1. CORPORATE INFORMATION

The Company is a public listed company incorporated in the Cayman Island and its shares are listed on the Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company are disclosed in "Corporate Information" Section of this annual report.

During the year, the Group was involved in the following principal activities:

– Provision of travel and travel-related services

– Property development and agency services

– Hotel investment and management services

– Provision of financial services and securities broking

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Impact of new and revised Hong Kong Financial Reporting Standards

During the year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that became effective for accounting periods beginning on or after 1st January, 2005. The application of the new and revised HKFRSs has resulted in a change in the presentation of the consolidated profit and loss account, consolidated balance sheet and consolidated statement of changes in equity. These changes in presentation have been applied retrospectively. The adoption of the new and revised HKFRSs has resulted in significant changes to the Group's accounting policies in the following areas that have effect on how the results for the year or prior accounting years are prepared and presented:

(a) Leasehold land and buildings held for own use

Prior to 1st January, 2005, leasehold land and buildings held for own use were included in property, plant and equipment and stated at cost less accumulated depreciation and any impairment. During the year, the Group has applied HKAS 17 "Lease". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the Group has reclassified leasehold land from property, plant and equipment to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Comparative figures have been restated. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold land continues to be accounted for as property, plant and equipment.

(b) Financial instruments

During the year, the Group has applied HKAS 32 "Financial instruments: disclosure and presentation" and HKAS 39 "Financial instruments: recognition and measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Prior to 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investment securities". Under SSAP 24, investments in debt or equity securities are classified as long term investments which are held for a continuing strategic or long term purpose and short term investments which are held for trading purpose. Long term investments are carried at costs less any impairment losses while short term investments are measured at fair value with unrealised gains or losses are reported in profit or loss. From 1st January, 2005 onwards, the Group classifies its debt and equity securities in accordance with HKAS 39 as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" that are not part of the hedging relationship and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" are measured at amortised cost using the effective interest rate method.

On 1st January, 2005, the Group classified its debts and equity securities with adjustments to the balance of accumulated losses and financial assets reserves. Comparative figures have not been restated.

(c) Investment properties

During the year, the Group has, for the first time, applied HKAS 40 "Investment property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous years, investment properties under the SSAP 13 "Accounting for investment properties" were measured at open market values, with revaluation surplus or deficits credited or charged to investment properties revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment properties revaluation reserve was charged to the profit and loss account. Where a decrease had previously been charged to profit and loss account and revaluation subsequently arose, that increase was credited to the profit and loss account to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment properties revaluation reserve at 1st January, 2005 has been transferred to the Group's accumulated losses.

(d) Business combinations

During the year, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

In prior years, goodwill/negative goodwill arising on acquisitions prior to 1st January, 2001 was eliminated against consolidated goodwill reserve in the year of acquisition and was not recognised in the consolidated profit and loss account until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1st January, 2001 was recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the consolidated balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair value of the acquired non-monetary assets is recognised as income immediately. To the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated profit and loss account when the future losses and expenses were recognised. In the case of associates and jointly-controlled entities, any unamortised goodwill/negative goodwill not yet recognised in the consolidated profit and loss account were included in the carrying amount thereof, rather than as a separately identified asset/item on the consolidated balance sheet.

With effect from 1st January, 2005, in accordance with HKFRS 3, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st January, 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated goodwill reserve) against accumulated losses. Goodwill previously eliminated against consolidated goodwill reserve remains eliminated against consolidated goodwill reserve and is not recognised in the consolidated profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

In accordance with the transitional provisions of HKFRS 3, comparative figures have not been restated.

(e) Interests in jointly-controlled entities

Prior to 1st January, 2005, interests in jointly-controlled entities were accounted for using the equity method. HKAS 31 "Interests in Joint Ventures" allows entities to use either proportionate consolidation or the equity method to account for interests in jointly-controlled entities. Upon the application of HKAS 31, the Group has elected to continue using the equity method to account for its interests in jointly-controlled entities. There has no changes in accounting policy relating to interests in jointly-controlled entities.

(f) Minority interests

In previous years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the profit and loss account as a deduction before arriving at the profit/(loss) attributable to equity holders of the parent.

With effect from 1st January, 2005, in order to comply with HKAS 1 "Presentation of financial statements" and HKAS 27 "Consolidated and separate financial statements", minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the interests attributable to the equity holders of the parent, and minority interests in the results of the Group for the year are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the year between the minority interests and the equity holders of the parent.

The presentation of minority interests in the consolidated balance sheet, consolidated profit and loss account and consolidated statement of changes in equity for the comparative year has been restated accordingly.

(g) Pre-completion contracts for sale of properties under development

Revenue recognition

Prior to 1st January, 2005, revenue from pre-sale of properties under development was recognised on completion of binding sale agreements by reference to the stage of completion.

From 1st January, 2005 and onwards, under Hong Kong Interpretation 3 ("HK-Int 3") revenue from development properties sold before the completion of construction is recognised only when all the criteria specified in paragraph 14 of HKAS 18 "Revenue" are satisfied.

The Group has applied the relevant transitional provisions in HK-Int 3 with respect to the revenue recognition of pre-completion contracts for the sale of development properties and elected to apply HK-Int 3 to the pre-completion contracts for the sale of development properties entered into on or after 1st January, 2005. Accordingly, no prior year figures have been restated.

3. SUMMARY OF THE EFFECTS OF SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

The effects of the significant changes in accounting policies described in Note 2 above on the results for the current and prior accounting years are as follows:

	2005	2004
	HK$'000	*HK$'000*
Decrease in share of profits of associates	**–**	(317)
Decrease in share of tax attributable to an associate	**–**	317
Gain arising from changes in fair value of investment properties	**1,965**	–
Gain arising from changes in fair value of financial assets	**436**	–
Decrease in negative goodwill recognised as income	**(105)**	–
Increase in profit for the year	**2,296**	–

The material cumulative effects of the application of the new and revised HKFRSs to the Group's consolidated balance sheet at 31st December, 2004 and 1st January, 2005 are as follows:

