceeded HK\$44,000,000 with over 72% of the total available units being sold.

**Hotel Division**

Total turnover for the Group's hotel investment and management business for the year ended 31st December, 2005 amounted to HK\$1,062,000 compared to HK\$3,327,000 for 2004. The disposal of the Group's 49% interest in Plaza on Hyde Park Limited ("POHP") was completed in May 2005 with a gain of HK\$30,233,000. The Group's interest in POHP was accounted for as "interests in associates" in the consolidated balance sheet. The operating results for 2005 amounted to a profit of HK\$28,694,000 compared to a profit of HK\$916,000 for 2004. Included in the profit for 2005 is a gain on disposal of HK\$30,233,000 of the Group's 49% interest in POHP.

**Financial Services Division**

Total turnover for the Group's Financial Services Division for the year ended 31st December, 2005 amounted to HK\$4,669,000 compared to HK\$3,030,000 for 2004. The turnover of the Financial Services Division is derived from securities broking. This Division recorded a loss of HK\$1,252,000 for the year ended 31st December, 2005 compared to a profit of HK\$4,862,000 for 2004. Included in last year's profit of HK\$4,862,000 is a gain on capital distribution from an unlisted investment amounting to HK\$6,040,000.

**Corporate and Other Businesses**

The turnover for other operations consisting of rental income in respect of certain leased office space in AXA Centre for the year ended 31st December, 2005 amounted to HK\$423,000 compared with HK\$423,000 for 2004. The Group has adopted the fair value model for investment properties under the HKAS 40. As at 31st December, 2005, the investment properties of the Group were revalued at HK\$10,611,000. A fair value gain of investment properties of HK\$1,965,000 was recognised in the consolidated profit and loss account in 2005.

**Geographical Segments**

In terms of revenue contribution from geographical segments, the revenue from Hong Kong SAR is derived mainly from travel and travel-related services, financial services and other businesses. The revenue from The People's Republic of China ("PRC") is principally from property development and agency services. The revenue from Australia is derived from hotel management services. The revenue from other countries relates to travel and travel-related services conducted outside of Hong Kong.

## REVIEW OF BALANCE SHEET

### Overview

Due to the requirement to adopt the new and revised Hong Kong Financial Reporting Standards from 1st January, 2005, the Group has incorporated opening adjustments in its 2005 Annual Financial Statements, resulting from changes in accounting policy in respect of interests in associates, restatement of certain assets at fair value and recognition of financial assets at market values. The implications of these changes are provided in notes 2 and 3 to the 2005 Annual Financial Statements of the Group. Non-current assets of the Group as at 31st December, 2005 amounted to HK\$152,664,000, a decrease of HK\$161,285,000 compared to HK\$313,949,000 as at 31st December, 2004. Non-current assets consists mainly of property, plant and equipment, investment properties, available-for-sale financial assets, pledged bank balances and time deposits and deferred tax assets. Current assets of the Group as at 31st December, 2005 totalled HK\$309,045,000 against HK\$308,613,000 as at 31st December, 2004. Current liabilities of the Group as at 31st December, 2005 amounted to HK\$172,411,000 compared with HK\$287,830,000 as at 31st December, 2004. The decrease in non-current assets is mainly due to the disposal of the Group's interest in an associate company, Plaza on Hyde Park Limited and the decrease in current liabilities is due to the repayment of HK\$120,000,000 in 2005 of a bank revolving loan.

### Capital Structure, Liquidity and Financial Resources

As at the balance sheet date, the Group's total borrowings was HK\$65,743,000, comprising mainly short-term bank borrowings, at interest rates ranging from 2.21% to 7.00% per annum fixed at each drawdown date. The Group's banking facilities were denominated in Hong Kong dollars and the total available banking facilities not utilised as at 31st December, 2005 amounted to HK\$1,135,000.

The Group's total current debts as at 31st December, 2005 was HK\$65,743,000 compared to HK\$185,739,000 as at 31st December, 2004. The Group's total equity as at the balance sheet date was HK\$289,298,000 compared to HK\$334,732,000 as at 31st December, 2004.

The Group's gearing ratio as at 31st December, 2005 was 0.23 compared to 0.55 as at 31st December, 2004. This ratio was computed on the basis of total current debts over the total equity of the Group. The Group's gearing ratio decreased in 2005 as the Group repaid its bank borrowings.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised.

### Capital Commitments

The Group had capital commitments totalling HK\$1,287,000 as at the balance sheet date. These capital commitments were made mainly for the Group's property projects in Zhongshan, The People's Republic of China and will be satisfied by funds generated from the sale of properties and from the Group's available cash and banking facilities.

### Contingent Liabilities

As at the balance sheet date, the Group had contingent liabilities amounting to HK\$245,041,000. These contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to purchasers of the properties developed by Morning Star Villa and Morning Star Plaza.

**Charges on Group Assets**

As at the balance sheet date, certain assets of the Group with an aggregate carrying value of HK\$89,353,000 were pledged to certain banks to secure banking facilities granted to the Group. In addition, non-current bank balances and time deposits amounting to HK\$3,404,000 have been pledged to certain banks to secure mortgage loan facilities granted to purchasers of properties developed by Morning Star Villa and Morning Star Plaza in Zhongshan, The People's Republic of China.

**STAFF ANALYSIS**

The total number of staff employed by the Group as at 31st December, 2005 was 448 compared to 460 as at 31st December, 2004. The Group ensures that the remuneration levels of its employees are competitive and 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 a 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**

There was no material acquisition and new business for the year ended 31st December, 2005.