



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 2009

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Corporate Information

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
HO Kuan Lai, *A.C.I.S.*, Executive Director
KHET Kok Yin, *B. Econ. (Hons.)*
CHAN Choung Yau, *CA(M), FCCA* (also as Alternate Director to KHET Kok Yin)
WONG Nyen Faat, *B. Sc. Ed. (Hons), M.B.M.*
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, *A.C.I.S.*
MOK Ho Ming, *C.P.A.*

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Citibank, N.A.
Hang Seng Bank Limited
Malayan Banking Berhad
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Parker Randall CF (H.K.) CPA Limited
Room 201, 2nd Floor
Two Grand Tower
625 Nathan Road
Kowloon, Hong Kong

HONG KONG SHARE REGISTRAR

Tricor 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

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company and the Group for the year ended 31 December 2009.

FINANCIAL RESULTS

The Group achieved a pre-tax profit of HK\$5.4 million (2008: loss of HK\$27.1 million) for the year ended 31 December 2009.

The Group's consolidated net profit attributable to the equity holders of the Company for 2009 amounted to HK\$2.6 million (2008: loss of HK\$31.0 million).

DIVIDEND

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2009 (2008: Nil).

REVIEW OF OPERATIONS

Travel and Tourism Division

Website: www.morningstar.com.hk

In tandem with the global economic recession, the economy in Hong Kong SAR underwent a downward adjustment in 2009 with a GDP contraction of 2.5% and an increase of unemployment rate from 3.6% to 5.2%. As a result of these, the overall spending sentiments of consumers was dampened, thus also affecting the demand of outbound travel in Hong Kong.

Despite such an unfavourable backdrop, the Group's Travel and Tourism Division nevertheless, registered a higher turnover of HK\$465 million for 2009 (2008: HK\$417 million), which arises mainly from the inclusion of the turnover of its newly acquired subsidiary, Beijing Morning Star-New Ark International Travel Service Co., Ltd. ("Beijing MST") in the People's Republic of China ("PRC"), formerly an associated company of the Group. Faced with the adversities brought about by the global financial downturn, Morning Star Travel Service Limited ("MST"), the main arm of the Group's Travel and Tourism Division, adopted a cautious approach and predominantly focused on margin improvement, cost reduction and productivity improvement. As a result of this approach, the Travel and Tourism Division recorded an increase in its operating profit from HK\$1.6 million to HK\$4.2 million.

During the year, the Group's established "Morning Star Travel" brand continued to garner industry recognition for its contribution to the travel and tourism trade, receiving numerous awards from



South Taiwan Benediction Tour Ceremony at Plaza Hollywood, Diamond Hill, Hong Kong



Tokyo Marathon Tour 2009

Chairman's Statement



Joint promotion with Singapore Tourism Board — "Uniquely me • Uniquely Singapore" photo-shooting competition



Our road show booth at Plaza Hollywood, Diamond Hill, Hong Kong — Korea White Festival



Superbrands 2009 award presentation ceremony



Taiwan Tourism Festival Awards Ceremony

various airlines, tourism boards and independent organisations, amongst which, included the following:

- (a) "Top Agent Award 2008" by Japan Airlines;
- (b) "Top Sales Agency 2008" by Asiana Airlines;
- (c) "Top Agent Award 2009" by Hong Kong Express & Hong Kong Airlines;
- (d) "Top Performance Award 2008" by Malaysia Airlines;
- (e) "The Best Performing Agent Award Hong Kong 2008" by Star Cruises;
- (f) "Most Popular Korea Tour Award 2009" by Weekend Weekly;
- (g) "Appreciation Award 2009" by Hilton Hotel Japan; and
- (h) "Promotion of Guilin Tourism Contribution Award" by Guilin Tourism Bureau.



Hilton Hotel Japan
Appreciation Award
2009



Top Agent Award
2009
Hong Kong Express
& Hong Kong Airlines



Taiwan Tourism
Award, Taiwan
Tourism
Bureau



Superbrands
2009



Best Performing
Agent Award
Hong Kong 2008
Star Cruises



Most Popular Korea
Tour Award 2009
Weekend Weekly

Chairman's Statement



Phase VIII Firenze of Morning Star Villa

In addition to the above, for the fifth consecutive years, the Group's renowned "Morning Star Travel" brand has been recognised as a "Superbrand" by the Superbrands organisation, which was formed to recognise exceptional brands and pay tribute to many of Hong Kong's strongest and most valued brands.

Property Division

Website: www.morningstar.net.cn

For the year ended 31 December 2009, the Group's Property Division achieved a turnover of HK\$40.3 million (2008: HK\$66.4 million) with a corresponding operating profit of HK\$3.2 million (2008: profit of HK\$3.4 million).

During the year, the Group's Property Division focused on the sale of unsold completed units in its two existing projects namely Morning Star Villa ("MSV") and Morning Star Plaza ("MSP") in Zhongshan, Guangdong Province, PRC.

As at 31 December 2009, 99% of all residential units completed under Phase I to Phase VIII of MSV, and 73.8% of all residential and commercial units completed under Phase I to Phase IV of MSP had been sold.

Chairman's Statement



Colourful City of Morning Star Plaza

Financial Services Division

The Group's Financial Services Division, mainly through its Morning Star Securities Limited, achieved a turnover of HK\$1.5 million (2008: HK\$1.6 million) with an operating loss of HK\$0.2 million (2008: loss of HK\$0.2 million).

OUTLOOK

While the general economic conditions in Hong Kong have shown encouraging signs of recovery, the Group recognises that the performance of the travel and tourism industry in Hong Kong is largely influenced by many external factors including the global economic conditions, the political stability of key tourist destinations, fluctuations of foreign currencies and as such, is cautiously optimistic on the growth of the Group's Travel and Tourism Division in year 2010.

The Group's Travel and Tourism Division will be continuing with its initiatives to enhance and transform MST into a productive and competitive travel business entity. Being an ISO 9001:2008 certified company, MST will continuously strive to ensure that customers' satisfaction on both our travel products and services rendered are achieved to the highest level possible. The Division is also committed to establish and build the "Morning Star Travel" brand in line with the Group's corporate values of "Trustworthiness, Quality and Innovation".

For Beijing MST, the Division will be exploring new initiatives to develop Beijing MST into a more resilient business model to capitalise on business opportunities arising from the fast growing tourism industry in PRC.

The Group's Property Division will continue focusing on the sale of its unsold completed units in MSV and MSP and will also be exploring various options to generate maximum return on its lands and properties in Zhongshan.

Chairman's Statement

DIRECTORATE

The Board welcomes Ms Ho Kuan Lai who was appointed as Executive Director of the Company on 1 February 2010.

Mr Wong Nyen Faat relinquished his position as the Executive Director of the Company and consequently has been re-designated as a non-Executive Director on 1 February 2010. The Board would like to thank him for his services and contributions made to the Group during his tenure as Executive Director of the Company.

