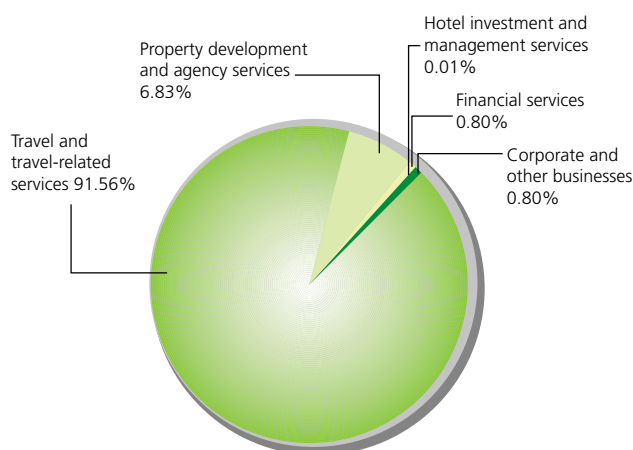


REVIEW OF FINANCIAL RESULTS

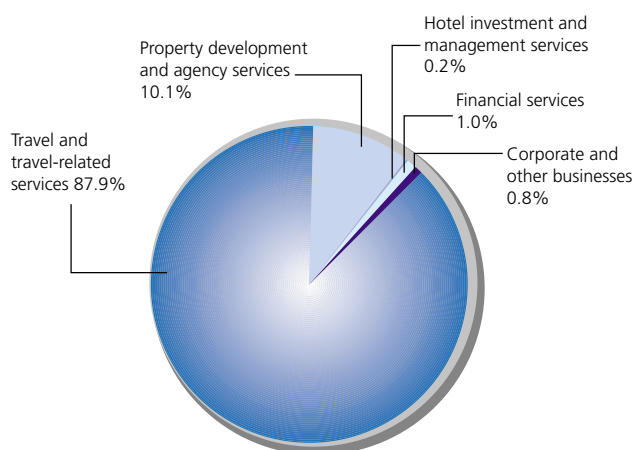
Financial Highlights

	2006		2005	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By business segments:				
Travel and travel-related services	444,136	(19,770)	432,034	(20,845)
Property development and agency services	33,111	(1,254)	49,457	762
Hotel investment and management services	8	(4,685)	1,062	28,694
Financial services	3,919	(3,345)	4,669	(1,252)
Corporate and other businesses	3,886	54,980	4,073	4,658
Eliminations	(4,986)	-	(5,865)	-
	480,074	25,926	485,430	12,017
Interest and dividend income	-	2,763	-	2,783
Unallocated expenses	-	(11,153)	-	(16,179)
Total	480,074	17,536	485,430	(1,379)