	As at 31st December, 2004 HK$'000 (Originally stated)	Adjustments HK$'000	As at 31st December, 2004 HK$'000 (Restated)	Adjustments HK$'000	**As at 1st January, 2005** ***HK$'000*** (Restated)
Property, plant and equipment	104,257	(2,704)	101,553	–	**101,553**
Prepaid lease payment on land use right	–	2,704	2,704	–	**2,704**
Investment properties	8,646	–	8,646	–	**8,646**
Interests in a jointly-controlled entity	1,050	751	1,801	–	**1,801**
Interests in associates	151,099	2,868	153,967	6,196	**160,163**
Long term investments	16,199	–	16,199	(16,199)	**–**
Due from associates	–	1,186	1,186	–	**1,186**
Available-for-sale financial assets	–	–	–	11,230	**11,230**
Short term investments	2,811	–	2,811	(2,811)	**–**
Financial assets at fair value through profit or loss	–	–	–	2,811	**2,811**
Due to a jointly-controlled entity	–	(751)	(751)	–	**(751)**
Due to associates	–	(4,054)	(4,054)	–	**(4,054)**
Interest-bearing bank borrowings	(16,710)	(9,558)	(26,268)	–	**(26,268)**
Other assets/liabilities	76,938	–	76,938	–	**76,938**
Net assets	344,290	(9,558)	334,732	1,227	**335,959**
Share capital	482,910	–	482,910	–	**482,910**
Accumulated losses	(251,161)	–	(251,161)	7,932	**(243,229)**
Goodwill reserve	(78)	–	(78)	(164)	**(242)**
Investment properties revaluation reserve	1,572	–	1,572	(1,572)	**–**
Financial assets reserve	–	–	–	(4,969)	**(4,969)**
Other reserves	27,378	–	27,378	–	**27,378**
Minority interests	83,669	(9,558)	74,111	–	**74,111**
Total equity	344,290	(9,558)	334,732	1,227	**335,959**

To the extent the above changes have had an impact on results reported for the years ended 2004 and 2005, the impact on the amounts reported for basic loss per share is as follows:

	2005	2004
	Cent	*Cents*
Loss per share before adjustments	**(0.2)**	(1.6)
Adjustments arising from changes in accounting policies	**(0.1)**	–
As reported/restated	**(0.3)**	(1.6)

No diluted loss per share for the year ended 31st December, 2005 has been presented as there is no diluting event existed in this year.

The diluted loss per share for the year ended 31st December, 2004 had not been shown as the warrants outstanding during this year had an anti-dilutive effect on the basic loss per share for this year.

Certain new standards, amendments and interpretations to existing standards (collectively "New Standards") have been published by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2006 or later periods. The Group was not required to adopt these New Standards in the financial statements for the year ended 31st December, 2005. The Group has already commenced an assessment of the impact of these New Standards but is not yet in a position to state whether these New Standards would have a significant impact on its results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with all HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2005.

The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Subsidiaries

A subsidiary is a company whose financial and operating policies that the Company controls, directly or indirectly, so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company's balance sheet, interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company/the Group has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company/the Group does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company/the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company/the Group holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities are included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting less any impairment losses.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term assets and are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates are included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill/negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses and is subject to an annual impairment review. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit and loss account. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of subsidiaries, associates or jointly-controlled entities, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition (previously referred to as "negative goodwill") is recognised immediately in profit and loss account.

Impairment of assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit and loss account in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the profit and loss account in the period in which it arises.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line method to write off the cost less residual value of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Nil
Buildings	2% to 5%
Office furniture, fixtures and equipment	20% to $33^1/_3$%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual value, useful lives and deprecation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit and loss account in the year is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are land and/or buildings which are held to earn rental income and/or for capital appreciation.

Investment properties are not depreciated and are stated at fair value at the balance sheet date. Any gain or loss arising from changes in the fair value or from the retirement or disposal of the investment properties are recognised in profit and loss account in the period in which they arise. Rental income from investment properties is accounted for as described in note (f) of revenue recognition.

Prepaid lease payment on land use right

The use right of leasehold land component is classified as a prepaid lease payment and is amortised on a straight-line basis over the lease term.

Property under development

Property under development is stated at cost, which comprises land cost and development expenditure, less any impairment losses.

Leased assets

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Assets held under capitalised finance lease are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on the straight-line basis over the lease terms.

Investments

Prior to 1st January, 2005, the Group classified its investments in securities, other than subsidiaries and jointly-controlled entities, as long term investments and short term investments.

Long term investments were stated at cost less provision for any impairment loss. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than a temporary decline has occurred, the carrying amount of such securities is reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Short term investments were stated at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in market value of short term investments were recognised in the profit and loss account. Profits or losses upon the disposals of short term investments representing the difference between the net sales proceeds and the carrying amounts, were recognised in the profit and loss account as they arose.

From 1st January, 2005 onwards, the Group classifies its investments in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Purchases and sales of financial assets are recognised on the date of trade, when the Group commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs, and are excluded when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The fair values of quoted investments and derivative financial instruments are based on current bid prices.

(a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are stated at fair value and unrealised gains and losses arising from changes in the fair value are recognised in equity reserves in the balance sheet. Assets in this category are included in non-current assets unless management intends to dispose them within 12 months from the balance sheet date.

(b) Financial assets at fair value through profit or loss

A financial asset (including derivative financial instrument) is classified as fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade receivables and other receivables in the balance sheet.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

Inventories

Inventories, principally comprising foodstuffs, liquor and other consumables, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development intended for sale, are classified as current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the profit and loss account of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars using the net investment method. The profit and loss account of overseas subsidiaries, jointly-controlled entities and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange realignment reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Prior to the MPF Scheme becoming effective on 1st December, 2000, the Group operated a defined contribution retirement benefits scheme (the "ORSO Scheme") for those employees who were eligible to participate in this scheme. The ORSO Scheme operated in a similar way to the MPF Scheme, except that when an employee left the ORSO Scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer contributions. With effect from 1st December, 2000, the Group has operated both schemes and those employees who were eligible to participate in the ORSO Scheme are also eligible to participate in the MPF Scheme.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Tax

The charge for tax is based on the results for the year as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax is provided at the rate prevailing for the year based on the assessable profit for the year less allowable losses, if any, brought forward.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly-controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from tour services is recognised upon the departure date of each tour;

(b) income from sales of air tickets and hotel bookings is recognised when the related tickets are issued and hotel bookings confirmed, respectively;

(c) income from hotel operations is recognised as the related services are performed;

(d) income from the sale of properties and in the case of pre-sale of properties, proceeds from pre-sale as adjusted to reflect the stage of completion, are recognised on completion of binding sale agreements;

(e) commission and visa income are recognised in the period in which the services are rendered;

(f) rental income is recognised on the straight-line basis over the lease terms;

(g) interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(h) dividends are recognised when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charges where useful lives are different to previously estimated, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 4 under summary of significant accounting policies. The recoverable amounts have been determined based on fair value less the related selling costs, which are based on the best information available to reflect the amount obtainable at each balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the related disposal costs.

Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses and certain temporary differences, depends on the management's expectation of future taxable profit that will be available against which tax losses or temporary differences can be utilised. The outcome of their actual utilisation may be different.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial assets and liabilities include bank balances and cash, equity investments, borrowings, trade and other receivables, trade and other payables, due from/to related companies, associates and a jointly-controlled entity and pledged bank balances and time deposits. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency Risk

Certain subsidiaries of the Group have foreign currency transactions, which expose the Group to foreign currency risk. Certain bank balances, pledged bank deposits and trade receivables of the Group are denominated in foreign currencies.

The Group currently has a foreign currency hedging policy. The Group does not use any derivative instruments to reduce its economic exposure to changes in exchange rates. However, the management monitors foreign exchange exposure and requirements of various currencies, and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has certain monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each of the individual trade receivables regularly at each balance sheet date to ensure the impairment losses are adequately made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are commercial banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Cash flow interest rate risk

The Group is exposed to the changes in cash flow interest rate risk due to its short-term bank borrowings, carrying interest at variable rates which are disclosed in Note 31 to the financial statements. The Group enters into debt obligations to support general corporate purposes including capital expenditures and working capital needs. The Group currently does not have an interest rate hedging policy and does not use any derivative instruments to reduce its economic exposure to the changes in interest rates.

7. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) The travel and travel-related services segment provides outbound tour services, booking of air tickets and hotel services and other travel-related services;

(b) The property development and agency services segment comprises the development and sales of properties and the provision of property agency services;

(c) The hotel investment and management segment comprises the operation of hotels and the provision of hotel management services;

(d) The financial services segment comprises the provision of financial services and securities broking; and

(e) The corporate and other businesses segment includes rental income and general corporate expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers/businesses, and assets are attributed to the segments based on the location of the assets.

Intersegment sales are transacted with reference to the prevailing market rates.

(i) Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments:

	Travel and travel-related services		Property development and agency services		Hotel investment and management services		Financial services		Corporate and other businesses		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)								(Restated)
Segment revenue:														
Sales to external customers	**432,034**	418,135	**49,457**	70,851	**1,062**	3,327	**2,454**	1,923	**423**	423	**–**	–	**485,430**	494,659
Intersegment sales	**–**	–	**–**	–	**–**	–	**2,215**	1,107	**3,650**	2,882	**(5,865)**	(3,989)	**–**	–
Other revenue and gains	**7,002**	5,887	**3,487**	2,569	**30,256**	–	**436**	6,105	**1,966**	157	**–**	–	**43,147**	14,718
Total revenue	**439,036**	424,022	**52,944**	73,420	**31,318**	3,327	**5,105**	9,135	**6,039**	3,462	**(5,865)**	(3,989)	**528,577**	509,377
Segment results	**(20,845)**	(16,280)	**762**	(5,745)	**28,694**	916	**(1,252)**	4,862	**4,658**	1,370	**–**	–	**12,017**	(14,877)
Interest and dividend income													**2,783**	2,182
Unallocated expenses													**(16,179)**	(28,470)
Loss from operating activities													**(1,379)**	(41,165)
Finance costs													**(4,747)**	(3,972)
Share of (losses)/profits of associates	**(1,207)**	(413)	**1**	(5)	**875**	2,677	**–**	–	**–**	–	**–**	–	**(331)**	2,259
Share of profit/(loss) of a jointly-controlled entity	**68**	83	**–**	(650)	**–**	–	**–**	–	**–**	–	**–**	–	**68**	(567)
Loss before tax													**(6,389)**	(43,445)
Tax													**(1,135)**	2,102
Loss for the year													**(7,524)**	(41,343)
Minority interests													**212**	2,388
Loss attributable to equity holders of the parent													**(7,312)**	(38,955)

	Travel and travel-related services		Property development and agency services		Hotel investment and management services		Financial services		Corporate and other businesses		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Segment assets	**77,691**	113,335	**282,953**	286,570	**37,407**	45,007	**58,679**	64,336	**185,331**	215,638	**(193,671)**	(277,103)	**448,390**	447,783
Interests in associates	**21**	1,677	**–**	(608)	**–**	152,898	**–**	–	**–**	–	**–**	–	**21**	153,967
Interests in a jointly-controlled entity	**1,904**	1,801	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,904**	1,801
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**11,394**	19,011
Total assets													**461,709**	622,562
Segment liabilities	**198,206**	221,834	**37,658**	45,608	**11,615**	12,211	**9,564**	10,993	**52,921**	98,096	**(193,702)**	(277,094)	**116,262**	111,648
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**56,149**	176,182
Total liabilities													**172,411**	287,830
Other segment information:														
Capital expenditure	**1,236**	519	**271**	115	**43**	–	**–**	23	**–**	15	**–**	–	**1,550**	672
Depreciation	**633**	460	**987**	875	**30**	43	**10**	26	**1,073**	1,144	**–**	–	**2,733**	2,548
Amortisation of prepaid lease payment on land use right	**–**	–	**58**	57	**–**	–	**–**	–	**–**	–	**–**	–	**58**	57

(ii) Geographical segments

The following tables present revenue, certain assets and expenditure information for the Group's geographical segments:

	Hong Kong SAR		Elsewhere in the PRC		Australia		Other countries		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**425,904**	412,175	**58,465**	79,072	**1,061**	2,249	**–**	1,163	**–**	–	**485,430**	494,659

	Hong Kong SAR		Elsewhere in the PRC		Australia		Other countries		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Other segment information:												
Segment assets	**149,351**	146,953	**286,917**	293,004	**24,926**	26,788	**46,057**	202,046	**(45,542)**	(46,229)	**461,709**	622,562
Expenditure information:												
Capital expenditure	**1,218**	489	**289**	183	**43**	–	**–**	–	**–**	–	**1,550**	672

8. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of services rendered, hotel income, agency fee income, proceeds from the sale of properties (in the case of pre-sale of properties, proceeds from pre-sale are adjusted to reflect the stage of construction) and income from financial services and securities broking, after eliminating intra-group transactions.

