



星晨集團有限公司

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

Annual Report 2007

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DIRECTORS

Tan Sri Dr. KHOO Kay Peng, *P.S.M., D.P.M.J., K.M.N., J.P., Hon D Litt (Curtin), Hon LLD*, Chairman

WONG Nyen Faat, *B. Sc. Ed. (Hons), M.B.M.*, Executive Director

KHET Kok Yin, *B. Econ. (Hons.)*

CHEANG Yoon Hoong, *B. Com., C.A., M.B.A., C.A. (M), F.C.P.A.*

CHAN Choung Yau, *CA(M), FCCA* (also as Alternate Director to KHET Kok Yin)

WONG Kim Ling *

OOI Boon Leong @ LAW Weng Leun, *M.A., LL.M. (Cantab)* *

OH Hong Choon, *B.A. (Hons.)* *

* *Independent Non-Executive Director*

JOINT COMPANY SECRETARIES

HO Kuan Lai

MOK Ho Ming, *C.P.A.*

PRINCIPAL BANKERS

Citibank, N.A.

CITIC Ka Wah Bank Limited

Malayan Banking Berhad

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

AUDITOR

Parker Randall CF (H.K.) CPA Limited (formerly known as C&F CPA Limited)

Room 201, 2nd Floor

Two Grand Tower

625 Nathan Road

Kowloon, Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited (formerly known as Tengis Limited)

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

REGISTERED OFFICE

The Offices of Caledonian Bank & Trust Limited

P.O. Box 1043

George Town

Grand Cayman KY1-1102

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1803, 18th Floor

Tower 1, Enterprise Square

9 Sheung Yuet Road

Kowloon Bay

Kowloon, Hong Kong

On behalf of the Board of Directors, I present the Annual Report of the Company and the Group for the year ended 31 December 2007.

FINANCIAL RESULTS

The Group recorded a pre-tax loss of HK\$6.5 million for the year ended 31 December 2007 (2006: HK\$15.7 million profit). However, there was a one-off gain of HK\$53.4 million from the disposal of the Group's office property included in last year's profit. Excluding the gain from such disposal, the Group's loss before tax for 2007 was HK\$6.5 million compared to a loss of HK\$37.7 million for 2006.

The Group's consolidated net loss attributable to the equity shareholders for 2007 amounted to HK\$10.8 million (2006: HK\$14.9 million profit).

DIVIDEND

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2007 (2006: Nil).

REVIEW OF OPERATIONS

Travel & Tourism Division

Website: www.morningstar.com.hk

The general economic conditions in Hong Kong remained strong in 2007 with a real Gross Domestic Product growth of 6.3%. Unemployment rate was kept at a low level of 4.0% compared to 4.8% in 2006. The Hong Kong stock market was relatively bullish in 2007. Overall spending sentiments of consumers also improved in 2007.

Operating under more favourable business conditions in 2007, the Group's Travel & Tourism Division, spearheaded by Morning Star Travel Service Limited ("MST"), registered a higher turnover of HK\$485 million for 2007 (2006: HK\$444 million). Coupled with effective product rationalisation and better marketing strategies as well as tighter cost management, the Travel & Tourism Division recorded a modest profit of HK\$0.6 million (2006: HK\$19.8 million loss).



Superbrands Hong Kong 2006/2007



Caring Company 2007/08



ISO9001:2000 quality management system certification

Chairman's Statement



2007 Mother's Day Tour to Shenzhen



2007 Marathon Tour in Taipei



Roadshow at Olympian City II, Hong Kong - 2007 Korea Ski & Snow Festival



Roadshow at Kai Tin Shopping Centre, Lam Tin, Hong Kong - 2007 Taiwan Travel Fair



Relocation of Shatin Branch to Citylink Plaza, Welcome You!

The Group's renowned "Morning Star Travel" brand continued to gain industry recognition for its role and contribution to the travel and tourism trade. During the year, MST received numerous awards from various airlines, tourism boards and independent organisations including the following:

- (a) "Top Agent Award 2006" by Japan Airlines;
- (b) "Top Agent Award 2006" by Asiana Airlines;
- (c) "Top Performance Award 2006" by Malaysia Airlines;
- (d) "The Best Performing Agent Award, Hong Kong" by Star Cruises;
- (e) "The Best Korea Tour Award" by Weekend Weekly / Airport Express;
- (f) "2007 New Year Sales Award" by Tokyo Disneyland; and
- (g) "Promotion of Taiwan Tourism Contribution Award" by Taiwan Tourism Bureau.



Top Agent Award 2006
Japan Airlines



Top Performance Award
2006
Malaysia Airlines



The Best Performing Agent
Award, Hong Kong
Star Cruises



The Best Korea Tour Award
Weekend Weekly /
Airport Express



Promotion of Taiwan Tourism
Contribution Award
Taiwan Tourism Bureau

Property Division

Website: www.morningstar.net.cn



Phase VIII Firenze of Morning Star Villa

The Group presently has two development projects, namely Morning Star Villa ("MSV") and Morning Star Plaza ("MSP") in Zhongshan, Guangdong Province, the People's Republic of China ("PRC").

For the year ended 31 December 2007, the Group's Property Division achieved a 54% growth in turnover to HK\$51 million (2006: HK\$33 million) with a corresponding operating profit of HK\$6.6 million (2006: HK\$1.3 million loss) in tandem with a relatively active PRC property market in 2007.

During 2007, the Group's Property Division stepped up the development progress of its new Phase 4 of MSP, which is expected to be completed in the middle of 2008. As at 31 December 2007, over 50% of Phase 4 of MSP with an estimated turnover of HK\$46 million had been pre-sold.



Colourful City of Morning Star Plaza

Financial Services Division

On the back of a relatively bullish stock market during the year, the Group's Financial Services Division, mainly through Morning Star Securities Limited, achieved a turnover of HK\$3.9 million (2006: HK\$2.5 million) with a corresponding operating profit of HK\$2.5 million (2006: HK\$3.3 million loss).

OUTLOOK

Despite the general improvement in the economic conditions in Hong Kong last year, the Group recognises that the performance of the travel and tourism industry in Hong Kong is also affected by the upward trend in oil prices and weakening of Hong Kong Dollar.

The Group's Travel & Tourism Division is continuing with its initiatives to enhance and transform MST into an efficient and competitive travel business entity capable of achieving sustainable profitability for 2008 and beyond. The Division has been assessing various business opportunities and finds it timely to take a more active approach to develop its travel and tourism business.

The Group's Property Division is focusing on the development progress and marketing of its Phase 4 of MSP to ensure prompt completion and delivery of the completed units to the purchasers in 2008. The Division has also been exploring various options to generate maximum returns on its land and properties in Zhongshan.

The Board is fully aware of the possible impact on the Group arising from changes in the external economic environment in 2008. These include probable recession of the United States economy, rising inflation in Hong Kong and PRC and a slowdown of the property market in PRC. Nevertheless, the Group remains optimistic of the general macro-economic performance and outlook of Hong Kong as well as the PRC market for the year 2008.

ACKNOWLEDGMENT

On behalf of the Board, I would like to express our sincere appreciation to our valued customers, business partners, bankers, and shareholders for their continued support. I also would like to thank the management and staff for their dedication and commitment.

TAN SRI DR. KHOO KAY PENG*Chairman*

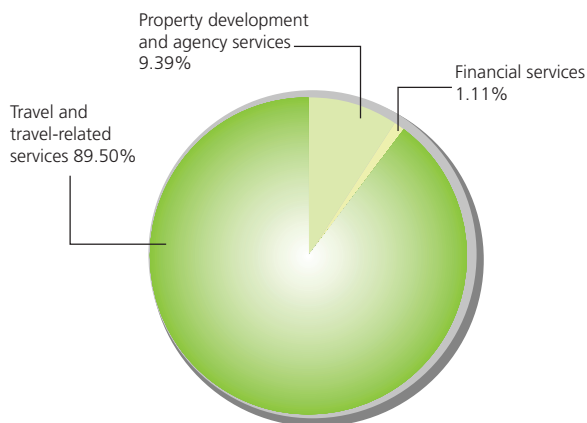
Hong Kong, 17 April 2008

REVIEW OF FINANCIAL RESULTS

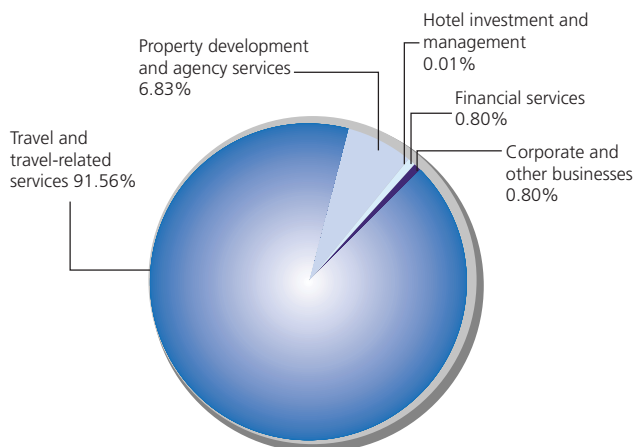
Financial Highlights

	2007		2006	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By business segments:				
Travel and travel-related services	485,350	582	444,136	(19,770)
Property development and agency services	50,922	6,637	33,111	(1,254)
Hotel investment and management	–	281	8	(4,685)
Financial services	5,993	2,482	3,919	(3,345)
Corporate and other businesses	–	(270)	3,886	54,980
Eliminations	(2,110)	–	(4,986)	–
	540,155	9,712	480,074	25,926
Interest and dividend income	–	4,794	–	2,763
Unallocated expenses	–	(5,108)	–	(11,153)
Impairment of available-for-sale financial assets	–	(15,640)	–	–
Total	540,155	(6,242)	480,074	17,536