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, 21 April 2010

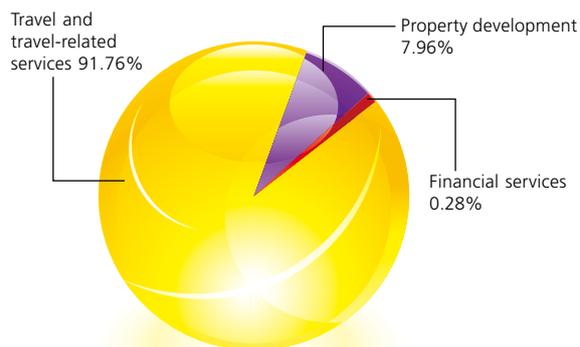
Management Discussion and Analysis

REVIEW OF FINANCIAL RESULTS

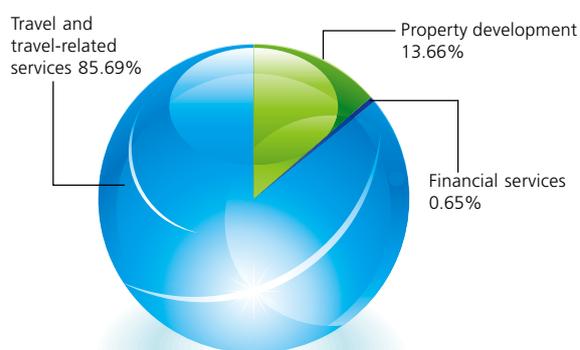
Financial Highlights

	2009		2008	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By business segments:				
Travel and travel-related services	465,250	4,230	416,803	1,589
Property development	40,336	3,239	66,456	3,382
Financial services	1,454	(192)	3,160	(207)
Corporate and other businesses	—	2,460	—	(1,438)
Eliminations	—	—	(1,518)	—
	507,040	9,737	484,901	3,326
Interest and dividend income	—	716	—	2,650
Unallocated expenses	—	(5,020)	—	(5,190)
Total	507,040	5,433	484,901	786

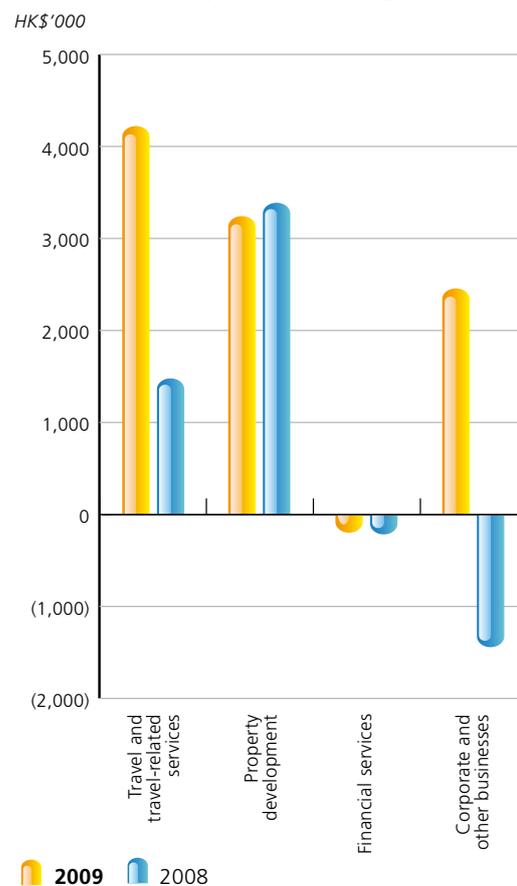
Turnover by Business Segments – 2009



Turnover by Business Segments – 2008



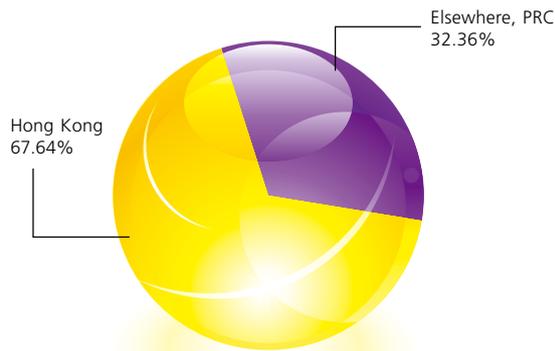
Contribution by Business Segments



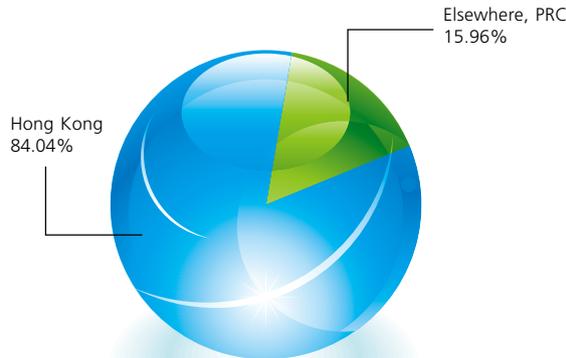
Management Discussion and Analysis

	2009		2008	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By geographical segments:				
PRC				
Hong Kong	342,982	6,543	407,512	430
Elsewhere	164,058	3,303	77,389	3,399
Australia	—	(88)	—	(195)
Other countries	—	(21)	—	(308)
	507,040	9,737	484,901	3,326
Interest and dividend income	—	716	—	2,650
Unallocated expenses	—	(5,020)	—	(5,190)
Total	507,040	5,433	484,901	786

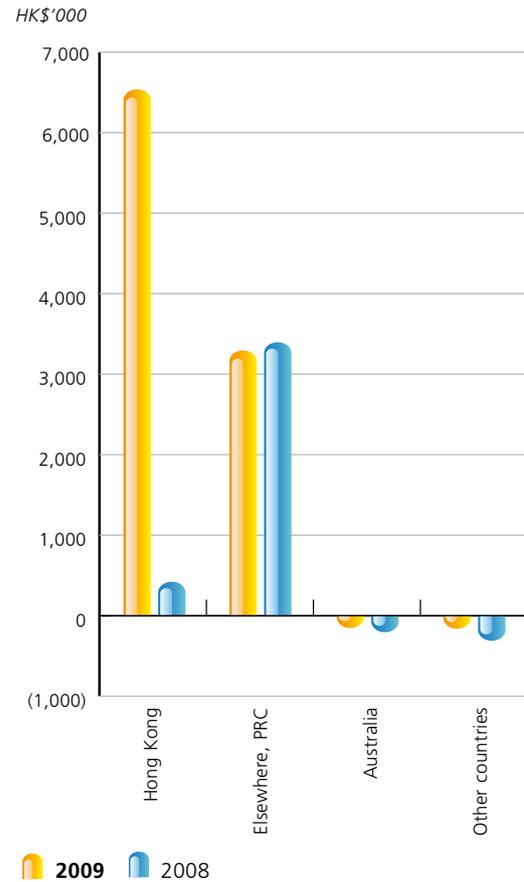
Turnover by Geographical Segments – 2009



Turnover by Geographical Segments – 2008



Contribution by Geographical Segments



Management Discussion and Analysis

GROUP OVERVIEW

For the year under review, the Group recorded a profit from operating activities of HK\$5.4 million as compared to a profit of HK\$0.8 million for 2008. The profit attributable to equity holders of the Company for the year ended 31 December 2009 amounted to HK\$2.6 million against a loss of HK\$31 million for 2008.

For the year ended 31 December 2009, the Group's turnover grew 4.5% from HK\$485 million in 2008 to HK\$507 million in 2009. Despite the global economic downturn and challenging business environment in 2009, the main business divisions of the Group namely Travel and Tourism Division and Property Division were profitable.