An analysis of the Group's turnover, other revenue and gains, is as follows:

	2005	2004
	HK$'000	*HK$'000*
Turnover		
Travel and travel-related services	**432,034**	418,135
Property development and agency services	**49,457**	70,851
Hotel investment and management services	**1,062**	3,327
Financial services	**2,454**	1,923
Others	**423**	423
	485,430	494,659
Other revenue		
Interest income	**2,783**	1,324
Income arising from deposits on properties forfeited by purchasers	**15**	182
Visa income	**585**	805
Commission income	**4,716**	4,435
Dividend from unlisted long term investments	**–**	858
Others	**5,197**	2,921
	13,296	10,525
Gains		
Gain on capital distribution from unlisted long term investment	**–**	6,040
Gain arising from changes in fair value of investment properties	**1,965**	–
Gain arising from changes in fair value of financial assets	**436**	–
Gain on disposal of an associate	**30,233**	–
Negative goodwill recognised as income for the year	**–**	335
	32,634	6,375
	45,930	16,900

9. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	2005 HK$'000	2004 HK$'000 (Restated)
Cost of inventories sold	**973**	3,865
Cost of services provided	**388,678**	374,983
Cost of properties sold	**34,652**	52,799
Depreciation		
Owned property, plant and equipment	**2,733**	2,548
Amortisation		
Prepaid lease payment on land use right	**58**	57
Minimum lease payments under operating leases in respect of land and buildings	**8,173**	11,104
Auditors' remuneration		
– audit services	**694**	525
– other services	**299**	47
	993	572
Staff costs (including directors' remuneration, *note 11*):		
Wages and salaries	**38,627**	37,728
Pension contributions	**829**	1,607
Less: forfeited contributions	**(252)**	(228)
Net pension contributions	**577**	1,379
Total staff costs	**39,204**	39,107
Loss/(gain) on disposal of property, plant and equipment	**80**	(79)
Gain on disposal of financial assets at fair value through profit or loss**	**(79)**	–
Gain on disposal of available-for-sale financial assets**	**(278)**	–
Loss on disposal of an associate*	**450**	–
Loss on short term investments*	**–**	501
Loss on disposal of a jointly-controlled entity*	**–**	7,351
Loss on disposal of long term investments*	**–**	10,482
Share of (losses)/profits of associates (including share of tax attributable to an associate)	**(331)**	2,259
Foreign exchange loss/(gain), net	**5,164**	(179)

* *Loss on disposal of an associate, loss on short term investments, loss on disposal of a jointly-controlled entity and loss on disposal of long term investments are included in "Administrative expenses" on the face of the consolidated profit and loss account.*

** *Gain on disposal of available-for-sale financial assets and financial assets at fair value through profit or loss are included in "Turnover" on the face of the consolidated profit and loss account.*

At 31st December, 2005, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2004: Nil).

31st December, 2005

10. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**4,747**	3,972

11. DIRECTORS' REMUNERATION

	Group	
	2005	2004
	HK$'000	*HK$'000*
Fees:		
Executive Director	**8**	4
Non-Executive Directors	**45**	44
Other emoluments:		
Executive Directors:		
Basic salaries, housing, other allowances and benefits in kind	**1,303**	1,223
Pension contributions	**4**	27
	1,360	1.298

The emoluments paid or payable to each of the 9 (2004: 11) Directors were as follows:

2005

Name of Director	Directors' fees *HK$'000*	Basic salaries, housing, other allowances and benefits in kind *HK$'000*	Retirement benefits scheme contribution *HK$'000*	Total *HK$'000*
Executive Directors				
CHEANG Yoon Hoong (redesignated on 1st August, 2005)	5	805	–	810
CHAN Mok Seng (resigned on 12th September, 2005)	3	498	4	505
Non-executive Directors				
Tan Sri Dr. KHOO Kay Peng	5	–	–	5
KHET Kok Yin	5	–	–	5
TAN Lian Tee	5	–	–	5
Anthony YAP (Alternate Director to KHET Kok Yin)	–	–	–	–
Independent Non-executive Directors				
WONG Kim Ling	10	–	–	10
OOI Boon Leong @ LAW Weng Leun	10	–	–	10
OH Hong Choon	10	–	–	10
	53	1,303	4	1,360

2004

Name of Director	Directors' fees *HK$'000*	Basic salaries, housing, other allowances and benefits in kind *HK$'000*	Retirement benefits scheme contribution *HK$'000*	Total *HK$'000*
Executive Director				
CHAN Mok Seng	4	573	–	577
Non-executive Directors				
Tan Sri Dr. KHOO Kay Peng	5	–	–	5
CHEANG Yoon Hoong	5	650	27	682
KHET Kok Yin	5	–	–	5
TAN Lian Tee	5	–	–	5
Anthony YAP (Alternate Director to KHET Kok Yin)	–	–	–	–
Independent Non-executive Directors				
WONG Kim Ling	10	–	–	10
OOI Boon Leong @ LAW Weng Leun	3	–	–	3
OH Hong Choon	3	–	–	3
Edward SHEN (resigned on 1st April, 2004)	3	–	–	3
LI Man Bun (appointed on 16th February, 2004 and resigned on 1st September, 2004)	5	–	–	5
	48	1,223	27	1,298

There was no arrangement under which a Director waived or agreed to waive any remuneration for the years ended 31st December, 2004 and 2005.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2004: two) Directors, details of whose remuneration are set out in Note 11 to the financial statements above. The remuneration of each of the remaining three (2004: three) non-directors, highest paid employees fell within the band of Nil – HK$1,000,000 is analysed below:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Basic salaries, housing, other allowances and benefits in kind	**3,017**	2,923
Pension contributions	**41**	67
	3,058	2,990

During the year, no bonuses were paid or payable by the Group to the three non-directors, highest paid employees (2004: Nil).

13. TAX

(a) The amount of tax in the consolidated profit and loss account represents:

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Tax		
Overseas		
– current year	**1,315**	1,984
– overprovision in prior years	**(220)**	(2,976)
Deferred tax		
– current year	**40**	(1,110)
Tax charge/(credit)	**1,135**	(2,102)

No provision for Hong Kong profits tax has been made as the Company and the Group have no assessable profits arising in Hong Kong for the year (2004: Nil).