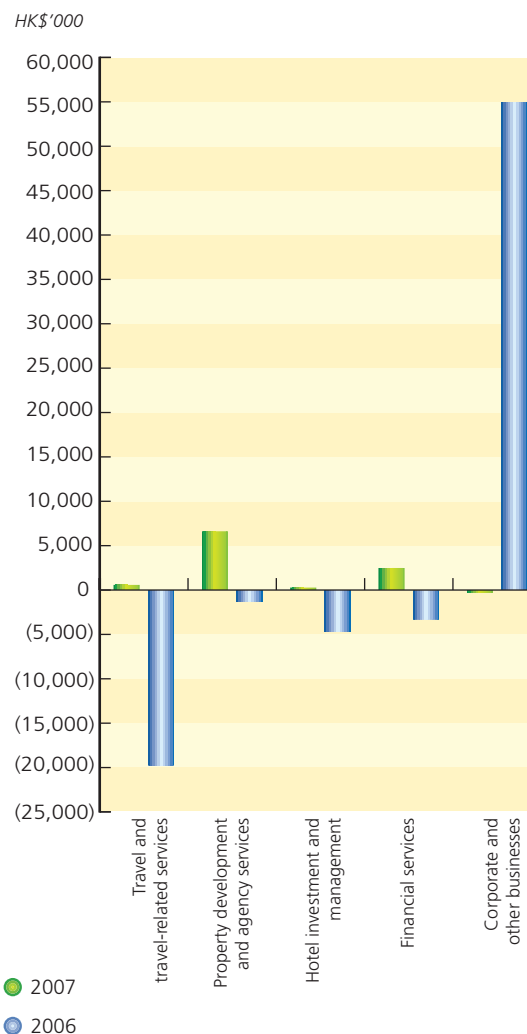
Turnover by Business Segments – 2007



Turnover by Business Segments – 2006



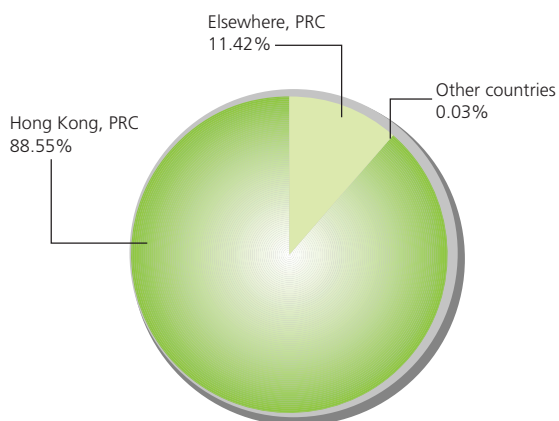
Contribution by Business Segments



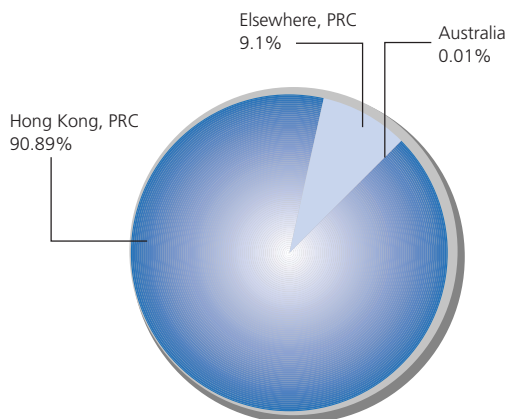
Management Discussion and Analysis

	2007		2006	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By geographical segments:				
People's Republic of China ("PRC")				
Hong Kong	478,286	2,785	436,350	26,192
Elsewhere	61,669	6,620	43,715	(1,267)
Australia	–	(306)	9	(2,034)
Other countries	200	613	–	3,035
Eliminations	–	–	–	–
	540,155	9,712	480,074	25,926
Interest and dividend income	–	4,794	–	2,763
Unallocated expenses	–	(5,108)	–	(11,153)
Impairment of available-for-sale financial assets	–	(15,640)	–	–
Total	540,155	(6,242)	480,074	17,536

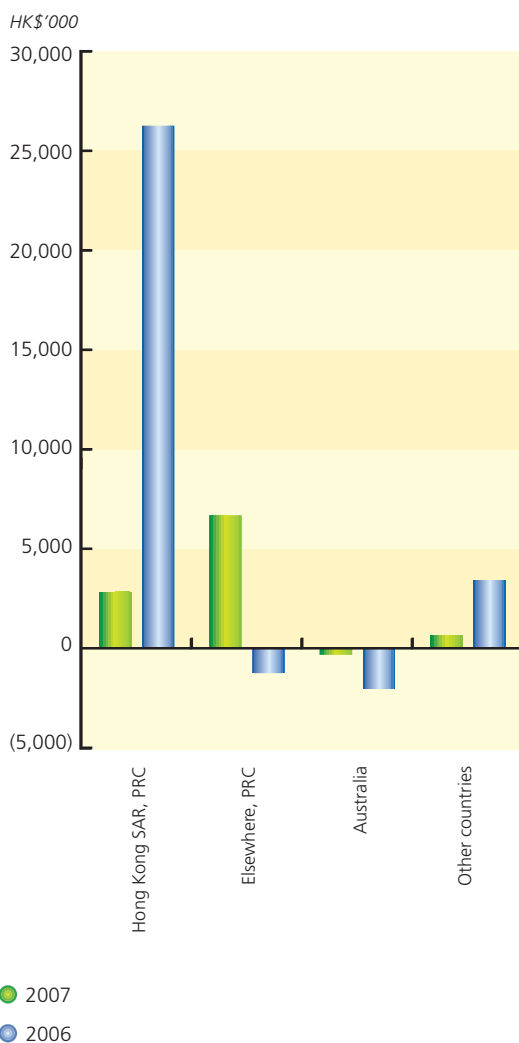
Turnover by Geographical Segments – 2007



Turnover by Geographical Segments – 2006



Contribution by Geographical Segments



MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

For the year under review, the Group recorded a loss before tax of HK\$6.5 million as compared to a profit of HK\$15.7 million for 2006. However, there was a one-off gain of HK\$53.4 million from the disposal of the Group's office property included in last year's profit. Excluding the gain from such disposal for comparison purposes, the Group's pre-tax loss for 2007 amounted to HK\$6.5 million compared to a loss of HK\$37.7 million for 2006. Included in this year's loss is an impairment of available-for-sale financial assets which amounted to HK\$15.6 million.

For the year ended 31 December 2007, the Group's revenue grew 13% from HK\$480 million in 2006 to HK\$540 million in 2007. All three business segments of the Group, namely Travel and Tourism, Property and Financial Services were profitable.

Travel and Tourism Division

Total turnover for the Group's Travel and Tourism Division for the year ended 31 December 2007 amounted to HK\$485 million, an increase of 9.3% compared to HK\$444 million for 2006. The growth in turnover came from all segments of travel business, including group tours, ticketing and travel packages, and corporate incentive tours of Morning Star Travel Service Limited ("MST"), the main travel arm of the Group.

During the year under review, MST managed to develop and market higher end products to cater to the needs of the middle-to-upper end of consumers, which resulted in higher overall gross profit margin. The management also enhanced the branding and customer service of MST. Together with a more effective cost management against a backdrop of better economic condition in Hong Kong, MST managed to return to a modest profitability of HK\$0.6 million compared to a loss of HK\$19.8 million for 2006.

The management is aware of the changing global economic conditions in 2008, paying attention to the challenging business environment in Hong Kong, in particular. The management is taking a prudent yet progressive approach to further enhance MST's competitive position in the travel and tourism industry to ensure its sustainable profitability in 2008 and beyond. MST is committed to providing consistently high quality products and services to its customers through professional maintenance and continuous improvement of the ISO 9001: 2000 Quality Management System certification obtained since 2006 and its established "Morning Star Travel" brand.

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 2007, total turnover of the Group's Property Division amounted to HK\$51 million compared to HK\$33 million for 2006 with a corresponding profit of HK\$6.6 million against a loss of HK\$1.3 million for 2006. The increase in turnover was mainly due to effective marketing of unsold completed units in Morning Star Villa ("MSV") and Morning Star Plaza ("MSP"), coupled with a bullish property market in PRC in 2007.

During 2007, the management also placed emphasis to develop its new Phase 4 of MSP and launched its pre-completion sales from July 2007. As at 31 December 2007, over 50% of Phase 4 of MSP with an estimated turnover of HK\$46 million had been pre-sold.

Management Discussion and Analysis

As at 31 December 2007, 99% of all residential units completed under Phase I to Phases VIII, Part 1 of MSV, and 89% of all residential and commercial units completed under Phase 1 to Phase 3A of MSP had been sold.

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 2007 amounted to HK\$3.9 million with a corresponding profit of HK\$2.5 million as compared to a turnover of HK\$2.5 million with a loss of HK\$3.3 million for 2006.

Geographical Segments

The revenue for Hong Kong SAR 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 2007, consisting of property, plant and equipment, properties under development, interests in jointly-controlled entities, long term investments, pledged bank balances and time deposits and deferred tax assets, amounted to HK\$92.1 million, an increase of HK\$32.7 million, compared to HK\$59.4 million as at 31 December 2006. Current assets as at 31 December 2007 totalled HK\$401.8 million against HK\$396.2 million as at 31 December 2006. Current liabilities as at 31 December 2007 amounted to HK\$167 million, compared to HK\$135.4 million as at 31 December 2006.

Capital Structure, Liquidity and Financial Resources

As at the balance sheet date, the Group's total borrowings was HK\$32.6 million (2006: HK\$35.6 million) comprising short-term bank borrowings and non-interest-bearing other borrowings. The Group's available banking facilities not utilised totalled HK\$10 million as at 31 December 2007 (2006: HK\$5.6 million).

The Group's total equity as at the balance sheet date was HK\$326.9 million (2006: HK\$320.2 million).

The Group's gearing ratio as at the balance sheet date was 10% compared to 11% for 2006. The gearing ratio was based on total borrowings over the total equity of the Group.