TRAVEL AND TOURISM DIVISION

Total turnover for the Group's Travel and Tourism Division for the year ended 31 December 2009 amounted to HK\$465 million, an increase of 11.5% compared to HK\$417 million in 2008. The growth in turnover was mainly attributable to the inclusion of turnover from a newly acquired subsidiary in the People's Republic of China ("PRC"), Beijing Morning Star-New Ark International Travel Service Co., Ltd. ("Beijing MST"), formerly a jointly-controlled entity of the Group.

During the year, faced with unfavourable and challenging market conditions brought about by the global economic recession and outbreak of the H1N1 flu pandemic, Morning Star Travel Service Limited ("MST"), the main arm of the Group's Travel and Tourism Division, had effectively reduced its operating costs and improved the productivity as well as the gross profit margin of the Division and as a result of which, the Travel and Tourism Division achieved an increase in its operating profit from HK\$1.6 million to HK\$4.2 million.

Moving forward, the management will continue to strengthen its positioning in the quality conscious market segment and strive to enhance the customer service quality of its staff as well as introduce more affordable and quality thematic travel products to satisfy the discerning needs of our customers. Riding on the goodwill of the "Morning Star Travel" brand built in the past 38 years and guided by its corporate value of "Trustworthiness, Quality and Innovation", MST will continue to explore new market segments in the travel and travel related industry.

The financial year 2009 ended with a positive note with most economies in Asia showing initial signs of recovery. Despite this, the management is aware that the travel industry is invariably affected by external factors such as natural disasters, geopolitical situations, terrorist attacks and outbreak of pandemics and as such will be taking a cautious yet progressive approach to further enhance MST's competitive position in the travel and tourism industry to ensure its sustainable profitability in 2010 and beyond.

PROPERTY DIVISION

The Group's property businesses are in Zhongshan, Guangdong Province, PRC. For the year ended 31 December 2009, total turnover of the Group's Property Division amounted to HK\$40.3 million compared to HK\$66.4 million for 2008 with a corresponding profit of HK\$3.2 million against a profit of HK\$3.4 million for 2008.

Management Discussion and Analysis

In 2009, the management focused on the sale of unsold completed residential units in Morning Star Villa ("MSV") and Morning Star Plaza ("MSP") resulting in over HK\$37.7 million worth of stocks on hand being sold during the year. In line with the normal approach adopted in the recognition of sales, the revenue and profits arising from 19 units sold with an accumulated sales value of HK\$7.5 million have not been recognised in the Group's profit and loss account.

The profit margin for the residential units in MSV sold in 2009 was marginally better than that for the units sold in 2008. To-date, approximately 99% of all residential units completed under Phase I to Phase VIII of MSV have been sold.

As for MSP, approximately 73.8% of all residential and commercial units completed under Phase I to Phase IV have 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 2009 amounted to HK\$1.5 million with a corresponding loss of HK\$0.2 million as compared to a turnover of HK\$1.6 million with a loss of HK\$0.2 million for 2008.

GEOGRAPHICAL SEGMENTS

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

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets as at 31 December 2009, consisting mainly of property, plant and equipment, property under development, available-for-sale financial assets, pledged bank balances and deferred tax assets, amounted to HK\$75.5 million, an increase of HK\$14.0 million, compared to HK\$61.5 million as at 31 December 2008. Current assets as at 31 December 2009 totalled HK\$333.3 million against HK\$336.6 million as at 31 December 2008. Current liabilities as at 31 December 2009 amounted to HK\$112.8 million, compared to HK\$106.4 million as at 31 December 2008.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2009, the Group's total borrowings was HK\$16.7 million (2008: HK\$23.9 million) comprising non-interest-bearing other borrowings. As at 31 December 2009, the Group's available banking facilities not utilised is Nil (2008: HK\$8.3 million).

The Group's total equity as at 31 December 2009 was HK\$296.0 million (2008: HK\$291.7 million).

The Group's gearing ratio as at 31 December 2009 was 5.6% compared to 8.2% for 2008. 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.

Management Discussion and Analysis

Capital Commitments

The Group had no capital commitments as at 31 December 2009 (2008: Nil).

Contingent Liabilities

As at 31 December 2009, the Group had contingent liabilities amounting to HK\$50.6 million (2008: HK\$44.3 million). 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 31 December 2009, non-current bank balances amounting to HK\$3.4 million (2008: HK\$4.1 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 2009 was 374 compared to 439 as at 31 December 2008. 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

On 29 October 2008, the Group entered into a transfer of equity interests agreement to acquire an additional 21% equity interests in Beijing MST, a sino-foreign joint venture company incorporated in PRC. Prior to the said agreement, the Group held 49% equity interests in the Beijing MST.

In March 2009, the said acquisition was completed and accordingly Beijing MST with 70% equity interests held by the Group, has since been recognised as a subsidiary of the Group.

During the year, the Group had also acquired an aggregate of 27,240,000 ordinary shares of Malayan United Industries Berhad ("MUI") at a total consideration (inclusive of brokerage fees, contract stamp duties and clearing fees) of approximately HK\$11,181,000, representing approximately 1.4% of the entire issued share capital of MUI.

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 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company consisted 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, 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 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 73.

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 75.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 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 37 to the financial statements and in the consolidated statement of changes in equity, respectively.

At 31 December 2009, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2007 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.

Report of the Directors

DIRECTORS

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

Executive Director:

HO Kuan Lai	(appointed as Executive Director on 1 February 2010)
WONG Nyen Faat	(re-designated as Non-Executive Director on 1 February 2010)

Non-Executive Directors:

Tan Sri Dr. KHOO Kay Peng	(Chairman)
KHET Kok Yin	
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, Mr. CHAN Choung Yau, Mr. WONG Nyen Faat, Ms. HO Kuan Lai and Mr. WONG Kim Ling will retire and, being eligible, offer themselves for re-election at the forthcoming annual general 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. CHAN Choung Yau, Mr. WONG Nyen Faat and Ms. HO Kuan Lai are directors of a number of member companies of The MUI Group.

By virtue of the interests of Tan Sri Dr. KHOO, Mr. KHET, Mr. CHAN, Mr. WONG and Ms. HO 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, property development, 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").

Report of the Directors

The Group operates its businesses mainly in Hong Kong and PRC whilst The MUI Group's operations are mainly outside Hong Kong and PRC. 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

As at 31 December 2009, 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:

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	1,530,223,657	63.38

As at 31 December 2009, 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 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. A 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) 650,840,672 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.

Report of the Directors

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	71	Chairman	16	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 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 and a trustee of Regent University, Virginia, 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) and a trustee of the National Welfare Foundation, Malaysia.
HO Kuan Lai	38	Director	3 months	Ms. HO joined the Company in July 2006 as the Company Secretary and held the portfolio of Head of Corporate Affairs for the Company, overseeing various departments including accounting, human resources and administration, information technology and sales and customer service. She is an associate member of the Singapore Institute of Chartered Secretaries and Administrators and has extensive experience in company secretarial, corporate and general management. Prior to joining the Company, Ms. HO had also held senior management position in several companies in Singapore which is/was listed on the main board of Singapore Exchange Limited.