(b) Reconciliation between tax charge/(credit) and accounting loss at applicable tax rates:

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Loss before tax	**(6,389)**	(43,445)
Notional tax on profit/(loss) before tax, calculated at the rates applicable to profits/(losses) in the countries concerned	**(963)**	(6,720)
Tax effect of income that is not taxable in determining taxable profit	**(6,150)**	(1,406)
Tax effect of expenses that are not deductible in determining taxable profit	**1,788**	2,695
Tax effect of unused tax losses not recognised	**8,136**	7,670
Tax effect of utilisation of tax losses not previously recognised	**(749)**	(410)
Over provision in prior years	**(927)**	(3,931)
Tax charge/(credit)	**1,135**	(2,102)

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The loss attributable to equity holders of the parent includes a profit of HK$41,159,000 (2004: loss of HK$55,159,000) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the parent for the year of HK$7,312,000 (2004: HK$38,955,000) and on the 2,414,547,555 shares (2004: 2,414,547,555 shares) in issue during the year.

No diluted loss per share for the year ended 31st December, 2005 has been presented as there is no diluting event existed in this year.

The diluted loss per share for the year ended 31st December, 2004 had not been shown as the warrants outstanding during this year had an anti-dilutive effect on the basic loss per share for this year.

31st December, 2005

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings *HK$'000*	Office furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:				
At 1st January, 2004				
– as previously reported	224,150	31,226	3,745	259,121
– reclassification to prepaid lease payment on land use right upon adoption of HKAS 17 *(note 17)*	(3,140)	–	–	(3,140)
– as restated	221,010	31,226	3,745	255,981
Additions	–	602	70	672
Disposals	–	(4)	–	(4)
Exchange realignment	65	35	–	100
At 31st December, 2004, and 1st January, 2005	**221,075**	**31,859**	**3,815**	**256,749**
Additions	**–**	**1,550**	**–**	**1,550**
Disposals	**–**	**(223)**	**(92)**	**(315)**
Transfer from properties held for sale	**1,598**	**–**	**–**	**1,598**
Exchange realignment	**(250)**	**(83)**	**–**	**(333)**
At 31st December, 2005	**222,423**	**33,103**	**3,723**	**259,249**
Accumulated depreciation and impairment:				
At 1st January, 2004				
– as previously reported	119,615	30,060	3,297	152,972
– reclassification to prepaid lease payment on land use right upon adoption of HKAS 17 *(note 17)*	(381)	–	–	(381)
– as restated	119,234	30,060	3,297	152,591
Charge for the year	1,646	778	124	2,548
Disposals	–	(4)	–	(4)
Exchange realignment	25	36	–	61
At 31st December, 2004 and 1st January, 2005	**120,905**	**30,870**	**3,421**	**155,196**
Charge for the year	**1,876**	**719**	**138**	**2,733**
Disposals	**–**	**(153)**	**(82)**	**(235)**
Exchange realignment	**2**	**(84)**	**(1)**	**(83)**
At 31st December, 2005	**122,783**	**31,352**	**3,476**	**157,611**
Net book value:				
At 31st December, 2005	**99,640**	**1,751**	**247**	**101,638**
At 31st December, 2004 (Restated)	100,170	989	394	101,553

As explained in Note 2, the Group has applied HKAS 17 and reclassified leasehold land from property, plant and equipment to prepaid lease payments on land use right. Comparative figures have been restated.

The land and buildings, at cost, included above, are held on the following terms:

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Freehold, overseas	**3,023**	3,198
Long term leases, Hong Kong SAR	**190,998**	190,998
Long term leases, Mainland China	**28,402**	26,879
	222,423	221,075

At 31st December, 2005, certain property, plant and equipment with an aggregate net book value of HK$78,742,000 (2004: HK$79,780,000) have been pledged to secure banking facilities granted to the Group *(note 31)*.

Company

	Office furniture, fixtures and equipment	**Motor vehicles**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Cost :			
At 1st January, 2004	6,765	2,067	8,832
Additions	15	–	15
At 31st December, 2004	6,780	2,067	8,847
At 1st January, 2005 and 31st December, 2005	**6,780**	**2,067**	**8,847**
Accumulated depreciation:			
At 1st January, 2004	6,663	2,067	8,730
Charge for the year	79	–	79
At 31st December, 2004 and 1st January, 2005	**6,742**	**2,067**	**8,809**
Charge for the year	**31**	**–**	**31**
At 31st December, 2005	**6,773**	**2,067**	**8,840**
Net book value:			
At 31st December, 2005	**7**	**–**	**7**
At 31st December, 2004	38	–	38

17. PREPAID LEASE PAYMENT ON LAND USE RIGHT

Group

	HK$'000
Cost:	
At 1st January, 2004	
– as previously reported	–
– reclassification from land and buildings upon adoption of HKAS 17 *(note 16)*	3,140
Exchange realignment	2
At 31st December, 2004 and 1st January, 2005	**3,142**
Exchange realignment	**75**
At 31st December, 2005	**3,217**
Accumulated amortisation and impairment:	
At 1st January, 2004	
– as previously reported	
– reclassification from land and	–
buildings upon adoption of HKAS 17 *(note 16)*	381
Charge for the year	57
At 31st December, 2004 and 1st January, 2005	**438**
Charge for the year	**58**
Exchange realignment	**11**
At 31st December, 2005	**507**
Net book value:	
At 31st December, 2005	**2,710**
At 31st December, 2004 (Restated)	2,704

18. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Fair value of investment properties		
At beginning of year	**8,646**	7,074
Increase in fair value during the year	**1,965**	1,572
At end of year	**10,611**	8,646

The investment properties are situated in Hong Kong SAR and are held under long term leases. At 31st December, 2005, the fair value of the Group's investment properties was revalued at HK$10,611,000 on an open market value vacant possession basis. The valuation was carried out by RHL Appraisal Limited, an independent property valuer, who has staff that are Members of Association of Hong Kong Institution of Surveyors with recent experience in the relevant location. The investment properties are leased to Laura Ashley Limited, a related company of the Group, further details of which are included in Notes 36 and 39.

The investment properties have been pledged to a bank to secure banking facilities granted to the Group *(note 31)*.

Further particulars of the Group's investment properties are included on page 84.