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 Chinese renminbi, which is derived from its sales of property units in Zhongshan, and Japanese yen, which is required by MST for settlement of tour costs incurred in Japan.

Capital Commitments

The Group had capital commitments, mostly contracted but not provided for, totalling HK\$15.9 million as at the balance sheet date (2006: mostly authorised but not contracted for, totalling HK\$519.1 million). 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 2007, the Group had contingent liabilities amounting to HK\$67.6 million (2006: HK\$36.4 million restated). The contingent liabilities were mainly in respect of buy-back guarantee 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 guarantee on initial recognition was insignificant.

Charges on Group Assets

As at the balance sheet date, certain assets of the Group were pledged to banks to secure banking facilities to an associate. However, non-current bank balances and time deposits amounting to HK\$6.4 million 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 2007 was 513 compared to 399 as at 31 December 2006. 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 resource 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

The Group acquired certain unlisted shares at a consideration of HK\$39.1 million for the year ended 31 December 2007.

Report of the Directors

The Directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provision of management services. The subsidiaries are mainly engaged in the provision of travel and travel related services, property development, property agency services, financial services and securities broking. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 and the state of affairs of the Group at that date are set out in the financial statements on pages 29 to 72.

No dividends have been declared in respect of the year.

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 77.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

At 31 December 2007, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (1998 Revision) of the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% in the year under review.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Director:

WONG Nyen Faat

Non-Executive Directors:

Tan Sri Dr. KHOO Kay Peng	(Chairman)
KHET Kok Yin	
CHEANG Yoon Hoong	(resigned as Managing Director and re-designated as Non-Executive Director on 7 February 2007)
CHAN Choung Yau	(also as Alternate Director to KHET Kok Yin)

Independent Non-Executive Directors:

WONG Kim Ling
OOI Boon Leong @ LAW Weng Leun
OH Hong Choon

In accordance with the Company's articles of association, Messrs CHEANG Yoon Hoong, WONG Kim Ling and OOI Boon Leong @ LAW Weng Leun shall retire from office by rotation at the forthcoming annual general meeting. Messrs WONG Kim Ling and OOI Boon Leong@LAW Weng Leun, being eligible, will offer themselves for re-election at that meeting. Mr. CHEANG Yoon Hoong, being eligible, will not stand for re-election and will retire as a Director of the Company on conclusion of that meeting.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Tan Sri Dr. KHOO Kay Peng is the chairman and chief executive of Malayan United Industries Berhad ("MUI"), which is a publicly listed company in Malaysia. MUI and its subsidiaries and associated companies ("The MUI Group") are engaged in various businesses including retailing, hotels, food and confectionery, property, financial services, travel and tourism in the Asia Pacific, the United Kingdom, Europe and the United States of America.

Mr. KHET Kok Yin, Mr. CHEANG Yoon Hoong and Mr. CHAN Choung Yau are directors of a number of member companies of The MUI Group.

Report of the Directors

By virtue of the interests of Tan Sri Dr. KHOO, Mr. KHET, Mr. CHEANG and Mr. CHAN in The MUI Group as mentioned above, they are considered to have interests in the businesses of The MUI Group. Both The MUI Group and the Group are engaged in travel and travel-related services, hotel investment and management services, property development and property agency services, financial services and securities broking which are complementary and synergistic with each other, but not competing pursuant to Rule 8.10 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The Group operates its businesses mainly in Hong Kong and Mainland China, whilst The MUI Group’s operations are mainly outside Hong Kong and Mainland China. In essence, the businesses between the Group and The MUI Group are synergistic to each other.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading “Directors’ interests in the securities and debentures of the Company and its associated corporations” below, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the Company’s Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS’ INTERESTS IN THE SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At the balance sheet date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or the chief executive were deemed or taken to have under such provisions of the SFO, which are required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (“Model Code”) contained in the Listing Rules, were as follows:

(i) The Company

Name of Director	Notes	Nature of interest	Number of shares (Long position)	Percentage of issued share capital
Tan Sri Dr. KHOO Kay Peng	(a) & (b)	Corporate	1,402,325,657	58.08
CHEANG Yoon Hoong		Personal	2,852,500	0.12

(ii) Associated corporation

Name of associated corporation	Name of Director	Notes	Nature of interest	Number of shares	Percentage of issued share capital
Morning Star Financial Services Limited ("MSFS")	Tan Sri Dr. KHOO Kay Peng	(a)	Corporate	192,500 ordinary shares of HK\$1 each	0.45

At the balance sheet date, certain Directors also held qualifying shares in certain subsidiaries of the Company which were beneficially owned by the Company or its other subsidiaries.

Notes:

- (a) 879,382,985 shares issued by the Company and 192,500 shares issued by MSFS were held by Firstway International Investment Limited ("Firstway"), of which each of Norcross Limited ("Norcross") and Cherubim Investment (HK) Limited ("Cherubim") had a 35% interest in the voting share capital. 50% of the issued share capital of each of Norcross and Cherubim was held by KKP Holdings Sdn Bhd ("KKP Holdings"), and the remaining 50% of the issued share capital of each of these companies was held by Soo Lay Holdings Sdn Bhd ("SL Holdings"). Both of KKP Holdings and SL Holdings were 99.9% beneficially owned by Tan Sri Dr. KHOO Kay Peng. Pursuant to Section 344 of Part XV of the SFO, Tan Sri Dr. KHOO Kay Peng was deemed to be interested in 99.9% of the shares held by Firstway.
- (b) 522,942,672 shares were held by Bonham Industries Limited ("Bonham") which was owned as to 37.18%, 49.22% and 13.60% by KKP Holdings, SL Holdings and Norcross respectively. By virtue of the interests of Tan Sri Dr. KHOO Kay Peng in KKP Holdings and SL Holdings as mentioned in Note (a) above, he was deemed to be interested in 99.9% of the shares held by Bonham.

Save as disclosed above, there are no interests and short positions of each Director and chief executive of the Company in any shares and underlying shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which he has taken or deemed to have under such provisions of the SFO, or which were required, to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Name	Age	Position held	Number of years of service	Business experience
Tan Sri Dr. KHOO Kay Peng	69	Chairman	14	Tan Sri Dr. KHOO is the Chairman and Chief Executive of The MUI Group, which is a business corporation with diversified operations in the Asia Pacific, the United States of America ("USA") and the United Kingdom ("UK"). He is also the Chairman of Firstway International Investment Limited, Hong Kong (a substantial shareholder of the Company), Laura Ashley Holdings plc and Corus Hotels Limited, UK. Tan Sri Dr. KHOO is a director of SCMP Group Limited and The Bank of East Asia, Limited, Hong Kong. He is a board member of Northwest University, Seattle, USA. Tan Sri Dr. KHOO also serves as a Council Member of the Malaysian-British Business Council, the Malaysia-China Business Council and the Asia Business Council. Previously, Tan Sri Dr. KHOO had served as the Chairman of the Malaysian Tourist Development Corporation (a Government Agency), the Vice Chairman of Malayan Banking Berhad (Maybank), a trustee of the National Welfare Foundation, Malaysia and a trustee of the Regent University, Virginia, USA.

Name	Age	Position held	Number of years of service	Business experience
WONG Nyen Faat	50	Director	1½	Mr. WONG holds a First-Class Honours Bachelor's degree in Science (Mathematics) with Education from the University of Malaya and a Master's degree in Business Management from the Asian Institute of Management. He has more than twenty-one years experience in business development, operations and general management in a variety of businesses including consumer and industrial manufacturing, retail, property management and information technology services. He has served as Assistant General Manager (Business Development) of the Lion Group which is a cross-border diversified conglomerate and General Manager (Operations) of Ecofirst Consolidated Bhd which is listed on Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange).
KHET Kok Yin	61	Director	11½	Mr. KHET has more than twenty years experience in the financial and banking fields. Mr. KHET is a director on the boards of numerous public listed companies in The MUI Group. He was previously the Managing Director of Pan Malaysian Industries Berhad, Pan Malaysia Holdings Berhad, Pan Malaysia Capital Berhad and chief executive officer of Pan Malaysia Corporation Berhad. Previously, he had also served as executive director of MUI Bank Berhad, president of the North American operations of The MUI Group in the United States of America, managing director of Metrojaya Berhad and managing director of Morning Star Securities Limited, Hong Kong.

Report of the Directors

Name	Age	Position held	Number of years of service	Business experience
CHEANG Yoon Hoong	58	Director	11½	Mr. CHEANG is a Chartered Accountant and a Fellow of the Hong Kong Institute of Certified Public Accountants. He holds a Master of Business Administration Degree in Accounting and Finance and a Bachelor of Commerce Degree in Economics and Accountancy. He has more than thirty years' experience in accounting, banking, finance, corporate services, travel agency, property development, property management and securities broking. He was the Director / Head of Operations of PM Securities Sdn Bhd, Malaysia.
CHAN Choung Yau	45	Director	1½	Mr. CHAN is a Chartered Accountant with the Malaysian Institute of Accountants and a Fellow of The Association of Chartered Certified Accountants, United Kingdom. He has more than twenty seven years experience mainly in finance and accounting, audit, corporate secretarial and human resource management. He is also the alternate director to Mr. KHET Kok Yin in the Company. Mr. CHAN is a Senior Vice President of Malayan United Management Sdn Bhd and an Executive Director of Pan Malaysia Corporation Berhad which is listed on Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange).