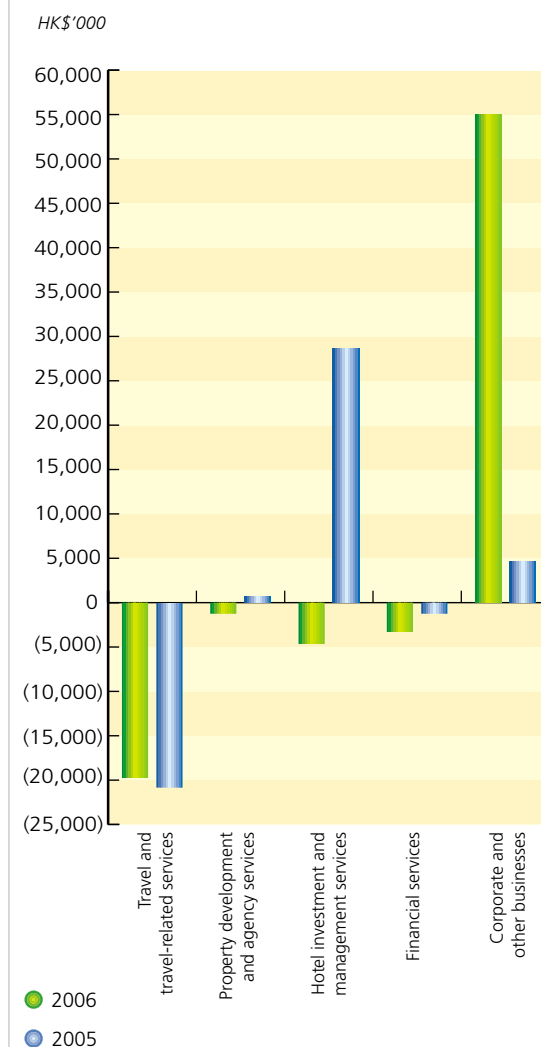
Turnover by Business Segments - 2006



Turnover by Business Segments - 2005

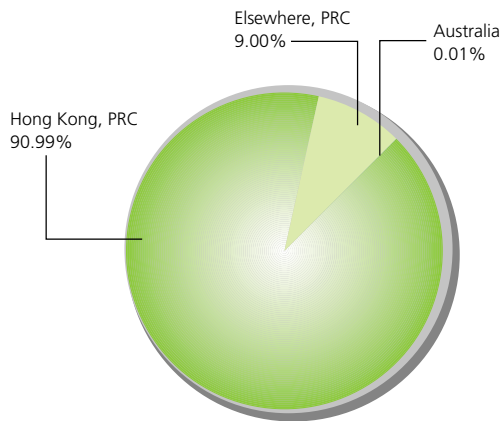


Contribution by Business Segments

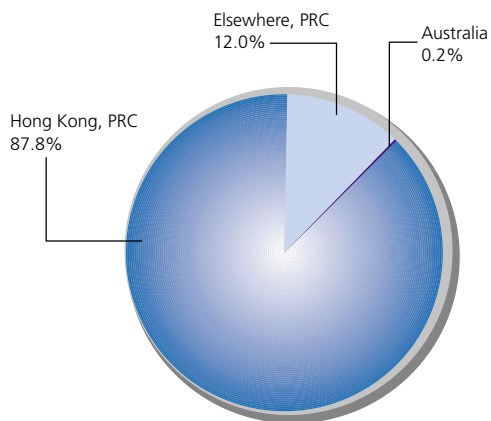


	2006		2005	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By geographical segments:				
People's Republic of China ("PRC")				
Hong Kong	436,350	29,034	425,904	(16,606)
Elsewhere	43,715	(1,267)	58,465	(142)
Australia	9	(2,034)	1,061	29,894
Other countries	-	193	-	(1,129)
Elimination	-	-	-	-
	480,074	25,926	485,430	12,017
Interest and dividend income	-	2,763	-	2,783
Unallocated expenses	-	(11,153)	-	(16,179)
Total	480,074	17,536	485,430	(1,379)

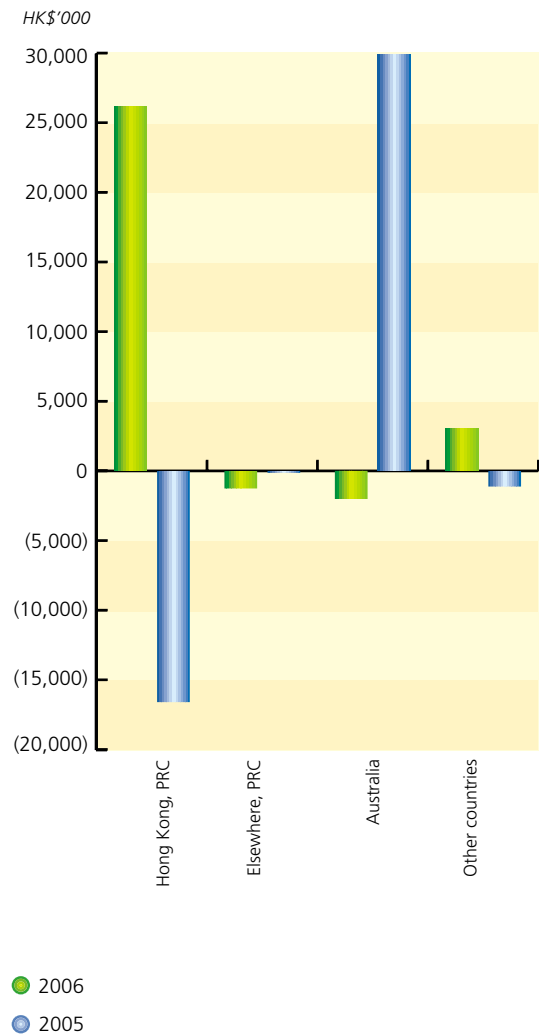
Turnover by Geographical Segments – 2006



Turnover by Geographical Segments – 2005



Contribution by Geographical Segments



Group Overview

For the year ended 31 December 2006, the Group's consolidated turnover amounted to HK\$480,074,000 a decrease of 1.1% as compared to HK\$485,430,000 for 2005. For the year under review, the Group recorded a profit from operating activities of HK\$17,536,000 as compared to a loss of HK\$1,379,000 for 2005. The profit from ordinary activities attributable to shareholders for the year ended 31 December 2006 amounted to HK\$14,880,000, against a loss of HK\$7,312,000 for 2005.