19. PROPERTY UNDER DEVELOPMENT

	Group	
	2005	2004
	HK$'000	*HK$'000*
At cost	**32,910**	32,910
Provision for impairment	**(29,104)**	(29,104)
	3,806	3,806

20. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**1,904**	1,801

Details of the jointly-controlled entity as at 31st December, 2005 are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Owner-ship interest %	Voting power %	Profit sharing %	Principal activities
Beijing Morning Star – New Ark International Travel Service Co.,Ltd*	Corporate	The People's Republic of China	49	49	49	Provision of travel services

* *Not audited by RSM Nelson Wheeler or other RSM International member firms.*

21. INTERESTS IN ASSOCIATES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Unlisted shares, at cost	**–**	–	**23,405**	139,871
Share of net assets	**21**	160,163	**–**	–
Carrying value of negative goodwill on acquisition	**–**	(6,196)	**–**	–
Provision for impairment	**–**	–	**(23,405)**	(23,405)
	21	153,967	**–**	116,466

Details of the principal associates at 31st December, 2005 are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2005	2004	Principal activities
Plaza on Hyde Park Limited*	Corporate	United Kingdom	**–**	49	Hotel investment
Way Bright Investment Limited	Corporate	Hong Kong SAR	**50**	50	Provision of property agency services
Pearl's Tours and Travel Service Company Limited*	Corporate	Thailand	**49**	49	Provision of travel services

* *Not audited by RSM Nelson Wheeler or other RSM International member firms.*

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all associates would, in the opinion of the Directors, result in particulars of excessive length.

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22. INVESTMENTS

	Group 2005 HK$'000	2004 HK$'000
(a) Available-for-sale financial assets/long term investments:		
Listed equity investments, at fair value/cost:		
Hong Kong SAR	**258**	1,882
Overseas	**8,105**	15,063
	8,363	16,945
Provision for impairment	**–**	(1,142)
	8,363	15,803
Unlisted equity investments, at cost	**–**	396
	8,363	16,199
Market value of listed investments	**8,363**	11,664
(b) Financial assets at fair value through profit or loss/short term investments:		
Listed equity investments at market value		
Hong Kong SAR	**224**	2,811
Overseas	**2,807**	–
	3,031	2,811

As mentioned in Note 2, from 1st January, 2005, long term investments and short term investments were classified as available-for-sale financial assets and financial assets at fair value through profit or loss respectively in accordance with the requirements of HKAS 39.

23. OTHER ASSETS

	Note	Group 2005 HK$'000	2004 HK$'000
Loans to Land Traders Properties and Development Company, Inc. ("Land Traders")	*(i)*	**6,584**	6,314
Deposit with The Stock Exchange of Hong Kong Limited		**300**	305
Admission fees paid to Hong Kong Securities Clearing Company Limited		**150**	150
Contributions to Hong Kong Securities Clearing Company Limited Guarantee Fund		**150**	150
		7,184	6,919

Note:

(i) The loans were used by Land Traders to acquire a piece of land on which the Enrico Hotel, a hotel owned by Mansara Holding Company, Inc. ("Mansara"), a 61%-owned subsidiary of the Group, is built. These loans are secured by promissory notes. The Directors consider that the carrying values of loan receivables approximate to their fair value.

24. PLEDGED BANK BALANCES AND TIME DEPOSITS

The non-current pledged bank balances and time deposits are mainly pledged to certain banks to secure mortgage loan facilities granted to purchasers of properties of Morning Star Villa ("MSV") and Morning Star Plaza ("MSP").

25. DEFERRED TAX ASSETS

The movement for the year in the net deferred tax position of the Group is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
At beginning of year	**13,073**	11,944
Exchange realignment	**(10)**	19
(Charge)/credit to the consolidated profit and loss account	**(40)**	1,110
At end of year	**13,023**	13,073

The major deferred tax assets recognised by the Group are as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Depreciation in excess of depreciation allowances	**439**	445
Tax losses	**12,494**	12,494
Others	**90**	134
	13,023	13,073

At the balance sheet date, the Group had unused tax losses of HK$396,875,000 (2004: HK$360,886,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$54,600,000 (2004: HK$54,600,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$342,275,000 (2004: HK$306,286,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$16,039,000 (2004: HK$16,428,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

26. BALANCES WITH RELATED COMPANIES

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment, except for a balance due from Morning Star Villa Management Limited ("MVM") which bears interest at 2% above the Hong Kong dollar prime rate of The Hong Kong and Shanghai Banking Corporation Limited ("HSBC") per annum. Further details of the transactions with related companies are included in Note 39 to the financial statements.

27. TRADE RECEIVABLES

The Group grants credit periods of up to 30 days to its trade customers. An aging analysis of trade receivables as at the balance sheet date is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current	**6,134**	11,869
1 – 3 months	**3,040**	922
Over 3 months	**7,964**	6,137
	17,138	18,928

The Directors consider that the carrying values of trade receivables approximate to their fair value.

28. OTHER RECEIVABLES

		Group		Company	
		2005	2004	**2005**	2004
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest-bearing loan receivable	*(i)*	**8,000**	8,000	**–**	–
Deposits		**16,287**	16,526	**17**	17
Sundry debtors and prepayments		**9,895**	5,131	**581**	358
		34,182	29,657	**598**	375

Notes:

(i) The loan receivable is due from a shareholder of the Company. This loan is secured by listed securities, bears interest at the Hong Kong dollar prime rate of HSBC plus 1% per annum and is repayable within one year.

(ii) The Directors consider that the carrying values of other receivables approximate to their fair value.

31st December, 2005

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the trade payables, other payables and accruals is a trade payables balance of HK$32,361,000 (2004: HK$26,684,000). An aging analysis of trade payables as at the balance sheet date is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current	**26,964**	24,965
1 – 3 months	**4,694**	1,349
Over 3 months	**703**	370
	32,361	26,684

The Directors consider that the carrying values of trade payables, other payables and accruals approximate to their fair value.

30. BALANCES WITH ASSOCIATES AND A JOINTLY-CONTROLLED ENTITY

The balances with associates and a jointly-controlled entity are unsecured, interest-free and have no fixed terms of repayment. The Directors consider that the carrying values of the balances due approximate to their fair value.

31. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank overdrafts, secured	**19,297**	29,471	**–**	9,802
Bank loans, secured	**20,000**	130,000	**20,000**	130,000
	39,297	159,471	**20,000**	139,802
Bank loans and overdrafts repayable:				
Within one year	**39,297**	159,471	**20,000**	139,802

The ranges of effective interest rates paid were as follows:

	2005	2004
Bank overdrafts	**6.25% – 9.00%**	6.00% – 6.25%
Bank loans	**2.21% – 7.00%**	1.88% – 6.75%

The bank loans and overdrafts are secured by certain property, plant and equipment and the investment properties of the Group *(notes 16 and 18)*.