Name	Age	Position held	Number of years of service	Business experience
WONG Kim Ling	71	Director	9½	Mr. WONG has more than thirty years experience in the financial and banking fields, with thirteen years as the chief executive officer with a Malaysian bank in Hong Kong. He was also an executive director of a property company, which is a listed company in Hong Kong, for three years.
OOI Boon Leong @ LAW Weng Leun	71	Director	3½	Mr. OOI is an Advocate and Solicitor and holds a Master of Arts and Master of Laws from Corpus Christi College, Cambridge University, United Kingdom. Mr. OOI is an independent non-executive director of Pan Malaysian Industries Berhad and Pan Malaysia Holdings Berhad which are listed on Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange). He is also an independent non-executive director of Jacks International Limited which is listed on the Singapore Exchange Securities Trading Ltd. He is also a director of Inter-Community Welfare Foundation and Malaysian Community and Education Foundation. He also holds directorships in various private limited companies.
OH Hong Choon	66	Director	3½	Mr. OH is a Business Adviser and holds an honours degree in History and Economics from the University of Malaya. He was formerly the Divisional Director of Malaysian Industrial Development Authority and an Assistant Controller of the Industrial Development Division of the Ministry of Trade and Industry, Government of Malaysia. He had also held several senior management positions in the private sector and had worked overseas in London, Hong Kong, Manila and Sydney. Mr. OH is an independent non-executive director of EcoFirst Consolidated Bhd which is listed on Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange).

OTHER SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

At the balance sheet date, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities together with particulars of any options in respect of such capital:

(i) Interests of substantial shareholders

Name	Notes	Number of shares (Long Position)	Percentage of issued share capital
KKP Holdings Sdn Bhd ("KKP Holdings")	(a) & (b)	1,402,325,657	58.08
Soo Lay Holdings Sdn Bhd ("SL Holdings")	(a) & (b)	1,402,325,657	58.08
Cherubim Investment (HK) Limited ("Cherubim")	(a)	879,382,985	36.42
Norcross Limited ("Norcross")	(a)	879,382,985	36.42
Firstway International Investment Limited ("Firstway")	(a)	879,382,985	36.42
Bonham Industries Limited ("Bonham")	(b)	522,942,672	21.66

Notes:

- (a) These shares were held by Firstway, of which each of Norcross and Cherubim had a 35% interest in the voting share capital. Norcross and Cherubim were owned as to 50% by KKP Holdings and 50% by SL Holdings. Pursuant to Section 316 of Part XV of the SFO, each of KKP Holdings, SL Holdings, Norcross and Cherubim was deemed to be interested in the shares held by Firstway.
- (b) These shares were held by Bonham, which was owned as to 37.18%, 49.22% and 13.60% by KKP Holdings, SL Holdings and Norcross respectively. Pursuant to Section 316 of Part XV of the SFO, each of KKP Holdings and SL Holdings was deemed to be interested in the shares held by Bonham.

(ii) Interests of other persons

Name	Notes	Number of shares (Long Position)	Percentage of issued share capital
Hope Foundation ("HF")	(a) & (b)	225,788,500	9.35
Hope International Limited ("HIL")	(b)	162,788,500	6.74
Prime View International Limited ("PVI")	(b)	162,788,500	6.74

Notes:

- (a) 63,000,000 shares were held by Hope Investment Limited, which is 100% owned by HF. Pursuant to Section 316 of Part XV of the SFO, HF was deemed to be interested in all the shares held by Hope Investment Limited.
- (b) These shares were held by PVI. PVI is 100% owned by HIL which in turn is 100% owned by HF. Pursuant to Section 316 of Part XV of the SFO, each of HIL and HF was deemed to be interested in all the shares held by PVI.

Save as disclosed above, as at the balance sheet date, none of the Directors or chief executive knows of any person (not being a Director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities together with particulars of any options in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report save for the deviations as disclosed in the Corporate Governance Report on pages 22 to 26.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the audited financial statements. The audit committee constituted three Independent Non-Executive Directors and a Non-Executive Director of the Company.

AUDITOR

C&F CPA Limited was appointed as the auditor of the Company in place of Messrs RSM Nelson Wheeler who resigned from the office with effect from 31 August 2007. C&F CPA Limited changed its name to Parker Randall CF (H.K.) CPA Limited with effect from 3 October 2007. The financial statements for the year were audited by Parker Randall CF (H.K.) CPA Limited (formerly known as C&F CPA Limited) who will retire and being eligible, offer themselves for re-appointment as the auditor of the Company at the forthcoming annual general meeting.

Save as disclosed above, there was no change in the auditor of the Company during the past three years.

On behalf of the Board
WONG NYEN FAAT
Executive Director

Hong Kong, 17 April 2008

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code of provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2007, except for code provisions A.4.1 and E.1.2. The following sections set out the principles in the Code as they have been applied by the Company, including any deviations therefrom, for the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Code during the year.

BOARD OF DIRECTORS

The existing Board of Directors of the Company comprises:

Executive Director	WONG Nyen Faat
Non-executive Directors	Tan Sri Dr. KHOO Kay Peng, Chairman KHET Kok Yin CHEANG Yoon Hoong CHAN Choung Yau (also as alternate director to KHET Kok Yin)
Independent Non-Executive Directors	WONG Kim Ling OOI Boon Leong @ LAW Weng Leun OH Hong Choon

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations.

With a wide range of expertise and a balance of skills, the Non-Executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board Meetings and committee work.

The Independent Non-Executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each Independent Non-Executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each Independent Non-Executive Director an annual confirmation or confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent. The Independent Non-Executive Directors are explicitly identified in all corporate communications. The day-to-day running of the Company is delegated to the management.

Corporate Governance Report

To the best knowledge of the Company, there is no financial, business and family relationship among members of the Board and between the Chairman and the Chief Executive Officer (i.e the Executive Director).

During the year, five Board Meetings were held and the individual attendance of each Director is set out below:

<u>Name of Director</u>	<u>Number of Board Meetings Attended</u>	<u>Attendance Rate</u>
Tan Sri Dr. KHOO Kay Peng	4/5	80%
WONG Nyen Faat	5/5	100%
KHET Kok Yin	3/5	60%
CHEANG Yoon Hoong	5/5	100%
CHAN Choung Yau <i>also as alternate director to KHET Kok Yin</i>	5/5	100%
WONG Kim Ling	2/5	40%
Ooi Boon Leong @ LAW Weng Leun	4/5	80%
OH Hong Choon	4/5	80%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Tan Sri Dr. KHOO Kay Peng and Mr WONG Nyen Faat respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively.

RE-ELECTION OF DIRECTORS

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing Non-Executive Directors of the Company is appointed for a specific term but all directors are subject to retirement by rotation and re-election at every annual general meeting in accordance with the Articles of Association of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee was established in August 2005. Mr CHAN Choung Yau, a Non-Executive Director of the Company replaced Mr KHET Kok Yin as a Remuneration Committee Member of the Company on 1 November 2007 and the Committee currently comprises the following members:

OOI Boon Leong @ LAW Weng Leun – Committee Chairman
OH Hong Choon
CHAN Choung Yau

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Stock Exchange.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive director and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. It also reviews and approves performance-based remuneration and administers and oversees the Group's Long Term Incentive Scheme. The Remuneration Committee constituted two independent Non-Executive Directors and one Non-Executive Director of the Company.

<u>Name of Committee Members</u>	<u>Notes</u>	<u>Number of Remuneration Committee Meetings Attended</u>	<u>Attendance Rate</u>
OOI Boon Leong @ LAW Weng Leun		1/1	100%
OH Hong Choon		1/1	100%
CHAN Choung Yau	1	1/1	100%
KHET Kok Yin	2	0/1	0%

Notes

1. Mr CHAN Choung Yau was appointed as a member of the Remuneration Committee on 1 November 2007.
2. Mr KHET Kok Yin resigned as a member of the Remuneration Committee on 1 November 2007.

Directors' remuneration for the year are disclosed in note 12 to the financial statements.

NOMINATION OF DIRECTORS

Directors of the Company are responsible for making recommendations to the Board for consideration and approval on nominations, appointment of Directors and Board succession, with a view to appoint to the Board, individuals with the relevant experience and capabilities to maintain and improve competitiveness of the Company. The Board formulates the policy, reviews the size, structure and composition of the Board, and assesses the independence of its Independent Non-Executive Directors in accordance with the criteria prescribed under the Listing Rules and the Code.

AUDITOR'S REMUNERATION

The fee in respect of audit and non-audit services provided by the external auditor, Parker Randall CF (H.K.) CPA Limited (formerly known as C&F CPA Limited), to the Company for the year ended 31 December 2007 is set out on page 54 Note 11 to the consolidated financial statements of this annual report.

AUDIT COMMITTEE

The Audit Committee was established in March 1999. Mr CHAN Choung Yau, a Non-Executive Director of the Company, replaced Mr KHET Kok Yin as an Audit Committee Member of the Company on 13 July 2007 and the Committee currently comprises the following members:

OOI Boon Leong @ LAW Weng Leun – Committee Chairman
 WONG Kim Ling
 OH Hong Choon
 CHAN Choung Yau

The main responsibilities of the Audit Committee are to review the financial statements and the auditors' reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the overseeing the financial reporting system and internal control procedures and their effectiveness.

The work of the Audit Committee in 2007 included the following:

- review of 2006 annual results, review and discussion of the audit findings with the auditor and review the draft annual results announcement;
- review and consideration of various accounting issues and new accounting standards and their financial impact;
- consideration of the change in auditor;
- consideration of the audit fee for the Year 2007; and
- review of 2007 interim results, review and discussion of the audit findings with the auditor, review of the draft management discussion and analysis section of the interim report.

During the year, two Audit Committee meetings were held and the attendance of each member is set out below:

<u>Name of Committee Members</u>	<i>Notes</i>	<u>Number of Audit Committee Meetings Attended</u>	<u>Attendance Rate</u>
OOI Boon Leong @ LAW Weng Leun		2/2	100%
WONG Kim Ling		2/2	100%
OH Hong Choon		1/2	50%
CHAN Choung Yau	1	1/2	50%
KHET Kok Yin	2	1/2	50%

Notes

1. Mr CHAN Choung Yau was appointed as a member of the Audit Committee on 13 July 2007.
2. Mr KHET Kok Yin resigned as a member of the Audit Committee on 13 July 2007.