The Group's net profit was mainly due to the disposal of its properties on the 13th and 14th Floors of office premises together with four units of car parking spaces on the 4th Floor in AXA Centre, Wanchai, Hong Kong for an aggregate consideration of HK\$142.3 million, resulting in a gain of HK\$53.4 million.

Travel and Tourism Division

Hong Kong's economy continued to improve in 2006 with 6.5% GDP growth rate. Unemployment rate fell further to 4.3% by December 2006. Overall spending sentiment of consumers also improved in 2006.

Total turnover for the Group's Travel and Tourism Division for the year ended 31 December 2006 amounted to HK\$444,136,000, an increase of 3% compared to HK\$432,034,000 for 2005. The growth in turnover mainly came from the ticketing and travel package business segment of Morning Star Travel Service Limited ("MST"), the main travel arm of the Group. Despite the marginal growth in turnover, the Group's Travel and Tourism Division incurred an operating loss of HK\$19,770,000 for 2006 compared to a loss of HK\$20,845,000 for 2005 due to high operating costs and competitive business environment in the travel and tourism industry.

During the year under review, MST managed to develop and market more higher-priced products to cater to the needs of the middle-to-upper end of consumers, which resulted in higher overall gross profit margin. Moving forward, the management will focus on introducing more customer-oriented products, improving customer service quality of its staff, and enhancing advertising and promotional effectiveness. The management is also actively exploring approaches and implementing measures in order to operate the travel business in a more innovative and cost effective manner.

The management fully recognises the importance of the "Morning Star Travel" brand and always endeavors to enhance its brand value. In 2006, MST was awarded "Superbrands Hong Kong 2006/2007". During 2006, MST, in recognition of its contributions to the travel and tourism trade received numerous awards from various airlines, tourism boards and independent organizations, including: "2005 Top Agent Award" by Cathay Pacific Airways, "2005 Top Agent Award" by Asiana Airlines, "Gold Award 2005" by Malaysia Airlines, "2005 Million Dollars Sales Award" by China Airlines, "Star Pisces Best Performing Agent Award 2005" by Star Cruises, and "Hong Kong & Macau Merchants of Integrity Awards 2006-2007". In addition, MST obtained the ISO 9001: 2000 quality management system certificate in October 2006.

Economic indicators point to an encouraging business environment and promising growth rate for the travel and tourism industry. Nevertheless, a cautious and prudent approach would be adopted in the business as the management is aware that the travel and tourism industry is invariably affected by external political and economic factors such as rising crude oil prices, currency fluctuations, interest rates, geopolitical situations, natural disasters, terrorist attacks and outbreak of epidemics.

Property Division

The Group's property businesses are in Zhongshan, Guangdong Province, the People's Republic of China ("PRC"). For the year ended 31 December 2006, total turnover of the Group's Property Division amounted to HK\$33,111,000 compared to HK\$49,457,000 for 2005. The decrease in turnover was mainly due to lack of new completed residential units for sales. During 2006, the marketing efforts of the Property Division were focused on sales of unsold completed and re-purchased completed units of earlier completed phases in Morning Star Villa and Morning Star Plaza. Overall, 41 units and 67 units were sold in Morning Star Villa and Morning Star Plaza, respectively in 2006. For the year ended 31 December 2006, the Property Division recorded an operating loss of HK\$1,254,000 for 2006 compared to an operating profit of HK\$762,000 for 2005.

As at 31 December 2006, 98% and 84% of all residential and commercial units completed in Morning Star Villa and Morning Star Plaza, respectively, had been sold. The unsold units in the Morning Star Plaza were mainly commercial units requiring longer time to be sold. The management expects a more exciting year for 2007 as new units of four blocks of high-rise apartments under construction in Part 4, Morning Star Plaza would be ready for initial sales in the second half of 2007. The management is confident of a satisfactory sales performance for those new residential units as evidenced in the past sales track record.

