For the year ended 31 December 2006

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the registered office and principal place of business of the Company are disclosed in "Corporate Information" Section of this Annual Report. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

In the opinion of the Directors of the Company, as at 31 December 2006, KKP Holdings Sdn Bhd and Soo Lay Holdings Sdn Bhd, companies incorporated in Malaysia, are the ultimate parents of the Company.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain properties and financial instruments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumption and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments, and areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interest of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Joint venture

A joint venture company is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. Investment in a jointly controlled entity is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

The gain or loss on the disposal of a jointly controlled entity represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the jointly controlled entity which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement. The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except for investments, investment properties, deferred tax assets, receivables, properties held for sale, properties held for sale under development and inventories to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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

The residual values, useful lives and deprecation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(g) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are included in the income statement for the year in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the income statement.

(h) Properties under development

Properties under development are stated at cost less any impairment losses. Costs include acquisition costs, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. On completion, the properties are reclassified to property, plant and equipment at the then carrying amount.

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(j) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

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

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are investments not classified as held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of inventories, principally comprising foodstuffs, liquor and other consumables, comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Properties held for sale (under development)

Properties held for sale (under development) are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on prevailing market condition.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(n) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in the income statement on a straight-line basis over the terms of the guarantee contracts.

(s) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, on the following basis:

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

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

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

(iv) income from the sale of properties is recognised on completion of binding sale agreements;

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

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

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

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

(u) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(v) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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, until such time as 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 eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(x) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(y) 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.

(z) Related parties

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) 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 (iv) or (v); or

(vii) 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.

(aa) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, properties, investments, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

4. CRITICAL JUDGMENTS AND KEY ESTIMATES

Estimates and judgments 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.

(a) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's 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 charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. 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 difference, 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.

5. FINANCIAL RISK MANAGEMENT

The Group's major financial assets and liabilities include bank balances and cash, equity investments, borrowing, trade and other receivables, trade and other payables, due from/to related companies. 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.

(a) Currency risk

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

The Group currently does not have a foreign currency hedging policy. The Group does not use any derivative instrument 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.

(b) Price risk

The Group's investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The Directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

(c) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables and loan receivables. In order to minimise credit risk, management 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 individual trade receivables regularly at each balance sheet date to ensure that adequate 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.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(e) 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 29 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.

6. 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.

Inter-segment 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		Financial services		Corporate and other businesses		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	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*
Segment revenue:														
Sales to external customers	**444,136**	432,034	**33,111**	49,457	**8**	1,062	**2,512**	2,454	**307**	423	**–**	–	**480,074**	485,430
Intersegment sales	**–**	–	**–**	–	**–**	–	**1,407**	2,215	**3,579**	3,650	**(4,986)**	(5,865)	**–**	–
Other revenue	**6,349**	7,002	**1,676**	3,483	**–**	24	**–**	–	**192**	4	**–**	–	**8,217**	10,513
Total revenue	**450,485**	439,036	**34,787**	52,940	**8**	1,086	**3,919**	4,669	**4,078**	4,077	**(4,986)**	(5,865)	**488,291**	495,943
Segment results	**(19,770)**	(20,845)	**(1,254)**	762	**(4,685)**	28,694	**(3,345)**	(1,252)	**54,980**	4,658	**–**	–	**25,926**	12,017
Interest and dividend income													**2,763**	2,783
Unallocated expenses													**(11,153)**	(16,179)
Profit/(loss) from operation													**17,536**	(1,379)
Finance costs													**(1,882)**	(4,747)
Share of (losses)/ profits of associates	**(21)**	(1,207)	**2**	1	**–**	875	**–**	–	**–**	–	**–**	–	**(19)**	(331)
Shares of profit of a jointly-controlled entity	**85**	68	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**85**	68
Profit/(loss) before tax													**15,720**	(6,389)
Income tax expenses													**(2,038)**	(1,135)
Profit/(loss) for the year													**13,682**	(7,524)
Segment assets	**69,935**	77,691	**244,339**	282,953	**29,387**	37,407	**61,697**	58,679	**201,982**	185,331	**(160,116)**	(193,671)	**447,224**	448,390
Investments in associates	**–**	21	**2**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2**	21
Investment in a jointly–controlled entity	**2,058**	1,904	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,058**	1,904
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**6,388**	11,394
Total assets													**455,672**	461,709
Segment liabilities	**210,249**	198,206	**23,970**	37,658	**5,135**	11,615	**13,243**	9,564	**58,441**	52,921	**(192,321)**	(193,702)	**118,717**	116,262
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**16,710**	56,149
Total liabilities													**135,427**	172,411
Other segment information:														
Capital expenditure	**1,697**	1,236	**13**	271	**–**	43	**60**	–	**518**	–	**–**	–	**2,288**	1,550
Depreciation	**1,339**	633	**1,073**	987	**34**	30	**28**	10	**538**	1,073	**–**	–	**3,012**	2,733