Report of the Directors

Name	Age	Position held	Number of years of service	Business experience
KHET Kok Yin	63	Director	13½	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 holds a Bachelor of Economics (Honours) from University of Malaya. Currently, he is the Chairman of Pan Malaysia Capital Berhad and also sits on the Boards of Malayan United Industries Berhad, Pan Malaysian Industries Berhad, Pan Malaysia Holdings Berhad, Pan Malaysia Corporation Berhad, MUI Properties Berhad and Metrojaya Berhad. He had previously served as Joint Managing Director of MUI Bank Berhad (now known as Hong Leong Bank Berhad) and was also Joint Managing Director of KFC Holdings (Malaysia) Bhd, Managing Director of Metrojaya Berhad, Pan Malaysian Industries Berhad, Pan Malaysia Holdings Berhad and Pan Malaysia Capital Berhad, Chief Executive Officer of Pan Malaysia Corporation Berhad, Managing Director of Morning Star Securities Limited, Hong Kong, President of the North American operations of The MUI Group in the United States of America and Director of MUI Continental Insurance Berhad.
CHAN Choung Yau	47	Director	3½	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 nine years experience mainly in finance and accounting, audit, corporate secretarial and general 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 and Pan Malaysia Holdings Berhad, both listed on Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange). He also sits on the Boards of Malayan United Industries Berhad, Pan Malaysia Capital Berhad, Metrojaya Berhad and MUI Continental Insurance Berhad.

Report of the Directors

Name	Age	Position held	Number of years of service	Business experience
WONG Nyen Faat	52	Director	3½	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 experience in business development, operations and general management in a variety of industries. Mr. WONG had previously served as the Executive Director of Morning Star Resources Limited. He is a Senior Vice President of Malayan United Management Sdn Bhd.
WONG Kim Ling	73	Director	11½	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	73	Director	5½	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.

Report of the Directors

Name	Age	Position held	Number of years of service	Business experience
OH Hong Choon	68	Director	5½	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 Pan Malaysia Capital Berhad which is listed on Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange).

OTHER SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2009, 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 the 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:

Interests of substantial shareholders

Name	Notes	Number of shares (Long Position)	Percentage of issued share capital
KKP Holdings Sdn Bhd ("KKP Holdings")	(a) & (b)	1,530,223,657	63.38
Soo Lay Holdings Sdn Bhd ("SL Holdings")	(a) & (b)	1,530,223,657	63.38
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)	650,840,672	26.95

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.

Report of the Directors

Save as disclosed above, as at 31 December 2009, 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.

SIGNIFICANT CONNECTED TRANSACTION

Acquisition of additional equity interests in Malayan United Industries Berhad

During the year, the Company through its wholly-owned subsidiary, Swift Progress Investments Limited, had further acquired 27,240,000 ordinary shares of Malayan United Industries Berhad ("MUI") on the Bursa Malaysia Securities Berhad from 3 March 2009 to 14 April 2009 at a total consideration of approximately RM5,103,000 (equivalent to approximately HK\$11,181,000) (the "Acquisition") which had been satisfied by the Company in cash from its internal resources, representing approximately 1.4% of the entire issued share capital of MUI. The Company is of the view that the acquisition of additional equity interests in MUI is in line with the Group's treasury management and future strategic development goals.

Trading date	No. of MUI shares acquired	Unit price of MUI shares (in RM)	Total consideration paid (in RM)
3 March 2009	300,000	0.133	40,050.96
5 March 2009	1,700,000	0.142	242,261.36
6 March 2009	1,000,000	0.142	142,179.70
10 March 2009	1,000,000	0.139	139,708.36
11 March 2009	200,000	0.140	28,186.40
12 March 2009	900,000	0.139	126,044.69
13 March 2009	300,000	0.140	42,204.60
16 March 2009	396,600	0.135	53,798.46
17 March 2009	600,000	0.135	81,388.80
25 March 2009	181,000	0.145	26,375.56
26 March 2009	100,000	0.150	15,148.50
27 March 2009	113,000	0.144	16,447.28
31 March 2009	500,000	0.149	74,787.84
3 April 2009	459,400	0.150	69,240.87
6 April 2009	1,003,600	0.158	159,632.59
7 April 2009	566,800	0.160	91,049.66
8 April 2009	429,600	0.157	67,814.63
14 April 2009	17,490,000	0.210	3,687,089.02
Total:	<u>27,240,000</u>		<u>5,103,409.28</u>

As at 31 December 2009, the Group held an aggregate of 37,500,000 ordinary shares in MUI representing approximately 1.93% of the entire issued share capital of MUI.

As MUI is an associate of Tan Sri Dr. KHOO Kay Peng, the Chairman, a Non-Executive Director and a deemed substantial shareholder of the Company whose shareholding interests in the Company are held through corporate interests, the Acquisition had constituted a connected transaction for the Company under the Listing Rules.

Report of the Directors

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 deviation as disclosed in the Corporate Governance Report on pages 21 to 24.

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 for the year ended 31 December 2009. The Audit Committee constituted three Independent Non-Executive Directors and a Non-Executive Director of the Company.

AUDITORS

Parker Randall CF (H.K.) CPA Limited was auditor of the Company for the years ended 31 December 2007, 2008 and 2009. RSM Nelson Wheeler was auditor of the Company for the year ended 31 December 2006. The financial statements for the year were audited by Parker Randall CF (H.K.) 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

HO KUAN LAI

Executive Director

Hong Kong, 21 April 2010

Corporate Governance Report

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 2009, except for code provision A.4.1. 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 to the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code during the year.

BOARD OF DIRECTORS

The existing Board of Directors of the Company comprise:

Executive Director	HO Kuan Lai
Non-Executive Directors	Tan Sri Dr. KHOO Kay Peng, Chairman KHET Kok Yin CHAN Choung Yau (also alternate director to KHET Kok Yin) WONG Nyen Faat
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 meetings.

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.

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).

Corporate Governance Report

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

Name of Director	Number of Board Meetings Attended	Attendance Rate
Tan Sri Dr. KHOO Kay Peng	5/5	100%
HO Kuan Lai (<i>Note</i>)	N/A	N/A
KHET Kok Yin	3/5	60%
CHAN Choung Yau (also alternate director to KHET Kok Yin)	5/5	100%
WONG Nyen Faat	5/5	100%
WONG Kim Ling	2/5	40%
OOI Boon Leong @ LAW Weng Leun	4/5	80%
OH Hong Choon	5/5	100%

Note: Ms. HO Kuan Lai was appointed as Executive Director with effect from 1 February 2010.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Tan Sri Dr. KHOO Kay Peng while the Chief Executive Officer of the Company for the year ended 31 December 2009 was Mr. WONG Nyen Faat. With effect from 1 February 2010, Ms. HO Kuan Lai was appointed as the Chief Executive Officer of the Company. 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 of 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 the annual general meeting in accordance with the Articles of Association of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee was established in August 2005 and 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.

Corporate Governance Report

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. The Remuneration Committee constituted two Independent Non-Executive Directors and one Non-Executive Director of the Company.

Name of Committee Members	Number of Remuneration Committee Meeting attended	Attendance Rate
OOI Boon Leong @ LAW Weng Leun	1/1	100%
OH Hong Choon	1/1	100%
CHAN Choung Yau	1/1	100%

Directors' remuneration for the year are disclosed in note 13 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.