32. NON-INTEREST-BEARING OTHER BORROWINGS

The non-interest-bearing other borrowings represent short term loans of HK$26,446,000 (2004: HK$26,268,000) granted by the minority shareholders of subsidiaries which are unsecured, interest-free and have no fixed terms of repayment.

Included in non-interest-bearing other borrowings is a loan from a minority shareholder of HK$9,736,000 (2004: HK$9,558,000) which was previously included in minority interests. The amount due is unsecured, interest-free and has no fixed terms of repayment.

33. SHARE CAPITAL

	Company	
	2005	2004
	HK$'000	*HK$'000*
Shares		
Authorised:		
5,000,000,000 ordinary shares of HK$0.20 each	**1,000,000**	1,000,000
Issued and fully paid:		
2,414,547,555 ordinary shares of HK$0.20 each	**482,910**	482,910

Warrants

As a result of the rights issue completed in 2001, the exercise price of the Company's warrants, which were issued on 20th June, 2000 was adjusted from HK$0.20 per share to HK$0.19 per share with effect from 6th October, 2001. During the year, no warrants were exercised and all subscription rights to the outstanding warrants were expired.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

The amounts of the goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries/associates, are as follows:

	Goodwill included in goodwill reserve *HK$'000*	Negative goodwill included in goodwill reserve *HK$'000*
Cost at beginning and end of the year	**17,238**	**(164)**
Accumulated impairment at beginning and end of year	**(16,996)**	**–**
Adjustment for the adoption of HKFRS 3	**–**	**164**
Carrying amount at 31st December, 2005	**242**	**–**

(b) Company

	Share premium account *HK$'000*	Subscription rights reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1st January, 2004	3,423	2,905	(329,279)	(322,951)
Loss for the year	–	–	(55,159)	(55,159)
At 31st December, 2004 and at 1st January, 2005	**3,423**	**2,905**	**(384,438)**	**(378,110)**
Transfer to share premium for the expiry of subscription rights attaching to warrants	**2,905**	**(2,905)**	**–**	**–**
Profit for the year	**–**	**–**	**41,159**	**41,159**
At 31st December, 2005	**6,328**	**–**	**(343,279)**	**(336,951)**

35. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**43,254**	43,254
Loans to subsidiaries	**260,000**	260,000
	303,254	303,254
Provisions for impairment	**(233,000)**	(233,000)
	70,254	70,254

The loans to subsidiaries are unsecured, bear interest at the Hong Kong dollar prime rate of HSBC plus 2% per annum and are not repayable within one year.

Except for balances due from and due to subsidiaries, included in the Company's current assets and liabilities, amounting to HK$73,161,000 (2004: HK$43,033,000) and HK$27,519,000 (2004: HK$73,454,000) respectively which are interest-bearing at the Hong Kong dollar prime rate of HSBC plus 2% per annum, all other balances with subsidiaries included in the Company's current assets and liabilities are unsecured, interest-free and have no fixed terms of repayment. The Directors consider that the carrying values of the balances due approximate to fair value.

Details of the principal subsidiaries as at 31st December, 2005 are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company		Class of shares held	Principal activities
			Direct	Indirect		
Barilla Pty. Limited*	Australia	A$2	–	69.5	Ordinary	Property holding
Bright Profit Investments Limited	British Virgin Islands/ The People's Republic of China	US$50,000	–	55	Ordinary	Property development
Consing Investment Limited	Hong Kong SAR	HK$2	–	100	Ordinary	Investment holding
Genuine Gains Limited	British Virgin Islands/ Hong Kong SAR	US$1	–	100	Ordinary	Property investment
Jubilation Properties Limited	British Virgin Islands/ The People's Republic of China	US$50,000	–	55	Ordinary	Property development

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Class of shares held	Principal activities
Kingpin Assets Limited	British Virgin Islands	US$2	–	100	Ordinary	Investment holding
Mansara Holding Company, Inc.*	Philippines	Peso30,000,000	–	61	Ordinary	Hotel investment
Mansara International Limited	British Virgin Islands/ Philippines	US$100	–	61	Ordinary	Investment holding
Morning Star Finance Limited	Cayman Islands	HK$200	100	–	Ordinary	Investment holding
Morning Star Financial Services Limited	Hong Kong SAR	HK$42,924,000	97	–	Ordinary	Investment holding
Morning Star Foreign Exchange Limited	Hong Kong SAR	HK$300,000	–	100	Ordinary	Money lending
Morning Star Holdings (Australia) Limited*	Australia	A$13,402,501	–	69.5	Ordinary	Investment holding
Morning Star Holdings (Thailand) Limited*	Thailand	Baht25,000	100	–	Ordinary	Investment holding
Morning Star Hotel International Limited	Cayman Islands	HK$200	100	–	Ordinary	Investment holding
Morning Star Hotel Investments Limited	Cayman Islands	HK$200	100	–	Ordinary	Investment holding
Morning Star Investment Management Limited	Hong Kong SAR	HK$5,000,000	–	97	Ordinary	Provision of investment advisory services
Morning Star Properties Limited	British Virgin Islands	US$2	100	–	Ordinary	Investment holding
Morning Star Property Consultants Limited	Hong Kong SAR	HK$2	–	100	Ordinary	Provision of property consultancy services
Morning Star Travel International Limited	Cayman Islands	HK$200	100	–	Ordinary	Investment holding
Morning Star Securities Limited	Hong Kong SAR	HK$150,000,000	–	97	Ordinary	Securities broking