(ii) Geographical segments

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

	Hong Kong		Elsewhere in the PRC		Australia		Other countries		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	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	**436,350**	425,904	**43,715**	58,465	**9**	1,061	**–**	–	**–**	–	**480,074**	485,430
Other revenue	**6,136**	6,671	**1,831**	3,625	**–**	2	**250**	215	**–**	–	**8,217**	10,513
Total revenue	**442,486**	432,575	**45,546**	62,090	**9**	1,063	**250**	215	**–**	–	**488,291**	495,943
Other segment information:												
Segment assets	**214,386**	149,351	**301,600**	286,917	**10,159**	24,926	**41,417**	46,057	**(111,890)**	(45,542)	**455,672**	461,709
Expenditure information:												
Capital expenditure	**2,275**	1,218	**13**	289	**–**	43	**–**	–	**–**	–	**2,288**	1,550

7. TURNOVER

The Group's turnover represents net invoiced value of services rendered, hotel income, agency fee income, proceeds from the sale of properties and income from financial services and securities broking, after eliminating intra-group transactions.

	2006	2005
	HK$'000	*HK$'000*
Travel and travel-related services	**444,136**	432,034
Property development and agency services	**33,111**	49,457
Hotel investment and management	**8**	1,062
Financial services	**2,512**	2,454
Others	**307**	423
	480,074	485,430

8. OTHER INCOME

	2006 HK$'000	2005 HK$'000
Other revenue		
Interest income	**2,763**	2,783
Income arising from deposits on properties forfeited by purchasers	**–**	15
Visa income	**621**	585
Commission income	**4,573**	4,716
Others	**3,023**	5,197
	10,980	13,296
Gains/(losses)		
Gains arising from changes in fair value of investment properties	**–**	1,965
(Losses)/gains arising from changes in fair value of financial assets at fair value through profit or loss	**(1,490)**	436
Loss on disposals of available-for-sale financial assets	**(2,485)**	–
Gain on disposals of financial assets at fair value through profit or loss	**852**	–
Gain on disposal of an associate	**–**	30,233
Gain on disposals of investment properties and land and buildings	**53,416**	–
Foreign exchange gains, net	**848**	–
	51,141	32,634
	62,121	45,930

9. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on bank loans and overdrafts	**1,882**	4,747

For the year ended 31 December 2006

10. INCOME TAX EXPENSE

(a) The amount of tax in the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Current tax – overseas		
Provision for the year	**1,008**	1,315
Over-provision in prior years	**–**	(220)
Deferred tax *(Note 23)*	**1,030**	40
	2,038	1,135

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the year (2005:Nil).

(b) The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the applicable tax rates is as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) before tax	**15,720**	(6,389)
Notional tax on profit/(loss) before tax, calculated at the rates applicable to profits/(losses) in the countries concerned	**2,428**	(963)
Tax effect of income that is not taxable	**(4,960)**	(6,150)
Tax effect of expenses that are not deductible	**3,029**	1,788
Tax effect of tax losses not recognised	**4,039**	8,136
Tax effect of utilisation of tax losses not previously recognised	**(3,501)**	(749)
Tax losses previously recognised and reversed	**1,003**	–
Tax effect of temporary difference	**–**	(707)
Over-provision in prior years	**–**	(220)
Income tax expense	**2,038**	1,135

11. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2006 *HK$'000*	2005 *HK$'000*
Cost of inventories sold	**845**	973
Cost of services provided	**398,854**	388,678
Cost of properties sold	**22,956**	34,652
Depreciation	**3,012**	2,733
Minimum lease payments under operating leases in respect of land and buildings	**11,339**	8,231
Auditors' remuneration	**781**	694
Staff costs (including directors' remuneration, *Note 12)*		
Wages and salaries	**37,243**	38,627
Pension contributions	**1,618**	829
Less: forfeited contributions	**(424)**	(252)
Net Pension contributions	**1,194**	577
Total staff costs	**38,437**	39,204
Loss on write off of property, plant and equipment	**15**	–
Loss on disposal of property, plant and equipment	**–**	80
Loss on disposal of a subsidiary	**3,871**	–
Loss on disposal of an associate	**–**	450
Foreign exchange (gains)/losses, net	**(848)**	5,164

12. DIRECTORS' REMUNERATION

	2006 *HK$'000*	2005 *HK$'000*
Fees:		
Executive Directors	**6**	8
Non-Executive Directors	**45**	45
Other emoluments:		
Executive Directors:		
Basic salaries, housing, other allowances and benefits in kind	**947**	1,303
Pension contributions	**–**	4
	998	1,360

The emoluments paid or payable to each of the 10 (2005:9) Directors were as follows:

2006

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				
WONG Nyen Faat (appointed on 1 November 2006)	1	107	–	108
Non-Executive Directors				
Tan Sri Dr. KHOO Kay Peng	5	–	–	5
CHEANG Yoon Hoong (redesignated on 7 February 2007)	5	840	–	845
KHET Kok Yin	5	–	–	5
TAN Lian Tee (resigned on 26 September 2006)	4	–	–	4
CHAN Choung Yau (appointed as Alternate Director to KHET Kok Yin on 9 May 2006 and as Non-Executive Director on 26 September 2006)	1	–	–	1
Anthony YAP (resigned as Alternate Director to KHET Kok Yin on 19 January 2006)	–	–	–	–
Independent Non-Executive Directors				
WONG Kim Ling	10	–	–	10
OOI Boon Leong @ LAW Weng Leun	10	–	–	10
OH Hong Choon	10	–	–	10
	51	947	–	998

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 1 August 2005)	5	805	–	810
CHAN Mok Seng (resigned on 12 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

There was no arrangement under which a Director waived or agreed to waive any remuneration for the years ended 31 December 2005 and 2006.

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2005: two) director, details of whose remuneration are set out in note 12 to the financial statements above. The remuneration of each of the remaining four (2005: three) non-directors, highest paid employees falling within the band of Nil – HK$1,000,000 is analysed below:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, housing, other allowances and benefits in kind	**2,435**	3,017
Pension contributions	**53**	41
	2,488	3,058

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings (2005: loss) per share attributable to equity holders of the Company is based on the profit attributable to equity holders of the Company of approximately HK$14,880,000 (2005: loss attributable to equity holders of the Company of approximately HK$7,312,000) and the weighted average number of ordinary shares of 2,414,547,555 shares (2005: 2,414,547,555 shares) in issue during the year.

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2006 and 2005.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Office furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost				
At 1 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 difference	(250)	(83)	–	(333)
At 31 December 2005 and 1 January 2006	**222,423**	**33,103**	**3,723**	**259,249**
Additions	**–**	**1,838**	**450**	**2,288**
Disposals	**(190,998)**	**(1,576)**	**(2,340)**	**(194,914)**
Exchange difference	**611**	**337**	**89**	**1,037**
At 31 December 2006	**32,036**	**33,702**	**1,922**	**67,660**
Accumulated depreciation and impairment				
At 1 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 difference	2	(84)	(1)	(83)
At 31 December 2005 and 1 January 2006	**122,783**	**31,352**	**3,476**	**157,611**
Charge for the year	**1,348**	**1,518**	**146**	**3,012**
Disposals	**(112,775)**	**(1,561)**	**(2,340)**	**(116,676)**
Exchange difference	**230**	**324**	**67**	**621**
At 31 December 2006	**11,586**	**31,633**	**1,349**	**44,568**
Carrying amount				
At 31 December 2006	**20,450**	**2,069**	**573**	**23,092**
At 31 December 2005	99,640	1,751	247	101,638

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

	2006 **HK$'000**	2005 HK$'000
Freehold, overseas	**3,573**	3,023
Long term leases, Hong Kong	**–**	190,998
Long term leases, Mainland China	**28,463**	28,402
	32,036	222,423

At 31 December 2005, the carrying amount of land and building located in Hong Kong amounted to HK$78,742,000 was pledged to secure banking facilities granted to the Group *(Note 29)*.