AUDITORS REMUNERATION

The fee in respect of audit and non-audit services provided by the external auditors to the Group for the year ended 31 December 2009 is set out below:

	HK\$'000
Types of services	
Audit fee for the Group	574
Taxation services and others	44
	<hr/>
Total	618

AUDIT COMMITTEE

The Audit Committee was established in March 1999 and comprises the following members:

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

Corporate Governance Report

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 2009 included the following:

- review of 2008 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 impacts;
- consideration of the audit fee for the Year 2009; and
- review of 2009 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:

Name of Committee Members	Number of Audit Committee Meetings attended	Attendance Rate
OOI Boon Leong @ LAW Weng Leun	2/2	100%
WONG Kim Ling	1/2	50%
OH Hong Choon	2/2	100%
CHAN Choung Yau	2/2	100%

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, 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.

Independent Auditor's Report



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 "Group") set out on pages 27 to 73 which comprise the consolidated statement of financial position as at 31 December 2009, consolidated income statement, consolidated statement of comprehensive income, 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 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.

Independent Auditor's Report

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 2009 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

21 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
TURNOVER	7	507,040	484,901
Cost of sales		(447,225)	(413,320)
Gross profit		59,815	71,581
Other income	8	14,453	9,715
Selling and promotional expenses		(4,828)	(8,768)
Administrative expenses		(64,007)	(71,742)
PROFIT FROM OPERATIONS		5,433	786
Finance costs	9	(3)	(173)
Non-recurring expenses	10	—	(27,318)
Share of loss of a jointly-controlled entity		(14)	(405)
PROFIT/(LOSS) BEFORE TAX		5,416	(27,110)
Income tax expense	11	(4,113)	(3,830)
PROFIT/(LOSS) FOR THE YEAR	12	1,303	(30,940)
Attributable to:			
Equity holders of the Company		2,596	(31,034)
Minority interests		(1,293)	94
		1,303	(30,940)
EARNINGS/(LOSS) PER SHARE			
Basic	15	0.1 cent	(1.3 cents)
Diluted		N/A	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Net Profit/(Loss)	<u>1,303</u>	<u>(30,940)</u>
Other comprehensive income/(expense) for the year (after taxation and reclassification adjustments):		
Exchange differences on translation of financial statements of overseas subsidiaries	(2,859)	4,573
Acquisition of a subsidiary: net movement in goodwill reserve	(120)	—
Available-for-sale financial assets: net movement in financial assets reserve	<u>6,567</u>	<u>(8,905)</u>
Other comprehensive income/(expense)	<u>3,588</u>	<u>(4,332)</u>
Total comprehensive income/(expense)	<u>4,891</u>	<u>(35,272)</u>
Total comprehensive income/(expense) attributable to:		
Owners of the parent	6,184	(35,366)
Minority interests	(1,293)	94
	<u>4,891</u>	<u>(35,272)</u>

Consolidated Statement of Financial Position

As at 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	18,084	19,270
Prepaid land lease payments	17	2,931	2,995
Property under development	18	3,806	3,806
Investment in a jointly-controlled entity	19, 41	—	2,014
Investments in associates	20	—	—
Available-for-sale financial assets	21, 40	27,012	9,466
Other assets	22	8,255	7,948
Pledged bank balances	23	3,397	4,093
Deferred tax assets	24	12,023	11,946
		75,508	61,538
CURRENT ASSETS			
Due from related companies	25	7,888	4,582
Due from associates	32	915	1,569
Properties held for sale	26	73,012	97,671
Properties held for sale under development	27	65,599	65,551
Financial assets at fair value through profit or loss	21	—	116
Inventories	28	329	483
Trade receivables	29	22,387	2,987
Other receivables	30	22,300	19,076
Client trust bank balances		6,291	8,444
Cash and cash equivalents	23	134,610	136,085
		333,331	336,564
CURRENT LIABILITIES			
Due to related companies	25	1,921	1,734
Due to associates	32	129	2,958
Tax payables		5,148	4,929
Advanced proceeds from sales of properties		2,751	529
Trade payables, other payables and accruals	31	86,154	72,327
Interest-bearing bank borrowings	33	—	7,238
Non-interest-bearing other borrowings	34	16,710	16,710
		112,813	106,425
NET CURRENT ASSETS		220,518	230,139
TOTAL ASSETS LESS CURRENT LIABILITIES		296,026	291,677
CAPITAL AND RESERVES			
Share capital	35	482,910	482,910
Reserves	37	(255,226)	(261,410)
Equity attributable to equity holders of the Company		227,684	221,500
Minority interests		68,342	70,177
TOTAL EQUITY		296,026	291,677

WONG NYEN FAAT
Director

CHAN CHOUNG YAU
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	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 2008	482,910	6,328	6,859	1,658	5,596	(246,485)	256,866	70,083	326,949
Translation differences	—	—	4,573	—	—	—	4,573	—	4,573
Loss arising from changes in fair value of available-for-sale financial assets	—	—	—	—	(8,905)	—	(8,905)	—	(8,905)
Net income/(expense) recognised directly in equity	—	—	4,573	—	(8,905)	—	(4,332)	—	(4,332)
Loss for the year	—	—	—	—	—	(31,034)	(31,034)	94	(30,940)
Total comprehensive income/(expense) for the year	—	—	4,573	—	(8,905)	(31,034)	(35,366)	94	(35,272)
At 31 December 2008	482,910	6,328	11,432	1,658	(3,309)	(277,519)	221,500	70,177	291,677
Acquisition of a subsidiary	—	—	—	(120)	—	—	(120)	—	(120)
Translation differences	—	—	(2,859)	—	—	—	(2,859)	—	(2,859)
Gain arising from changes in fair value of available-for-sale financial assets	—	—	—	—	6,567	—	6,567	—	6,567
Net income/(expense) recognised directly in equity	—	—	(2,859)	(120)	6,567	—	3,588	—	3,588
Profit for the year	—	—	—	—	—	2,596	2,596	(1,293)	1,303
Total comprehensive income/(expense) for the year	—	—	(2,859)	(120)	6,567	2,596	6,184	(1,293)	4,891
Acquisitions of a subsidiary from minority interests (net)	—	—	—	—	—	—	—	(542)	(542)
At 31 December 2009	482,910	6,328	8,573	1,538	3,258	(274,923)	227,684	68,342	296,026

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	5,416	(27,110)
Adjustments for:		
Foreign exchange (gain)/losses	(339)	31
Finance costs	3	173
Share of loss of a jointly-controlled entity	14	405
Interest income	(716)	(2,650)
Depreciation	1,696	2,079
Amortisation on prepaid land lease payments	69	67
Impairment of available-for-sale financial assets	—	23,460
Gain on disposal of property, plant and equipment	(102)	(899)
Loss arising from changes in fair value of financial assets at fair value through profit or loss	—	363
(Gain)/Loss on disposal of available-for-sale financial assets	(153)	46
Loss on disposal of financial assets at fair value through profit or loss	184	—
	<hr/>	<hr/>
Operating profit/(loss) before working capital changes	6,072	(4,035)
(Increase)/decrease in due from related companies	(3,410)	480
Decrease/(increase) in properties held for sale	23,700	(37,694)
(Increase)/decrease in properties held for sale under development	(910)	54,204
Decrease in inventories	150	22
(Increase)/decrease in trade receivables	(6,662)	14,193
(Increase)/decrease in other receivables	(4,705)	5,356
Decrease/(increase) in client trust bank balances	2,153	(3,812)
Increase in due to related companies	212	939
Increase/(decrease) in advanced proceeds from sales of properties	2,258	(48,175)
Increase/(decrease) in trade payables, other payables and accruals	5,345	(4,058)
	<hr/>	<hr/>
Net cash generated from/(used in) operations	24,203	(22,580)
Interest paid	(3)	(173)
Overseas tax paid	(5,833)	(3,291)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities (to page 32)	18,367	(26,044)