Financial Services Division

Total turnover for the Group's Financial Services Division, mainly derived from its retail securities broking, for the year ended 31 December 2006 amounted to HK\$2.5 million as compared to HK\$2.4 million for 2005. The Financial Services Division recorded operating loss of HK\$3.3 million as compared to HK\$1.2 million for 2005.

Corporate and Other Businesses

On 23 June 2006, the Group disposed of its properties of 13th and 14th Floors office premises together with four units of car-parking spaces on the 4th Floor in AXA Centre, Wanchai, Hong Kong for an aggregate consideration of HK\$142.3 million resulting in a gain of HK\$53.4 million.

During the year under review, the Group also disposed of 46,588,503 shares representing its entire 69.52% interest in Morning Star Holdings (Australia) Limited, an indirect subsidiary of the Group, through on-market transactions. After the sale consideration, net of expenses, of HK\$12.7 million, the disposal incurred a net loss of HK\$3.9 million.

Geographical Segments

The revenue for Hong Kong mainly relates to travel and travel-related services and financial services while the revenue for elsewhere in the PRC relates principally to property development and agency services. The revenue for other countries relates to travel and travel-related services conducted outside of Hong Kong.

REVIEW OF BALANCE SHEET

Overview

Non-current assets as at 31 December 2006, consisting of property, plant and equipment, properties under development, investment in a jointly-controlled entity, investments in associates, available-for-sale financial assets, pledged bank balances and deferred tax assets, amounted to HK\$59,431,000, a decrease of HK\$93,233,000, compared to HK\$152,664,000 as at 31 December 2005. Current assets as at 31 December 2006 totalled HK\$396,241,000, against HK\$309,045,000 as at 31 December 2005. Current liabilities as at 31 December 2006 amounted to HK\$135,427,000, compared to HK\$172,411,000 as at 31 December 2005.

Capital Structure, Liquidity and Financial Resources

As at the balance sheet date, the Group's total borrowings was HK\$35,615,000 (2005: HK\$65,743,000) comprising short-term bank borrowings and non-interest-bearing other borrowings. The Group's available banking facilities not utilised totalled HK\$5,620,000 as at 31 December 2006 (2005: HK\$1,135,000).

The Group's current and long-term debts as at 31 December 2006 amounted to HK\$35,615,000 (2005: HK\$65,743,000). The Group's total equity as at the balance sheet date was HK\$320,245,000 (2005: HK\$289,298,000).

The Group's gearing ratio as at the balance sheet date was 11% compared to 23% for 2005. The gearing ratio was based on total current and long-term debts over the total equity of the Group. The Group's gearing ratio decreased in 2006 as the Group reduced its bank borrowings during the year.

As part of treasury management, the Group centralises funding for all of its operations at the Group level. The Group's foreign currency exposure relates mainly to Japanese yen, which is required by MST for settlement of tour costs incurred in Japan.

Capital Commitments

The Group had capital commitments, mostly authorised but not contracted for, totalling HK\$519,114,000 as at the balance sheet date (2005: HK\$1,287,000). Such commitments were in respect of the Group's property projects in Zhongshan, PRC, and will be satisfied by funds generated from the sales of such properties and from the Group's available cash and banking facilities.

Contingent Liabilities

As at 31 December 2006, the Group had contingent liabilities amounting to HK\$220,411,000 (2005: HK\$245,041,000). The contingent liabilities were in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by Morning Star Villa and Morning Star Plaza. The Directors considered that the fair value of such guarantees on initial recognition was insignificant.

Charges on Group Assets

As at the balance sheet date, certain asset of the Group was pledged to banks to secure banking facilities to an associate. In addition, non-current bank balances amounting to HK\$3,198,000 (2005: HK\$3,404,000) were pledged to certain banks to secure mortgage loan facilities to purchasers of properties developed by Morning Star Villa and Morning Star Plaza in Zhongshan, PRC.

STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2006 was 372 compared to 448 as at 31 December 2005. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group does not have a share option scheme for its employees. The Group continues to implement its overall human resources training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

NEW BUSINESS AND MATERIAL ACQUISITION

There was no material acquisition and new business for the year ended 31 December 2006.