At 31 December 2006, the carrying amount of land and building located outside Hong Kong amounted to HK$1,993,000 was pledged to secure banking facilities granted to an associate *(Note 38)*.

16. PREPAID LAND LEASE PAYMENTS

	HK$'000
Cost	
At 1 January 2005	3,142
Exchange difference	75
At 31 December 2005 and 1 January 2006	**3,217**
Exchange difference	**119**
At 31 December 2006	**3,336**
Accumulated amortisation	
At 1 January 2005	438
Charge for the year	58
Exchange difference	11
At 31 December 2005 and 1 January 2006	**507**
Charge for the year	**60**
Exchange difference	**19**
At 31 December 2006	**586**
Carrying amount	
At 31 December 2006	**2,750**
At 31 December 2005	2,710

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under medium term leases.

17. PROPERTY UNDER DEVELOPMENT

	2006 HK$'000	2005 HK$'000
At cost	**32,910**	32,910
Provision for impairment	**(29,104)**	(29,104)
	3,806	3,806

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	2006 HK$'000	2005 HK$'000
Unlisted investments		
Share of net assets	**2,058**	1,904

Details of the jointly-controlled entity as at 31 December 2006 are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Ownership 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 service

The following amounts are the Group's share of the jointly-controlled entity that are accounted for by the equity method of accounting.

	2006 HK$'000	2005 HK$'000
At 31 December		
Current assets	**4,928**	4,031
Non-current assets	**324**	315
Current liabilities	**(3,194)**	(2,442)
Net assets	**2,058**	1,904
Year ended 31 December		
Turnover	**40,012**	33,982
Expenses	**39,939**	33,913

19. INVESTMENTS IN ASSOCIATES

	2006	2005
	HK$'000	*HK$'000*
Unlisted investments		
Share of net assets	**2**	21

Details of the Group's associates at 31 December 2006 are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2006	2005	Principal activities
Way Bright Investment Limited	Corporate	Hong Kong	**50**	50	Provision of property agency services
Pearl's Tours and Travel Service Company Limited	Corporate	Thailand	**49**	49	Provision of travel services

Summarised financial information in respect of the Group's associates is set out below:

	2006	2005
	HK$'000	*HK$'000*
At 31 December		
Total assets	**6,678**	6,447
Total liabilities	**(9,777)**	(7,199)
Net liabilities	**(3,099)**	(752)
Group's share of associates' net assets	**2**	21
Year ended 31 December		
Total revenue	**14,559**	9,829
Total loss for the year	**(2,171)**	(2,462)
Group's share of associates' losses for the year	**(19)**	(331)

The Group has not recognised losses amounting to HK$1,045,000 (2005: HK$Nil) for the Group's associates during the year. The accumulated losses of the Group's associates not recognised were HK$1,653,000 (2005: HK$610,000) as at 31 December 2006.

20. INVESTMENTS

	2006 HK$'000	2005 HK$'000
(a) Available-for-sale financial assets		
Equity securities, at fair value		
Listed in Hong Kong	**389**	258
Listed in overseas	**4,456**	8,105
Market value of listed securities	**4,845**	8,363
(b) Financial assets at fair value through profit or loss		
Equity securities, at fair value		
Listed in Hong Kong	**279**	224
Listed in overseas	**1,262**	2,807
Market value of listed securities	**1,541**	3,031

21. OTHER ASSETS

	2006 HK$'000	2005 HK$'000
Loans to Land Traders Properties and Development Company, Inc. ("Land Traders") *(Note)*	**7,137**	6,584
Deposit with The Stock Exchange of Hong Kong Limited	**300**	300
Admission fees paid to Hong Kong Securities Clearing Company Limited	**150**	150
Contributions to Hong Kong Securities Clearing Company Limited Guarantee Fund	**150**	150
	7,737	7,184

Note:

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., a 61%-owned subsidiary of the Group, is built. These loans are secured by promissory notes with no fixed repayment terms. The Directors consider that the carrying value of loan receivables approximate to their fair value.