31st December, 2005

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Class of shares held	Principal activities
Morning Star Travel Service Limited	Hong Kong SAR	HK$90,000,000 HK$10,000,000	– –	100 100	Ordinary Non-voting deferred	Provision of travel services
Morning Star Travel Service Ltd.*	British Columbia, Canada	C$81,000	–	100	Ordinary	Provision of travel services
Morning Star Travel Service (Macau) Limited *	Macau	MOP1,000,000	–	100	Ordinary	Provision of travel services
Morning Star Traveller Plus Limited	Hong Kong SAR	HK$2	–	100	Ordinary	Provision of travel-related services
Remarkable Investments Limited	British Virgin Islands/ Hong Kong SAR	US$1	–	100	Ordinary	Property holding
Star Building (Holdings) Limited*	Thailand	Baht1,000,000	–	50.8	Ordinary	Property holding
Star Travel Service Limited	Hong Kong SAR	HK$1,050,000	–	100	Ordinary	Provision of travel services
Stowford Pty. Ltd*.	Australia	A$20	–	69.5	Ordinary	Hoteliers and caterers
Vista International Hotels Limited	Hong Kong SAR	HK$10 HK$300,000	– –	100 100	Ordinary Non-voting deferred	Hotel management
Vista Hotel Management Sdn Bhd*	Malaysia	MYR2 MYR500,000	– –	100 100	Ordinary Non-cumulative irredeemable 10% preference	Hotel management
Vista International Hotels Pty. Limited*	Australia	A$2	–	100	Ordinary	Hotel management
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	The People's Republic of China	US$4,600,000	–	55	Registered capital	Property development

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Class of shares held	Principal activities
Zhongshan Morning Star Villa Club Co., Ltd.	The People's Republic of China	US$1,400,000	–	49.5	Registered capital	Operation of the clubhouses in Morning Star Villa
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	The People's Republic of China	US$2,100,000	–	55	Registered capital	Property development

* *Not audited by RSM Nelson Wheeler or other RSM International member firms.*

The above table lists the subsidiaries of the Company as at 31st December, 2005 which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for a term of two years.

At 31st December, 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**107**	319
In the second to fifth years, inclusive	**–**	107
	107	426

(b) As lessee

The Group leases certain properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31st December, 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**8,459**	7,392
In the second to fifth years, inclusive	**4,776**	3,687
	13,235	11,079

37. CAPITAL COMMITMENTS

	Group	
	2005	2004
	HK$'000	HK$'000
Contracted for:		
Land and construction costs	**1,287**	18,402
Authorised, but not contracted for:		
Land and construction costs	**–**	163,448
	1,287	181,850

The above amount of HK$1,287,000 (2004: HK$181,850,000) relates to the development of the Group's property projects in Zhongshan, The People's Republic of China, into a residential and commercial complex.

Save as disclosed above, the Company and the Group had no other significant commitments at the balance sheet date.

38. CONTINGENT LIABILITIES

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Bank guarantees	**245,041**	274,453	**16,270**	37,881
Guarantee of banking facilities granted to a subsidiary	**–**	–	**5,500**	20,000
	245,041	274,453	**21,770**	57,881

Included in bank guarantees is an amount of HK$239,973,000 (2004: HK$268,628,000) (Company – 2005: HK$16,270,000; 2004: HK$37,881,000) in respect of buy-back guarantees in favour of banks to secure certain mortgage loans outstanding at the balance sheet date granted to the purchasers of properties of MSV and MSP developed by the Group.

39. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transactions with related parties:

	Notes	**2005** ***HK$'000***	2004 *HK$'000*
Rental income from a related company:			
Laura Ashley Limited ("LAL")	*(i)*	**423**	423
Architectural consultancy fees paid to:			
Shen & Partners Limited ("Shen & P")	*(ii)*	**–**	440
SRT Design (China) Limited ("SRT (China)")	*(ii)*	**–**	100
SRT Architect Limited ("SRT")	*(ii)*	**–**	16
Interest income from MVM	*(iii)*	**36**	18
Property management fees paid to MVM	*(iv)*	**103**	198
Acquisition of additional shares of Plaza on Hyde Park Limited ("POHP") from London Vista	*(v)*	**–**	21,114

Notes:

(i) LAL is a wholly-owned subsidiary of Laura Ashley Holdings plc ("LAH"). Tan Sri Dr. KHOO Kay Peng, the Non-Executive Chairman of the Company, is also the chairman of LAH. Pursuant to a tenancy agreement entered into between the Group and LAL in 2004, the Group leased an office area to LAL for a period of two years, commencing from 1st May, 2004. The rental charged to LAL was determined by reference to open market rentals.

(ii) Mr. Edward SHEN, an Independent Non-Executive Director of the Company, who resigned on 1st April 2004, is a director of, and holds a 60% interest in the issued share capital of Shen & P, which in turn holds a 50% interest in the issued share capital of each of SRT (China) and SRT. The fees were charged by reference to the then prevailing market rates.

(iii) MVM is engaged in the property management of Morning Star Villa ("MSV"). Certain Directors of the Company and its subsidiaries are also the directors of MVM. Interest at 2% above the Hong Kong dollar prime rate of HSBC per annum is charged on balances with MVM.

(iv) Property management fees paid to MVM represent the property management fees of the vacant units of MSV owned by Jubilation Properties Limited, which is engaged in the development of MSV. The property management fees on unsold units are determined based on half the rate per square foot charged to the other owners of MSV.

(v) *On 17th August, 2001, the Company entered into a sale and purchase agreement (the "Agreement") with London Vista Hotel Limited ("London Vista") to acquire a 40% equity interest in POHP at a consideration of HK$95,352,000. Pursuant to the Agreement, the Company was granted an option (the "Option"), which is exercisable within two years commencing from the date of the Agreement, to purchase an additional 11% equity interest in POHP at an exercise price of HK$25,806,000 which is subject to adjustment as provided in the Agreement.*

On 4th August, 2004, as mutually agreed between the Company and London Vista, the Company had withdrawn the Option notice served on 6th July, 2004 and served another Option notice to Vista London exercising the Option to acquire a further 9% interest in POHP at the consideration of HK$21,114,000.

Details of the Group's balances with related companies, loan receivable from a shareholder, balances with associates and a jointly-controlled entity at the balance sheet date are set out in Notes 26, 28 and 30 to the financial statements, respectively.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in Note 11 and certain of the highest paid employees as disclosed in Note 12, is as follows:

	2005	2004
	HK$'000	*HK$'000*
Short-term employee benefits	**3,017**	2,923
Post-employment benefits	**41**	67
	3,058	2,990

Total remuneration is included in "Staff costs" *(see note 9)*

40. COMPARATIVE FIGURES

The Group has adopted the new HKFRSs which are effective for accounting periods beginning on or after 1st January, 2005. Certain comparative figures for 2004 have been restated to conform with the new accounting policies. The effects of the significant changes in accounting policies are described in Notes 2 and 3.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 6th April, 2006.