COMMUNICATION WITH SHAREHOLDERS

Under code provision E.1.2, the chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

Due to other business engagements and commitments, the overseas Non-Executive Chairman of the Board and the chairman of the audit and remuneration committees of the Company could not come to Hong Kong to attend the annual general meeting of the Company held in June 2007. Such non-attendance was a one-off incident. The Chairman of the Board was duly represented by another Board member while another member of the audit and remuneration committees was available to answer questions at that meeting.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledge their responsibilities of the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensure the timely publication of the financial statements of the Group.

The statement of external auditor of the Company, Parker Randall CF (H.K.) CPA Limited (formerly known as C&F CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

The Board confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern. The Board has conducted a review of the effectiveness of the system of internal control of the issuer and its subsidiaries.



暉誼(香港)會計師事務所有限公司
PARKER RANDALL CF (H.K.) CPA LIMITED

To the members of
Morning Star Resources Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Morning Star Resources Limited (the "Company") set out on pages 29 to 72 which comprise the consolidated balance sheet as at 31 December 2007, and consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Parker Randall CF (H.K.) CPA Limited

Certified Public Accountants

Lau Po Ming, Peter

Practising Certificate No.: P2732
Hong Kong

17 April 2008

Consolidated Income Statement*For the year ended 31 December 2007*

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
TURNOVER	7	540,155	480,074
Cost of sales		(462,834)	(422,655)
Gross profit		77,321	57,419
Other income	8	14,459	62,121
Selling and promotional expenses		(10,065)	(19,666)
Administrative expenses		(87,957)	(82,338)
(LOSS)/PROFIT FROM OPERATIONS		(6,242)	17,536
Finance costs	9	(351)	(1,882)
Share of losses of associates		(2)	(19)
Share of profit of a jointly-controlled entity		48	85
(LOSS)/PROFIT BEFORE TAX		(6,547)	15,720
Income tax expense	10	(1,029)	(2,038)
(LOSS)/PROFIT FOR THE YEAR	11	(7,576)	13,682
Attributable to:			
Equity holders of the Company		(10,824)	14,880
Minority interests		3,248	(1,198)
		(7,576)	13,682
(LOSS)/EARNINGS PER SHARE			
Basic	14	(0.4 cent)	0.6 cent
Diluted		N/A	N/A

Consolidated Balance Sheet

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As at 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	23,235	23,092
Prepaid land lease payments	16	2,895	2,750
Property under development	17	3,806	3,806
Investment in a jointly-controlled entity	18	2,263	2,058
Investments in associates	19	–	2
Available-for-sale financial assets	20	32,335	4,845
Other assets	21	9,240	7,737
Pledged bank balances	22	6,421	3,198
Deferred tax assets	23	11,942	11,943
		92,137	59,431
CURRENT ASSETS			
Due from related companies	24	4,957	5,522
Due from an associate	31	901	876
Properties held for sale	25	57,738	82,950
Properties held for sale under development	26	118,252	88,410
Financial assets at fair value through profit or loss	20	479	1,541
Inventories	27	494	440
Trade receivables	28	17,112	18,441
Other receivables	29	23,994	31,631
Client trust bank balances		4,632	2,883
Cash and cash equivalents	22	173,204	163,547
		401,763	396,241
CURRENT LIABILITIES			
Due to related companies	24	755	2,384
Due to associates	31	5,936	3,996
Due to a jointly-controlled entity	31	–	385
Tax payables		2,230	4,843
Advanced proceeds from sales of properties		48,692	–
Trade payables, other payables and accruals	30	76,768	88,204
Interest-bearing bank borrowings	32	4,995	8,811
Non-interest-bearing other borrowings	33	27,575	26,804
		166,951	135,427
NET CURRENT ASSETS		234,812	260,814
TOTAL ASSETS LESS CURRENT LIABILITIES		326,949	320,245
CAPITAL AND RESERVES			
Share capital	34	482,910	482,910
Reserves	36	(226,044)	(229,500)
Equity attributable to equity holders of the Company		256,866	253,410
Minority interests		70,083	66,835
TOTAL EQUITY		326,949	320,245

WONG NYEN FAAT
Director

CHAN CHOUNG YAU
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium account HK\$'000	Foreign currency translation reserve HK\$'000	Goodwill reserve HK\$'000	Financial assets reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2006	482,910	6,328	(11,245)	(242)	(11,477)	(250,541)	215,733	73,565	289,298
Translation differences	-	-	1,990	-	-	-	1,990	222	2,212
Gains arising from changes in fair value of available-for-sale financial assets	-	-	-	-	2,040	-	2,040	-	2,040
Net income recognised directly in equity	-	-	1,990	-	2,040	-	4,030	222	4,252
Profit for the year	-	-	-	-	-	14,880	14,880	(1,198)	13,682
Total recognised income and expenses for the year	-	-	1,990	-	2,040	14,880	18,910	(976)	17,934
Foreign currency translation reserve released on disposal of a subsidiary	-	-	6,761	-	-	-	6,761	-	6,761
Disposal of a subsidiary	-	-	-	-	-	-	-	(5,754)	(5,754)
Disposals of available-for-sale financial assets	-	-	-	-	12,006	-	12,006	-	12,006
	-	-	6,761	-	12,006	-	18,767	(5,754)	13,013
At 31 December 2006	482,910	6,328	(2,494)	(242)	2,569	(235,661)	253,410	66,835	320,245
Translation differences	-	-	9,353	-	-	-	9,353	-	9,353
Gains arising from changes in fair value of available-for-sale financial assets	-	-	-	-	3,603	-	3,603	-	3,603
Net income recognised directly in equity	-	-	9,353	-	3,603	-	12,956	-	12,956
Loss for the year	-	-	-	-	-	(10,824)	(10,824)	3,248	(7,576)
Total recognised income and expenses for the year	-	-	9,353	-	3,603	(10,824)	2,132	3,248	5,380
Goodwill reserve released on disposal of a subsidiary in prior year	-	-	-	1,900	-	-	1,900	-	1,900
Disposals of available-for-sale financial assets	-	-	-	-	(576)	-	(576)	-	(576)
	-	-	-	1,900	(576)	-	1,324	-	1,324
At 31 December 2007	482,910	6,328	6,859	1,658	5,596	(246,485)	256,866	70,083	326,949

Consolidated Cash Flow Statement

For the year ended 31 December 2007

Note	2007 HK\$'000	2006 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(6,547)	15,720
Adjustments for:		
Foreign exchange losses	315	–
Finance costs	351	1,882
Share of losses of associates	2	19
Share of profit of a jointly-controlled entity	(48)	(85)
Interest income	(4,794)	(2,763)
Depreciation	2,921	3,012
Amortisation on prepaid land lease payments	65	60
Impairment of available-for-sale financial assets	15,640	–
Loss on disposal of a subsidiary	–	3,871
Losses on written off property, plant and equipment	–	15
Gains on disposals of investment properties and land and buildings	–	(53,416)
(Gains)/losses arising from changes in fair value of financial assets at fair value through profit or loss	(199)	1,490
Losses on disposals of available-for-sale financial assets	171	2,485
Gains on disposals of financial assets at fair value through profit or loss	(364)	(852)
	<hr/>	<hr/>
Operating profit/(loss) before working capital changes	7,513	(28,562)
Decrease/(increase) in due from related companies	603	(1,658)
Decrease in properties held for sale	25,212	18,207
Increase in properties held for sale under development	(25,571)	(7,718)
(Increase)/decrease in inventories	(54)	91
Decrease/(increase) in trade receivables	1,742	(1,331)
Decrease in other receivables	8,216	2,475
(Increase)/decrease in client trust bank balances	(1,749)	4,318
(Decrease)/increase in due to related companies	(1,629)	2,138
Increase in advanced proceeds from sales of properties	48,692	–
Decrease in trade payables, other payables and accruals	(14,362)	(8,662)
	<hr/>	<hr/>
Cash generated from/(used in) operations	48,613	(20,702)
Interest paid	(351)	(1,882)
Overseas tax paid	(3,753)	(1,739)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities (to page 33)	44,509	(24,323)

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Net cash generated from/(used in) operating activities (from page 32)		44,509	(24,323)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		4,794	2,763
Proceeds from disposals of available-for-sale financial assets		30,818	29,320
Proceeds from disposals of financial assets at fair value through profit or loss		1,623	852
Proceeds from disposals of investment properties and land and buildings		–	142,250
Disposal of a subsidiary	37	–	(3,095)
Purchases of available-for-sale financial assets		(71,056)	(14,241)
Purchases of property, plant and equipment		(2,599)	(2,288)
Increase in due from associates		(25)	(137)
Increase in due to associates		1,940	1,041
Decrease in due to a jointly-controlled entity		(385)	(168)
(Increase)/decrease in pledged bank balances		(3,223)	206
Net cash (used in)/generated from investing activities		(38,113)	156,503
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of interest-bearing bank borrowings		–	(74,908)
Bank loans raised		–	54,908
Net cash used in financing activities		–	(20,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,396	112,180
Effect of foreign exchange rate changes, net		7,077	1,578
Cash and cash equivalents at 1 January		154,736	40,978
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		168,209	154,736
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		173,204	163,547
Bank overdrafts		(4,995)	(8,811)
		168,209	154,736

For the year ended 31 December 2007

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
- Provision of financial services and securities broking

In the opinion of the directors of the Company, as at 31 December 2007, KKP Holdings Sdn Bhd and Soo Lay Holdings Sdn Bhd, companies incorporated in Malaysia, are the ultimate parents of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new or revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("INTs") (herein collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain relevant comparative additional disclosures based on the requirements of HKAS 1 (Amendment) and HKFRS 7 have been presented for the first time in the current year.