22. PLEDGED BANK BALANCES AND CASH AND CASH EQUIVALENTS

The non-current pledged bank balances 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").

As at 31 December 2006, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to HK$6,984,000 (2005: HK$7,749,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. DEFERRED TAX ASSETS

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

	2006	2005
	HK$'000	*HK$'000*
At beginning of year	**13,023**	13,073
Disposal of a subsidiary	**(81)**	–
Exchange difference	**31**	(10)
Charge to the consolidated income statement	**(1,030)**	(40)
At end of year	**11,943**	13,023

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

	2006	2005
	HK$'000	*HK$'000*
Depreciation in excess of depreciation allowances	**440**	439
Tax losses	**11,494**	12,494
Others	**9**	90
	11,943	13,023

At the balance sheet date, the Group had unused tax losses of approximately HK$377,208,000 (2005: HK$396,875,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$52,467,000 (2005: HK$54,600,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$324,741,000 (2005: HK$342,275,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$7,000,000 that will expire during 2008 to 2009. Other 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 amounted to approximately HK$10,100,000 (2005: HK$16,039,000). 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.

24. 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 38 to the financial statements.

25. 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:

	2006	2005
	HK$'000	*HK$'000*
Current	**11,132**	6,134
1 – 3 months	**3,648**	3,040
4 – 12 months	**2,071**	6,349
Over 1 year	**1,590**	1,615
	18,441	17,138

26. OTHER RECEIVABLES

	2006	2005
	HK$'000	*HK$'000*
Interest-bearing loan receivable *(Note)*	**8,000**	8,000
Deposits	**13,247**	16,287
Sundry debtors and prepayments	**10,384**	9,895
	31,631	34,182

Note:

The interest-bearing 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.

27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the trade payables, other payables and accruals are trade payables of approximately HK$46,548,000 (2005: HK$32,361,000). An aging analysis of trade payables as at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
Current	**36,391**	26,964
1 – 3 months	**9,399**	4,694
4 – 12 months	**673**	703
Over 1 year	**85**	–
	46,548	32,361

28. 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.

29. INTEREST-BEARING BANK BORROWINGS

	2006	2005
	HK$'000	*HK$'000*
Bank overdrafts, secured	**8,811**	19,297
Bank loans, secured	**–**	20,000
	8,811	39,297
Bank loans and overdrafts are repayable as follows:		
Within one year	**8,811**	39,297

The carrying amounts of the Group's borrowings are dominated in Hong Kong dollars. The ranges of effective interest rates paid as follows:

	2006	2005
Bank overdrafts	**5.15% – 9.00%**	6.25% – 9.00%
Bank loans	**4.99% – 7.10%**	2.21% – 7.00%

At 31 December 2005, bank loans and overdrafts were secured by certain property, plant and equipment and the investment properties of the Group. The securities were released after the Group disposed of the related property, plant and equipment and the investment properties during the year.

At 31 December 2006, the bank overdrafts facility and letter of guarantee facility were secured by the cross guarantees from a subsidiary *(Note 37)*.

30. NON-INTEREST-BEARING OTHER BORROWINGS

The non-interest-bearing other borrowings represent short term loans of HK$26,804,000 (2005: HK$26,446,000) granted by the minority shareholders of subsidiaries which are unsecured, interest-free and have no fixed terms of repayment.

31. SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'000*
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

32. BALANCE SHEET OF THE COMPANY

	2006	2005
	HK$'000	*HK$'000*
Investments in subsidiaries	**43,254**	70,254
Due from subsidiaries	**89,861**	167,495
Due from associates	**67**	61
Cash and cash equivalents	**115,304**	84
Other assets	**992**	605
Due to subsidiaries	**(69,960)**	(71,385)
Interest-bearing bank borrowings	**–**	(20,000)
Other current liabilities	**(922)**	(1,155)
NET ASSETS	**178,596**	145,959
Share capital	**482,910**	482,910
Reserves	**(304,314)**	(336,951)
TOTAL EQUITY	**178,596**	145,959

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 32 of the financial statements.