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	2009	2008
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities (from page 31)	18,367	(26,044)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary company, cash acquired	2,065	—
Interest received	716	2,650
Proceeds from disposal of available-for-sale financial assets	361	173
Proceeds from disposal of financial assets at fair value through profit or loss	263	—
Purchases of additional interest in a subsidiary	(1,551)	—
Proceeds from disposal of property, plant and equipment	—	2,800
Purchases of available-for-sale financial assets	(11,181)	(9,746)
Purchases of property, plant and equipment	(219)	(226)
Increase in other assets	135	—
Decrease/(increase) in due from associates	654	(668)
Decrease in due to associates	(2,829)	(2,978)
Decrease in pledged bank balances	651	2,422
Net cash used in investing activities	(10,935)	(5,573)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of interest-bearing bank borrowings	—	(10,865)
Net cash used in financing activities	—	(10,865)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,432	(42,482)
Effect of foreign exchange rate changes, net	(1,669)	3,120
Cash and cash equivalents at 1 January	128,847	168,209
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	134,610	128,847
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	134,610	136,085
Bank overdrafts	—	(7,238)
	134,610	128,847

Notes to the Financial Statements

For the year ended 31 December 2009

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 ("Stock Exchange").

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

- Provision of travel and travel-related services
- Property development
- Provision of financial services and securities broking

In the opinion of the directors of the Company, as at 31 December 2009, 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 the following amendments of Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — INT 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — INT 13	Customer Loyalty Programmes
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Notes to the Financial Statements

For the year ended 31 December 2009

The adoption of the above new or revised HKFRSs has had no material effect on the results and financial position of the Group for the current or prior accounting periods except for the impact as described as below:

HKAS 1 (Revised) Presentation of Financial Statements

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. The change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 8 Operating Segments

HKFRS 8, which will replace HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segment, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocation resources to the segments and assessing their performance. The standard also required the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. HKFRS 8 had not resulted in redesignation of the Group's reportable segments.

The Group has not early applied the following new or revised Standards, Amendments and Interpretations that have been issued but are not yet effective for annual periods beginning on 1 January 2009.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendments)	Classification of Rights Issues ⁴
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁵
HK(IFRIC) — INT 17	Distribution of Non-Cash Assets to Owners ¹
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 July 2010

⁷ Effective for annual periods beginning on or after 1 January 2013

The management anticipates that the application of these Standards or Interpretations will have no material impact on the results and financial position of the Group.

Notes to the Financial Statements

For the year ended 31 December 2009

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 statement of financial position 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

Notes to the Financial Statements

For the year ended 31 December 2009

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.

Notes to the Financial Statements

For the year ended 31 December 2009

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

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

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

(d) Associates

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

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

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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 reporting 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.

Notes to the Financial Statements

For the year ended 31 December 2009

(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 reporting date.

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

(g) Property under development

Property under development is stated at cost less any impairment losses. Costs include acquisition costs, construction costs, borrowing costs capitalised and other direct costs attributable to the property. On completion, the property will be 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.

Notes to the Financial Statements

For the year ended 31 December 2009

(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 reporting 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 reporting 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 reporting 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.

Notes to the Financial Statements

For the year ended 31 December 2009

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.

The Group assesses at each reporting 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 the 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.

(I) 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.

Notes to the Financial Statements

For the year ended 31 December 2009

(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.

(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 reporting 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 bases:

- (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 statement of financial position 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

Notes to the Financial Statements

For the year ended 31 December 2009

- (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 reporting 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.

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- 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.

Notes to the Financial Statements

For the year ended 31 December 2009

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 reporting 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.

Notes to the Financial Statements

For the year ended 31 December 2009

(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 reporting 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 financial position 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 reporting 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 reporting date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

(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.

Notes to the Financial Statements

For the year ended 31 December 2009

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

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Financial Statements

For the year ended 31 December 2009

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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For the year ended 31 December 2009

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 rising from various kinds of currency exposures, mainly comprising United States Dollars ("US\$"), Malaysian Ringgit ("MYR"), Philippine 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 2009, the sensitivity analysis of a 1% and 5% decrease in HK\$ against US\$ and other foreign currencies would have a decrease of HK\$153,000 and an increase of HK\$4,804,000 in profit for the year and retained earnings (2008: a decrease of HK\$164,000 and increase of HK\$3,155,000) 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 reporting date. Therefore, the Group is exposed to equity security price risk. The Directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

(c) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. 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 reporting 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.

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For the year ended 31 December 2009

(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 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 2009, 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/(loss) before tax and accumulated losses by approximately HK\$1,447,000 (2008: HK\$1,417,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting 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 reporting date. The analysis is performed on the same basis for 2008.

(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 2008.

(g) Fair value estimation

The fair value of publicly traded derivatives and available-for-sale securities is based on quoted market prices at the reporting 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 reporting date.

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

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For the year ended 31 December 2009

6. SEGMENT INFORMATION

Application of HKFRS 8 Operating Segments

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. The adoption of HKFRS 8 has not resulted the change of presentation.

Principal activities 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 segment comprises the development and sales of properties;
- (c) The financial services segment comprises the provision of financial services and securities broking; and
- (d) The corporate and other businesses segment includes interest income and general corporate expense items.

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For the year ended 31 December 2009

The following is an analysis of the Group's revenue and results by reportable segment:

	Travel and travel-related services		Property development		Financial services		Corporate and other businesses		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	465,250	416,803	40,336	66,456	1,454	1,642	—	—	—	—	507,040	484,901
Intersegment sales	—	—	—	—	—	1,518	—	—	—	(1,518)	—	—
Other revenue	5,743	4,656	953	1,191	57	279	80	40	—	—	6,833	6,166
Total revenue	470,993	421,459	41,289	67,647	1,511	3,439	80	40	—	(1,518)	513,873	491,067
Segment results	4,230	1,589	3,239	3,382	(192)	(207)	2,460	(1,438)	—	—	9,737	3,326
Interest and dividend income											716	2,650
Unallocated expenses											(5,020)	(5,190)
Profit from operations											5,433	786
Finance costs											(3)	(173)
Non-recurring expenses											—	(27,318)
Share of loss of a jointly-controlled entity											(14)	(405)
Profit/(loss) before tax											5,416	(27,110)
Income tax expense											(4,113)	(3,830)
Profit/(loss) for the year											1,303	(30,940)

Revenue reported above represents revenue generated from external customers. Inter-segment sales are transacted with reference to the prevailing market rates.