The HKICPA has also issued the following new HKFRSs that are not yet effective. The Group will apply the following standards and interpretations for the following annual periods which are not expected to have any significant impact on the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC)-INT 12	Service Concession Arrangements ³
HK(IFRIC)-INT 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

⁴ Effective for annual periods beginning on or after 1 July 2008.

Notes to the Financial Statements

For the year ended 31 December 2007

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 assumptions and estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving critical judgment, 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) Basis of 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.

Notes to the Financial Statements

For the year ended 31 December 2007

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 financial assets, deferred tax assets, 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 $\frac{1}{3}$ %
Motor vehicles	20%

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

Notes to the Financial Statements

For the year ended 31 December 2007

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) 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.

(h) 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.

(i) 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.

(j) Properties held for sale

Properties held for sale 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.

(k) Financial assets

The financial assets include financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified as this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) 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 are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(iii) 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 of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loan and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current market prices. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment, if any.

Notes to the Financial Statements

For the year ended 31 December 2007

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 financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If 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 profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Equity instruments

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

(q) 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) revenue from sales of properties is recognised when the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advanced proceeds from sales of properties under current liabilities;
- (iv) commission and visa income is recognised in the period in which the services are rendered;
- (v) rental income is recognised on the straight-line basis over the lease terms;
- (vi) interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (vii) dividends are recognised when the shareholders' right to receive payment has been established.

(r) 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 financial assets reserve in equity.

For the year ended 31 December 2007

(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.

(s) 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.

(t) 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.

(u) 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

Notes to the Financial Statements

For the year ended 31 December 2007

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.

(v) 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.

(w) 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.

(x) 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.

For the year ended 31 December 2007

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, 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.

(c) Deferred tax assets

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.

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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

The Group has certain foreign currency monetary assets and liabilities and was exposed to foreign exchange risk arising from various kinds of currency exposures, mainly comprising United States Dollars ("US\$"), Malaysian Ringgit ("MYR"), Philippines Peso ("PHP"), Australian Dollars ("AUD") and Renminbi ("RMB"). The Group monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 1% fluctuation in US\$ and a 5% fluctuation in other foreign currency exchange rates. As at 31 December 2007, the sensitivity analysis of a 1% and 5% decrease in HK\$ against US\$ and other foreign currencies would have a decrease of HK\$108,000 (for a 1% decrease) and HK\$71,000 (for a 5% decrease) in profit for the year and retained earnings. (2006: a decrease of HK\$96,000 and an increase of HK\$1,571,000) respectively.

(b) Price risk

The Group's financial assets at fair value through profit or loss and available-for-sale financial assets 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 different 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 2007 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) Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank deposits, bank overdrafts and amount due from a related company. All the borrowings and deposits are on a floating rate basis. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group's net deposits (being bank deposits and amount due from a related company less interest-bearing financial liabilities) is closely monitored by management.

At 31 December 2007, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's profit before tax and retained earnings by approximately HK\$1,797,000 (2006: HK\$1,612,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the non-derivative financial liabilities in existence at that date. The 1% increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to support the Group's stability and growth.

The Group uses total equity as capital. The Group regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. The capital is managed on the same basis for 2006.

(g) Fair value estimation

The fair value of publicly traded derivatives and available-for-sale securities is based on quoted market prices at the balance sheet date. In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair values of the Group's financial instruments are not materially different from their carrying amounts.

Notes to the Financial Statements

For the year ended 31 December 2007

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.

Notes to the Financial Statements

For the year ended 31 December 2007

(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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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	485,350	444,136	50,922	33,111	-	8	3,883	2,512	-	307	-	-	540,155	480,074
Intersegment sales	-	-	-	-	-	-	2,110	1,407	-	3,579	(2,110)	(4,986)	-	-
Other revenue	6,264	6,349	1,626	1,676	35	-	36	-	-	192	-	-	7,961	8,217
Total revenue	491,614	450,485	52,548	34,787	35	8	6,029	3,919	-	4,078	(2,110)	(4,986)	548,116	488,291
Segment results	582	(19,770)	6,637	(1,254)	281	(4,685)	2,482	(3,345)	(270)	54,980	-	-	9,712	25,926
Interest and dividend income													4,794	2,763
Unallocated expenses													(5,108)	(11,153)
Impairment of available-for-sale financial assets													(15,640)	-
(Loss)/profit from operations													(6,242)	17,536
Finance costs													(351)	(1,882)
Share of losses of associates	(2)	(21)	-	2	-	-	-	-	-	-	-	-	(2)	(19)
Share of profit of a jointly-controlled entity	48	85	-	-	-	-	-	-	-	-	-	-	48	85
(Loss)/profit before tax													(6,547)	15,720
Income tax expenses													(1,029)	(2,038)
(Loss)/profit for the year													(7,576)	13,682
Segment assets	62,503	69,935	303,053	244,339	26,343	29,387	66,963	61,697	238,270	201,982	(238,308)	(160,116)	458,824	447,224
Investments in associates	-	-	-	2	-	-	-	-	-	-	-	-	-	2
Investment in a jointly-controlled entity	2,263	2,058	-	-	-	-	-	-	-	-	-	-	2,263	2,058
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	32,813	6,388
Total assets													493,900	455,672
Segment liabilities	199,092	210,249	67,568	23,970	38,719	5,135	12,057	13,243	71,116	58,441	(238,311)	(192,321)	150,241	118,717
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	16,710	16,710
Total liabilities													166,951	135,427
Other segment information:														
Capital expenditure	2,157	1,697	119	13	-	-	73	60	250	518	-	-	2,599	2,288
Depreciation	1,713	1,339	959	1,073	15	34	51	28	183	538	-	-	2,921	3,012

Notes to the Financial Statements

For the year ended 31 December 2007

(ii) Geographical segments

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

	Hong Kong PRC		Elsewhere in the PRC		Australia		Other countries		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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	478,286	436,350	61,669	43,715	-	9	200	-	-	-	540,155	480,074
Other revenue	6,087	6,136	1,790	1,831	35	-	49	250	-	-	7,961	8,217
Total revenue	484,373	442,486	63,459	45,546	35	9	249	250	-	-	548,116	488,291
Segment assets	200,164	214,386	306,796	301,600	11,659	10,159	43,120	41,417	(67,839)	(111,890)	493,900	455,672
Expenditure information:												
Capital expenditure	2,465	2,275	134	13	-	-	-	-	-	-	2,599	2,288

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.

	2007	2006
	HK\$'000	HK\$'000
Travel and travel-related services	485,350	444,136
Property development and agency services	50,922	33,111
Hotel investment and management	-	8
Financial services	3,883	2,512
Others	-	307
	540,155	480,074

Notes to the Financial Statements

For the year ended 31 December 2007

8. OTHER INCOME

	2007 HK\$'000	2006 HK\$'000
Other revenue		
Interest income	4,794	2,763
Visa income	438	621
Commission income	4,746	4,573
Others	2,777	3,023
	<u>12,755</u>	<u>10,980</u>
Gains		
Gains/(Losses) arising from changes in fair value of financial assets at fair value through profit or loss	199	(1,490)
Losses on disposals of available-for-sale financial assets	(171)	(2,485)
Gains on disposals of financial assets at fair value through profit or loss	364	852
Gains on disposals of investment properties and land and buildings	–	53,416
Foreign exchange gains, net	1,312	848
	<u>1,704</u>	<u>51,141</u>
	<u>14,459</u>	<u>62,121</u>

9. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on bank loans and overdrafts	351	1,882
	<u>351</u>	<u>1,882</u>

Notes to the Financial Statements

For the year ended 31 December 2007

10. INCOME TAX EXPENSE

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

	2007 HK\$'000	2006 HK\$'000
Current tax – overseas		
Provision for the year	1,041	1,008
Over-provision in prior years	(15)	–
Deferred tax (<i>Note 23</i>)	3	1,030
	<u>1,029</u>	<u>2,038</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the year (2006: Nil).

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

	2007 HK\$'000	2006 HK\$'000
(Loss)/profit before tax	<u>(6,547)</u>	<u>15,720</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	2,528	2,428
Tax effect of income that is not taxable	(4,810)	(4,960)
Tax effect of expenses that are not deductible	2,829	3,029
Tax effect of tax losses not recognised	2,420	4,039
Tax effect of utilisation of tax losses not previously recognised	(2,135)	(3,501)
Tax losses previously recognised and reversed	–	1,003
Tax effect of temporary differences	212	–
Over-provision in prior years	(15)	–
Income tax expense	<u>1,029</u>	<u>2,038</u>

Notes to the Financial Statements

For the year ended 31 December 2007

11. (LOSS)/PROFIT FOR THE YEAR

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

	2007	2006
	HK\$'000	HK\$'000
Cost of inventories sold	626	845
Cost of services provided	430,857	398,854
Cost of properties sold	31,351	22,956
Depreciation	2,921	3,012
Amortisation on prepaid land lease payments	65	60
Impairment of available-for-sale financial assets	15,640	–
Minimum lease payments under operating leases in respect of land and buildings	12,213	11,339
Auditor's remuneration		
– Current year	537	732
– Prior years	719	49
Staff costs (including directors' remuneration, Note 12)		
Wages and salaries	34,054	37,243
Pension contributions	1,486	1,618
Less: forfeited contributions	(136)	(424)
Net Pension contributions	1,350	1,194
Total staff costs	35,404	38,437
Loss on property, plant and equipment written off	–	15
Loss on disposal of a subsidiary	–	3,871
Foreign exchange gains, net	(1,312)	(848)

12. DIRECTORS' REMUNERATION

	2007	2006
	HK\$'000	HK\$'000
Fees:		
Executive Directors	5	6
Non-Executive Directors	50	45
	55	51
Other emoluments:		
Executive Directors:		
Basic salaries, housing, other allowances and benefits in kind	681	947
Pension contributions	12	–
Non-Executive Directors:		
Basic salaries, housing, other allowances and benefits in kind	85	–
	778	947
	833	998