(b) Company

	Share premium account HK$'000	Subscription right reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 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 31 December 2005 and at 1 January 2006	**6,328**	**–**	**(343,279)**	**(336,951)**
Profit for the year	**–**	**–**	**32,637**	**32,637**
At 31 December 2006	**6,328**	**–**	**(310,642)**	**(304,314)**

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of a subsidiary

During the year, the Group disposed of its entire interest in the subsidiary, Morning Star Holdings (Australia) Limited.

	2006 HK$'000
Net assets at the date of disposal were as follows:	
Deferred tax assets	**81**
Other receivables	**27**
Cash and cash equivalents	**15,767**
Trade payables, other payables and accruals	**(339)**
Minority interests	**(5,754)**
Net assets disposed of	**9,782**
Released of foreign currency translation reserve	**6,761**
Loss on disposal of a subsidiary	**(3,871)**
Total consideration – satisfied by cash	**12,672**
Net cash outflow arising on disposal:	
Cash consideration received	**12,672**
Cash and cash equivalents disposed of	**(15,767)**
	(3,095)

35. LEASE COMMITMENTS

At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**9,591**	8,459
In the second to fifth years, inclusive	**4,296**	4,776
	13,887	13,235

36. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows:

	2006	2005
	HK$'000	*HK$'000*
Land and construction costs		
Contracted but not provided for	**35,361**	1,287
Authorised but not contracted for	**483,753**	–
	519,114	1,287

The above commitments are in respect of 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 Group had no other significant commitments at the balance sheet date.

37. 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 guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by Zhongshan Morning Star Villa Housing and Real Estate Development Limited and Zhongshan Morning Star Plaza Housing and Real Estate Development Limited. The Directors considered that the fair value of such guarantees at the date of inception on initial recognition were insignificant.

38. MATERIAL RELATED PARTY TRANSACTIONS

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

	Note	2006 HK$'000	2005 HK$'000
Rental income from a related company:			
Laura Ashley Limited ("LAL")	*(i)*	**368**	423
Interest income from MVM	*(ii)*	**50**	36
Property management fees paid to MVM	*(iii)*	**124**	103

Note:

(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 1 May 2004. The rental charged to LAL was determined by reference to open market rentals.

(ii) 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 per annum is charged on balances with MVM.

(iii) 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.

(b) The land and building located outside Hong Kong was pledged to a bank to secure banking facilities of approximately HK$1,100,000 granted to an associate during the year.

(c) Details of the Group's balances with jointly-controlled entities, associates, related companies and loan receivable from a shareholder at the balance sheet date are set out in notes 18, 19, 24, 26 and 28 to the financial statements, respectively.

39. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2006 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 Direct	Indirect	Class of shares held	Principal activities
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	HK$2	–	100	Ordinary	Investment holding
Genuine Gains Limited	British Virgin Islands/ Hong Kong	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
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	HK$42,924,000	97	–	Ordinary	Investment holding
Morning Star Foreign Exchange Limited	Hong Kong	HK$300,000	–	100	Ordinary	Money lending
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

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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 Investment Management Limited	Hong Kong	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	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	HK$150,000,000	–	97	Ordinary	Securities broking
Morning Star Travel Service Limited	Hong Kong	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	HK$2	–	100	Ordinary	Provision of travel-related services
Remarkable Investments Limited	British Virgin Islands/ Hong Kong	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	HK$1,050,000	–	100	Ordinary	Provision of travel services
Vista International Hotels Limited	Hong Kong	HK$10 HK$300,000	– –	100 100	Ordinary Non-voting deferred	Hotel management

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
Vista Hotel Management Sdn Bhd	Malaysia	MYR2	–	100	Ordinary	Hotel management
		MYR500,000	–	100	Non-cumulative irredeemable 10% preference	
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
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

The above table lists the subsidiaries of the Company as at 31 December 2006 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.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 May 2007.