Segment results represent the profit earned by each segment without allocation of central administration costs, interest income, finance costs, and income tax expense. This is measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to the Financial Statements

For the year ended 31 December 2009

	Travel and travel-related services		Property development		Financial services		Corporate and other businesses		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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 assets	61,406	50,642	255,509	259,731	75,932	67,985	215,946	245,953	(226,966)	(237,805)	381,827	386,506
Investments in associates											—	—
Investment in a jointly-controlled entity											—	2,014
Available-for-sale financial assets											27,012	9,466
Financial Assets at fair value through profit or loss											—	116
Total assets											408,839	398,102
Segment liabilities	191,983	188,217	15,834	17,376	18,920	11,214	96,331	110,717	(226,965)	(237,809)	96,103	89,715
Non-interest-bearing other borrowings											16,710	16,710
Total liabilities											112,813	106,425

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale financial assets and financial assets at fair value through profit or loss.
- all liabilities are allocated to reportable segments other than non-interest-bearing other borrowings.

Geographical information

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

	Hong Kong PRC		Elsewhere in the PRC		Australia		Other countries		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	342,982	407,512	164,058	77,389	—	—	—	—	—	—	507,040	484,901
Other revenue	5,681	4,850	1,152	1,316	—	—	—	—	—	—	6,833	6,166
Total revenue	348,663	412,362	165,210	78,705	—	—	—	—	—	—	513,873	491,067
Segment assets	185,592	173,711	272,306	262,003	887	9,457	17,456	16,538	(67,402)	(63,607)	408,839	398,102

Notes to the Financial Statements

For the year ended 31 December 2009

7. TURNOVER

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Travel and travel-related services	465,250	416,803
Property development	40,336	66,456
Financial services	1,454	1,642
	507,040	484,901

8. OTHER INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Other revenue		
Interest income	716	2,650
Visa income	361	340
Commission income	4,254	3,543
Others	2,218	2,283
	7,549	8,816
Gains		
Gain on disposal of property, plant and equipment, net	101	899
Gain arising from changes in fair value of financial assets at fair value through profit or loss	331	—
Gain arising from waiver of an amount due to an associate	2,948	—
Foreign exchange gains, net	3,524	—
	6,904	899
	14,453	9,715

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For the year ended 31 December 2009

9. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank overdrafts	<u>3</u>	<u>173</u>

10. NON-RECURRING EXPENSES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Impairment of available-for-sale financial assets	—	23,460
Provision for non-recurring expenses	—	<u>3,858</u>
	<u>—</u>	<u>27,318</u>

11. INCOME TAX EXPENSE

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax — overseas		
Provision for the year	4,134	3,836
Deferred tax (<i>Note 24</i>)	(21)	(6)
	<u>4,113</u>	<u>3,830</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 (2008: Nil).

- (b) The reconciliation between the income tax expense and accounting profit/(loss) at applicable tax rates:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit/(loss) before tax	<u>5,416</u>	<u>(27,110)</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	530	41
Tax effect of income that is not taxable	(601)	(374)
Tax effect of expenses that are not deductible	3,586	2,760
Tax effect of tax losses not recognised	1,295	1,439
Tax effect of utilisation of tax losses not previously recognised	(1,078)	(542)
Tax effect of tax losses recognised	—	367
Tax effect of temporary differences	111	139
Under-provision in prior years	<u>270</u>	<u>—</u>
Income tax expense	<u>4,113</u>	<u>3,830</u>

Notes to the Financial Statements

For the year ended 31 December 2009

12. PROFIT/(LOSS) FOR THE YEAR

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

	2009	2008
	HK\$'000	HK\$'000
Cost of inventories sold	300	337
Cost of services provided	446,925	366,595
Cost of properties sold	29,919	46,387
Depreciation	1,696	2,079
Amortisation on prepaid land lease payments	68	67
Minimum lease payments under operating leases in respect of land and buildings	13,143	12,601
Auditor's remuneration		
— Current year	574	651
— Prior years	(15)	88
Staff costs (including directors' remuneration, Note 13)		
Wages and salaries	30,577	39,195
Pension contributions	1,477	1,529
Less: forfeited contributions	—	(7)
Net Pension contributions	1,477	1,522
Total staff costs	32,054	40,717
Loss on disposal of available-for-sale financial assets	31	46
Loss arising from changes in fair value of financial assets at fair value through profit or loss	—	363
Foreign exchange losses, net	—	597

13. DIRECTORS' REMUNERATION

	2009	2008
	HK\$'000	HK\$'000
Fees:		
Executive Director	5	5
Non-Executive Directors	45	47
	50	52

Notes to the Financial Statements

For the year ended 31 December 2009

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Other emoluments:		
Executive Director:		
Basic salaries, housing, other allowances and benefits in kind	983	919
Pension contributions	12	12
Non-Executive Directors:		
Basic salaries, housing, other allowances and benefits in kind	—	—
	<u>995</u>	<u>931</u>
	<u>1,045</u>	<u>983</u>

The emoluments paid or payable to each of the 7 (2008: 8) Directors were as follows:

2009

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 Director				
WONG Nyen Faat	5	983	12	1,000
Non-executive Directors				
Tan Sri Dr. KHOO Kay Peng	5	—	—	5
KHET Kok Yin	5	—	—	5
CHAN Choung Yau	5	—	—	5
Independent Non-executive Directors				
WONG Kim Ling	10	—	—	10
OOI Boon Leong @ LAW Weng Leun	10	—	—	10
OH Hong Choon	10	—	—	10
	<u>50</u>	<u>983</u>	<u>12</u>	<u>1,045</u>

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2008

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	919	12	936
Non-executive Directors				
Tan Sri Dr. KHOO Kay Peng	5	—	—	5
CHEANG Yoon Hoong	2	—	—	2
KHET Kok Yin	5	—	—	5
CHAN Choung Yau	5	—	—	5
Independent Non-executive Directors				
WONG Kim Ling	10	—	—	10
OOI Boon Leong @ LAW Weng Leun	10	—	—	10
OH Hong Choon	10	—	—	10
	<u>52</u>	<u>919</u>	<u>12</u>	<u>983</u>

There was no arrangement under which a Director waived or agreed to waive any remuneration for the years ended 31 December 2009 and 2008.

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.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2008: one) director, details of whose remuneration are set out in note 13 to the financial statements above. The remuneration of each of the remaining four (2008: four) non-directors, highest paid employees falling within the band of Nil–HK\$1,000,000 is analysed below:

	2009 HK\$'000	2008 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	3,123	3,053
Pension contributions	79	95
	<u>3,202</u>	<u>3,148</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.

Notes to the Financial Statements

For the year ended 31 December 2009

15. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share is calculated by dividing the Group's profit of HK\$2,596,000 (2008: loss of HK\$31,034,000) by the weighted average number of ordinary shares in issue of 2,414,547,555 (2008: 2,414,547,555).

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2009 and 2008.