Notes to the Financial Statements

For the year ended 31 December 2007

The emoluments paid or payable to each of the 8 (2006: 10) Directors were as follows:

2007

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				
WONG Nyen Faat	5	681	12	698
Non-executive Directors				
Tan Sri Dr. KHOO Kay Peng	5	–	–	5
KHET Kok Yin	5	–	–	5
CHEANG Yoon Hoong (re-designated from Executive Director on 7 February 2007)	5	85	–	90
CHAN Choung Yau (also as Alternate Director to KHET Kok Yin)	5	–	–	5
Independent Non-executive Directors				
WONG Kim Ling	10	–	–	10
OOI Boon Leong @ LAW Weng Leun	10	–	–	10
OH Hong Choon	10	–	–	10
	55	766	12	833

Notes to the Financial Statements

For the year ended 31 December 2007

2006

Name of Director	Directors' fees <i>HK\$'000</i>	Basic salaries, housing, other allowances and benefits in kind <i>HK\$'000</i>	Retirement benefits scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors				
WONG Nyen Faat (appointed on 1 November 2006)	1	107	–	108
CHEANG Yoon Hoong (re-designated to Non-executive Director on 7 February 2007)	5	840	–	845
Non-executive Directors				
Tan Sri Dr. KHOO Kay Peng	5	–	–	5
KHET Kok Yin	5	–	–	5
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
TAN Lian Tee (resigned on 26 September 2006)	4	–	–	4
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
	<u>51</u>	<u>947</u>	<u>–</u>	<u>998</u>

There was no arrangement under which a Director waived or agreed to waive any remuneration for the years ended 31 December 2007 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.

Notes to the Financial Statements

For the year ended 31 December 2007

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2006: one) director, details of whose remuneration are set out in note 12 to the financial statements above. The remuneration of each of the remaining four (2006: four) non-directors, highest paid employees falling within the band of Nil – HK\$1,000,000 is analysed below:

	2007 HK\$'000	2006 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	2,534	2,435
Pension contributions	94	53
	<u>2,628</u>	<u>2,488</u>

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. (LOSS)/EARNINGS PER SHARE

The loss per share is calculated by dividing the Group's loss of HK\$10,824,000 (2006: profit of HK\$14,880,000) by the weighted average number of ordinary shares in issue of 2,414,547,555 (2006: 2,414,547,555).

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2007 and 2006.

Notes to the Financial Statements

For the year ended 31 December 2007

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 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 and 1 January 2007	32,036	33,702	1,922	67,660
Additions	–	2,599	–	2,599
Disposals	–	(10,630)	–	(10,630)
Exchange difference	707	376	112	1,195
At 31 December 2007	32,743	26,047	2,034	60,824
Accumulated depreciation and impairment				
At 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 and 1 January 2007	11,586	31,633	1,349	44,568
Charge for the year	828	1,905	188	2,921
Disposals	–	(10,630)	–	(10,630)
Exchange difference	258	370	102	730
At 31 December 2007	12,672	23,278	1,639	37,589
Carrying amount				
At 31 December 2007	20,071	2,769	395	23,235
At 31 December 2006	20,450	2,069	573	23,092

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

	2007 HK\$'000	2006 HK\$'000
Freehold, overseas	4,153	3,573
Long term leases, PRC	28,590	28,463
	32,743	32,036

At 31 December 2007, the carrying amount of land and building located outside Hong Kong amounted to HK\$2,208,000 (2006: HK\$1,993,000) was pledged to secure banking facilities granted to an associate (Note 41).

Notes to the Financial Statements

For the year ended 31 December 2007

16. PREPAID LAND LEASE PAYMENTS

	<i>HK\$'000</i>
Cost	
At 1 January 2006	3,217
Exchange difference	119
	<hr/>
At 31 December 2006 and 1 January 2007	3,336
Exchange difference	255
	<hr/>
At 31 December 2007	3,591
	<hr/>
Accumulated amortisation	
At 1 January 2006	507
Charge for the year	60
Exchange difference	19
	<hr/>
At 31 December 2006 and 1 January 2007	586
Charge for the year	65
Exchange difference	45
	<hr/>
At 31 December 2007	696
	<hr/>
Carrying amount	
At 31 December 2007	2,895
	<hr/>
At 31 December 2006	2,750
	<hr/>

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

17. PROPERTY UNDER DEVELOPMENT

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost	32,910	32,910
Provision for impairment	(29,104)	(29,104)
	<hr/>	<hr/>
	3,806	3,806
	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31 December 2007

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	2007 HK\$'000	2006 HK\$'000
Unlisted investments		
Share of net assets	2,263	2,058

Details of the jointly-controlled entity as at 31 December 2007 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

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

	2007 HK\$'000	2006 HK\$'000
At 31 December		
Current assets	4,935	4,928
Non-current assets	474	324
Current liabilities	(3,146)	(3,194)
Net assets	2,263	2,058
Year ended 31 December		
Turnover and revenue	40,644	40,024
Expenses	40,596	39,939
Group's share of profit of a jointly-controlled entity	48	85

Notes to the Financial Statements

For the year ended 31 December 2007

19. INVESTMENTS IN ASSOCIATES

	2007 HK\$'000	2006 HK\$'000
Unlisted investments		
Share of net assets	—	2

Details of the Group's associates at 31 December 2007 are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group		Principal activities
			2007	2006	
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:

	2007 HK\$'000	2006 HK\$'000
At 31 December		
Total assets	6,349	6,678
Total liabilities	(11,569)	(9,777)
Net liabilities	(5,220)	(3,099)
Group's share of associates' net assets	—	2
Year ended 31 December		
Total revenue	10,303	14,559
Total loss for the year	(1,819)	(2,171)
Group's share of associates' losses for the year	(2)	(19)

The Group has not recognised losses amounting to HK\$891,000 (2006: HK\$1,045,000) for the Group's associates during the year. The accumulated losses of the Group's associates not recognised were HK\$2,544,000 (2006: HK\$1,653,000) as at 31 December 2007.

Notes to the Financial Statements

For the year ended 31 December 2007

20. INVESTMENTS

	2007 HK\$'000	2006 HK\$'000
(a) Available-for-sale financial assets		
Equity securities, at fair value		
Listed in Hong Kong	584	389
Listed in overseas	8,291	4,456
	<u>8,875</u>	<u>4,845</u>
Market value of listed securities	8,875	4,845
Unlisted securities	39,100	–
	<u>47,975</u>	<u>4,845</u>
Less: impairment	(15,640)	–
	<u>32,335</u>	<u>4,845</u>
(b) Financial assets at fair value through profit or loss		
Equity securities, at fair value		
Listed in Hong Kong	479	279
Listed in overseas	–	1,262
	<u>479</u>	<u>1,541</u>

21. OTHER ASSETS

	2007 HK\$'000	2006 HK\$'000
Loans to Land Traders Properties and Development Company, Inc. ("Land Traders") (Note)	8,640	7,137
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
	<u>9,240</u>	<u>7,737</u>

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.

Notes to the Financial Statements

For the year ended 31 December 2007

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 2007, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to HK\$58,753,000 (2006: HK\$6,984,000). 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:

	2007 HK\$'000	2006 HK\$'000
At beginning of year	11,943	13,023
Disposal of a subsidiary	–	(81)
Exchange difference	2	31
Charge to the consolidated income statement	(3)	(1,030)
	<hr/>	<hr/>
At end of year	11,942	11,943

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

	2007 HK\$'000	2006 HK\$'000
Depreciation in excess of depreciation allowances	440	440
Tax losses	11,494	11,494
Others	8	9
	<hr/>	<hr/>
	11,942	11,943

At the balance sheet date, the Group had unused tax losses of approximately HK\$363,068,000 (2006: HK\$377,208,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$52,467,000 (2006: HK\$52,467,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$310,601,000 (2006: HK\$324,741,000) 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 was HK\$11,594,000 (2006: HK\$10,100,000). 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.

Notes to the Financial Statements

For the year ended 31 December 2007

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 41 to the financial statements.

25. PROPERTIES HELD FOR SALE

	2007 HK\$'000	2006 HK\$'000
Completed properties held for sale, at cost	57,738	82,950

The completed properties held for sale are located in the PRC.

26. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	2007 HK\$'000	2006 HK\$'000
Properties under development expected to be completed: Within normal operating cycle under current assets	118,252	88,410
Amount comprises: Construction and land costs	118,252	88,410

The properties under development are located in the PRC.

27. INVENTORIES

	2007 HK\$'000	2006 HK\$'000
Finished goods	494	440

28. 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:

	2007 HK\$'000	2006 HK\$'000
Current	5,519	11,132
1 – 3 months	6,358	3,648
4 – 12 months	3,061	2,071
Over 1 year	2,174	1,590
	17,112	18,441

Notes to the Financial Statements

For the year ended 31 December 2007

29. OTHER RECEIVABLES

	2007 <i>HK\$'000</i>	2006 HK\$'000
Interest-bearing loan receivable (<i>Note</i>)	2,500	8,000
Deposits	13,361	13,247
Sundry debtors and prepayments	8,133	10,384
	<u>23,994</u>	<u>31,631</u>

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.

30. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the trade payables, other payables and accruals are trade payables of approximately HK\$40,533,000 (2006: HK\$46,548,000). An aging analysis of trade payables as at the balance sheet date is as follows:

	2007 <i>HK\$'000</i>	2006 HK\$'000
Current	32,091	36,391
1 – 3 months	6,687	9,399
4 – 12 months	1,584	673
Over 1 year	171	85
	<u>40,533</u>	<u>46,548</u>

31. 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.

32. INTEREST-BEARING BANK BORROWINGS

	2007 <i>HK\$'000</i>	2006 HK\$'000
Bank overdrafts, secured	<u>4,995</u>	<u>8,811</u>
Bank overdrafts are repayable as follows:		
Within one year	<u>4,995</u>	<u>8,811</u>

Notes to the Financial Statements

For the year ended 31 December 2007

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

	2007	2006
Bank overdrafts	3.70% – 7.20%	5.15% – 9.00%
Bank loans	N/A	4.99% – 7.10%

The bank overdrafts facility and letter of guarantee facility were secured by the cross guarantees from a subsidiary.

33. NON-INTEREST-BEARING OTHER BORROWINGS

The non-interest-bearing other borrowings represent short term loans of HK\$27,575,000 (2006: HK\$26,804,000) granted by the minority shareholders of subsidiaries which are unsecured, interest-free and have no fixed terms of repayment.

34. SHARE CAPITAL

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Authorised:		
5,000,000,000 ordinary shares of HK\$0.20 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
2,414,547,555 ordinary shares of HK\$0.20 each	<u>482,910</u>	<u>482,910</u>

35. BALANCE SHEET OF THE COMPANY

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Investments in subsidiaries	43,254	43,254
Due from subsidiaries	124,972	89,861
Due from associates	87	67
Cash and cash equivalents	66,447	115,304
Other assets	1,272	992
Due to subsidiaries	(48,820)	(69,960)
Other current liabilities	(1,116)	(922)
NET ASSETS	<u>186,096</u>	<u>178,596</u>
Share capital	482,910	482,910
Reserves	(296,814)	(304,314)
TOTAL EQUITY	<u>186,096</u>	<u>178,596</u>

Notes to the Financial Statements

For the year ended 31 December 2007

36. 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 31 of the financial statements.

(b) Company

	Share premium account HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2006	6,328	(343,279)	(336,951)
Profit for the year	–	32,637	32,637
	<hr/>	<hr/>	<hr/>
At 31 December 2006 and at 1 January 2007	6,328	(310,642)	(304,314)
Profit for the year	–	7,500	7,500
	<hr/>	<hr/>	<hr/>
At 31 December 2007	6,328	(303,142)	(296,814)

37. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of a subsidiary

	2007 HK\$'000	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)
	<hr/>	<hr/>
Net assets disposed of	–	9,782
Release of foreign currency translation reserve	–	6,761
Loss on disposal of a subsidiary	–	(3,871)
	<hr/>	<hr/>
Total consideration – satisfied by cash	–	12,672
	<hr/>	<hr/>
Net cash outflow arising on disposal:		
Cash consideration received	–	12,672
Cash and cash equivalents disposed of	–	(15,767)
	<hr/>	<hr/>
	–	(3,095)
	<hr/>	<hr/>

In 2006, the Group disposed of its entire interest in the subsidiary, Morning Star Holdings (Australia) Limited.

Notes to the Financial Statements

For the year ended 31 December 2007

38. LEASE COMMITMENTS

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007 HK\$'000	2006 <i>HK\$'000</i>
Within one year	10,882	9,591
In the second to fifth years, inclusive	11,501	4,296
	<u>22,383</u>	<u>13,887</u>

39. CAPITAL COMMITMENTS

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

	2007 HK\$'000	2006 <i>HK\$'000</i>
Land and construction costs		
Contracted but not provided for	14,025	35,361
Authorised but not contracted for	1,882	483,753
	<u>15,907</u>	<u>519,114</u>

The above amount of HK\$15,907,000 (2006: HK\$519,114,000) relates to the development of the Group's property projects in Zhongshan, the PRC, into a residential and commercial complex.

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

40. CONTINGENT LIABILITIES

As at 31 December 2007, the Group had contingent liabilities amounting to HK\$67,553,000 (2006: HK\$36,412,000). 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 consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the accounts for the guarantees.

Notes to the Financial Statements

For the year ended 31 December 2007

41. MATERIAL RELATED PARTY TRANSACTIONS

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

	Note	2007 HK\$'000	2006 HK\$'000
Rental income from a related company:			
Laura Ashley Limited ("LAL")	(i)	–	368
Interest income from MVM	(ii)	36	50
Property management fees paid to MVM	(iii)	79	124
		<u>79</u>	<u>124</u>

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, 29 and 31 to the financial statements, respectively.

Notes to the Financial Statements

For the year ended 31 December 2007

42. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2007 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		
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
Morning Star Investment Management Limited	Hong Kong	HK\$5,000,000	–	97	Ordinary	Provision of investment advisory services

Notes to the Financial Statements

For the year ended 31 December 2007

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		
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 Securities Limited	Hong Kong	HK\$150,000,000	–	97	Ordinary	Securities broking
Morning Star Travel International Limited	Cayman Islands	HK\$200	100	–	Ordinary	Investment holding
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
Speed Gainer Limited	Hong Kong	HK\$1	–	100	Ordinary	Investment 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 Hotel Management Sdn Bhd	Malaysia	MYR2 MYR500,000	– –	100 100	Ordinary Non- cumulative irredeemable 10% preference	Hotel management
Vista International Hotels Limited	Hong Kong	HK\$10 HK\$300,000	– –	100 100	Ordinary Non-voting deferred	Hotel management

Notes to the Financial Statements

For the year ended 31 December 2007

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		
Vista International Hotels Pty Limited	Australia	A\$2	–	100	Ordinary	Hotel management
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
Zhongshan Morning Star Villa Club Co., Ltd.	The People's Republic of China	US\$1,400,000	–	55	Registered capital	Operation of clubhouses in Morning Star Villa
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

The above table lists the subsidiaries of the Company as at 31 December 2007 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.

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 17 April 2008.

Schedule of Major Properties

For the year ended 31 December 2007

COMPLETED PROPERTIES HELD FOR SALE

Name/location	Use	Gross floor area (sq. m.)	Percentage of Group's interest
Morning Star Villa, Phase I Mu He Path, Gangkouzhen Zhongshan, Guangdong People's Republic of China ("PRC")	Residential	103,166	55
Morning Star Villa, Phase II Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential	73,439	55
Morning Star Villa, Shops Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Commercial	7,669	55
Morning Star Villa, Phase III Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential	49,211	55
Morning Star Villa, Phase IV Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential	36,149	55
Morning Star Villa, Phase V Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential/ Commercial	48,991	55
Morning Star Villa, Phase VI Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential/ Commercial	91,290	55
Morning Star Villa, Phase VII Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential	55,931	55

Schedule of Major Properties

For the year ended 31 December 2007

Name/location	Use	Gross floor area (sq. m.)	Percentage of Group's interest
Morning Star Villa Phase VIII – Part I Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential	16,341	55
Morning Star Plaza Eastern site Qing Miao Di Hou Shan Guan Li Qu, Xi Qu Zhongshan, Guangdong PRC	Residential/ Commercial	61,610	55
Morning Star Plaza Western site – Part I (excludes Central Garden) Qing Miao Di Hou Shan Guan Li Qu, Xi Qu Zhongshan Guangdong PRC	Residential/ Commercial	11,377	55
Morning Star Plaza Western site – Part II Qing Miao Di Hou Shan Guan Li Qu, Xi Qu Zhongshan Guangdong PRC	Residential/ Commercial	9,397	55
Morning Star Plaza Western site – Part III (Part A) Qing Miao Di Hou Shan Guan Li Qu, Xi Qu Zhongshan Guangdong PRC	Residential/ Commercial	10,918	55

Schedule of Major Properties

For the year ended 31 December 2007

PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

Name/location	Use	Site area (sq. m.)	Gross floor area (sq. m.)	Stage of completion	Percentage of Group's interest
Morning Star Villa Phase VIII – Part I (uncompleted part) Mu He Path Gangkouzhen Zhongshan Guangdong PRC	Residential/ Commercial	11,635	4,963	15%	55
Morning Star Villa Phase VIII – Part II, Part III Mu He Path Gangkouzhen Zhongshan Guangdong PRC	–	42,789	40,034	–	55
Morning Star Villa Phase IX Mu He Path Gangkouzhen Zhongshan Guangdong PRC	–	103,106	–	–	55
Morning Star Plaza Western site Part III (Part B) Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/ Commercial	7,974	13,657	–	55
Morning Star Plaza Western site Part IV Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/ Commercial	6,542	29,990	80%	55

Schedule of Major Properties

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*For the year ended 31 December 2007***PROPERTY UNDER DEVELOPMENT**

Name/location	Use	Site area (sq. m.)	Gross floor area (sq. m.)	Stage of completion	Percentage of Group's interest
Enrico Hotel Building Corner Lean Guinto and Padre Faura Streets Ermita, Manila Philippines (Lots 4-A, 9-A and 9-B of Psd – 21677)	–	1,410	–	Foundation work completed	61

Five Year Financial Summary

The following summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out below:

RESULTS

	Year ended 31 December				
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
TURNOVER	540,155	480,074	485,430	494,659	442,717
(LOSS)/PROFIT BEFORE TAX	(6,547)	15,720	(6,389)	(43,445)	(23,038)
INCOME TAX EXPENSES	(1,029)	(2,038)	(1,135)	2,102	(6,655)
(LOSS)/PROFIT FOR THE YEAR	(7,576)	13,682	(7,524)	(41,343)	(29,693)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	(10,824)	14,880	(7,312)	(38,955)	(23,928)
MINORITY INTERESTS	3,248	(1,198)	(212)	(2,388)	(5,765)
	(7,576)	13,682	(7,524)	(41,343)	(29,693)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
ASSETS AND LIABILITIES					
NON CURRENT ASSETS	92,137	59,431	152,664	313,949	321,957
CURRENT ASSETS	401,763	396,241	309,045	308,613	333,109
CURRENT LIABILITIES	(166,951)	(135,427)	(172,411)	(287,830)	(300,233)
NET ASSETS	326,949	320,245	289,298	334,732	354,833
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	256,866	253,410	215,733	260,621	278,109
MINORITY INTERESTS	70,083	66,835	73,565	74,111	76,724
TOTAL EQUITY	326,949	320,245	289,298	334,732	354,833