16. 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 2008	32,743	26,047	2,034	60,824
Additions	—	226	—	226
Disposals	(3,568)	(4,364)	(847)	(8,779)
Exchange difference	(431)	(174)	94	(511)
	<u>28,744</u>	<u>21,735</u>	<u>1,281</u>	<u>51,760</u>
At 31 December 2008 and 1 January 2009	28,744	21,735	1,281	51,760
Additions from acquisition of a subsidiary	—	206	311	517
Additions	—	219	—	219
Disposals	—	(52)	—	(52)
Exchange difference	3	11	1	15
	<u>28,747</u>	<u>22,119</u>	<u>1,593</u>	<u>52,459</u>
At 31 December 2009	28,747	22,119	1,593	52,459

Notes to the Financial Statements

For the year ended 31 December 2009

	Land and buildings HK\$'000	Office furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Accumulated depreciation and impairment				
At 1 January 2008	12,672	23,278	1,639	37,589
Charge for the year	555	1,424	100	2,079
Disposals	(1,671)	(4,360)	(847)	(6,878)
Exchange difference	(218)	(174)	92	(300)
	11,338	20,168	984	32,490
At 31 December 2008 and 1 January 2009				
Charge from acquisition of a subsidiary	—	159	69	228
Charge for the year	536	1,037	123	1,696
Disposals	—	(52)	—	(52)
Exchange difference	—	12	1	13
	11,874	21,324	1,177	34,375
At 31 December 2009				
Carrying amount				
At 31 December 2009	16,873	795	416	18,084
At 31 December 2008	17,406	1,567	297	19,270

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

	2009 HK\$'000	2008 HK\$'000
Long term leases, PRC	28,747	28,744

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17. PREPAID LAND LEASE PAYMENTS

	HK\$'000
Cost	
At 1 January 2008	3,591
Exchange difference	<u>208</u>
At 31 December 2008 and 1 January 2009	3,799
Exchange difference	<u>5</u>
At 31 December 2009	3,804
Accumulated amortisation	
At 1 January 2008	696
Charge for the year	67
Exchange difference	<u>41</u>
At 31 December 2008 and 1 January 2009	804
Charge for the year	68
Exchange difference	<u>1</u>
At 31 December 2009	873
Carrying amount	
At 31 December 2009	2,931
At 31 December 2008	<u>2,995</u>

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

18. PROPERTY UNDER DEVELOPMENT

	2009	2008
	HK\$'000	HK\$'000
At cost	32,910	32,910
Provision for impairment	(29,104)	(29,104)
	<u>3,806</u>	<u>3,806</u>

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For the year ended 31 December 2009

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	2009 HK\$'000	2008 HK\$'000
Unlisted investments		
Share of net assets	—	2,014

Details of the jointly-controlled entity as at 31 December 2009 are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Ownership interest		Voting Power		Profit sharing		Principal activities
			2009	2008	2009	2008	2009	2008	
			%	%	%	%	%	%	
Beijing Morning Star – New Ark International Travel Service Co., Ltd.	Corporate	The People's Republic of China	*	49	*	49	*	49	Provision of travel service

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

	2008 HK\$'000
At 31 December	
Current assets	5,532
Non-current assets	510
Current liabilities	(4,028)
Net assets	2,014
Year ended 31 December	
Turnover and revenue	40,576
Expenses	40,981
Group's share of loss of a jointly-controlled entity	(405)

* During the year, the Group acquired an additional 21% equity interests in the jointly-controlled entity. Upon completion of the aforesaid acquisition, the jointly-controlled entity had been accounted for as a subsidiary of the Group (note 41).

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20. INVESTMENTS IN ASSOCIATES

	2009 HK\$'000	2008 HK\$'000
Unlisted investments		
Share of net assets	—	—

Details of the Group's associates at 31 December 2009 are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2009	2008	Principal activities
Way Bright Investment Limited	Corporate	Hong Kong	50	50	Provision of property agency services
Pearl's Tours and Travel Service Company Limited (Note)	Corporate	Thailand	—	49	Provision of travel services

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

	2009 HK\$'000	2008 HK\$'000
At 31 December		
Total assets	609	4,694
Total liabilities	(1,855)	(9,854)
Net liabilities	(1,246)	(5,160)
Group's share of net assets of associates	—	—
Year ended 31 December		
Total revenue	—	7
Total loss for the year	(4)	(501)
Group's share of loss of an associate for the year	—	—

The Group has not recognised loss amounting to HK\$2,000 (2008: HK\$246,000) for the Group's associates during the year. The accumulated losses of the Group's associates not recognised were HK\$611,000 as at 31 December 2009 (2008: HK\$2,298,000).

Note: Pearl's Tours and Travel Service Company Limited had been dissolved in 2009.

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21. INVESTMENTS

	2009 HK\$'000	2008 HK\$'000
(a) Available-for-sale financial assets		
Equity securities, at fair value		
Listed in Hong Kong	—	243
Listed in overseas (Note 40)	<u>27,012</u>	<u>9,223</u>
Market value of listed securities	27,012	9,466
Unlisted security	<u>39,100</u>	<u>39,100</u>
	66,112	48,566
Less: impairment	<u>(39,100)</u>	<u>(39,100)</u>
	<u>27,012</u>	<u>9,466</u>
(b) Financial assets at fair value through profit or loss		
Equity securities, at fair value		
Listed in Hong Kong	—	116
Listed in overseas	<u>—</u>	<u>—</u>
	<u>—</u>	<u>116</u>
Market value of listed securities	<u>—</u>	<u>116</u>

22. OTHER ASSETS

	2009 HK\$'000	2008 HK\$'000
Loans to Land Traders Properties and Development Company, Inc. ("Land Traders") (Note)	7,564	7,348
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
Guarantee deposits	<u>91</u>	<u>—</u>
	<u>8,255</u>	<u>7,948</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.

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For the year ended 31 December 2009

23. 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 MSV and MSP.

As at 31 December 2009, the bank and cash balances of the Group denominated in RMB amounted to HK\$54,293,000 (2008: HK\$36,402,000). 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.

24. DEFERRED TAX ASSETS

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
At beginning of year	11,946	11,942
Additions from acquisition of a subsidiary	61	—
Exchange difference	(4)	(2)
Transfer from the consolidated income statement	20	6
At end of year	<u>12,023</u>	<u>11,946</u>

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Depreciation in excess of depreciation allowances	440	440
Tax losses	11,494	11,494
Others	89	12
	<u>12,023</u>	<u>11,946</u>

As at 31 December 2009, the Group had unused tax losses of approximately HK\$225,405,000 (2008: HK\$243,421,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$52,467,000 (2008: HK\$52,467,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$172,938,000 (2008: HK\$190,954,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$2,542,000 that will expire during 2010. Other unrecognised tax losses may be carried forward indefinitely.

As at 31 December 2009, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK\$876,000 (2008: HK\$9,312,000). 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 2009

25. 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 40 to the financial statements.

26. PROPERTIES HELD FOR SALE

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Completed properties held for sale, at cost	<u>73,012</u>	<u>97,671</u>

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

27. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Properties under development expected to be completed: Within normal operating cycle under current assets	<u>65,599</u>	<u>65,551</u>
Amount comprises: Construction and land costs	<u>65,599</u>	<u>65,551</u>

The properties under development are located in the PRC.

28. INVENTORIES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Finished goods	<u>329</u>	<u>483</u>

Notes to the Financial Statements

For the year ended 31 December 2009

29. 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 reporting date is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current	10,566	1,998
1–3 months	10,403	40
4–12 months	1,532	648
Over 1 year	211	301
	22,712	2,987
Impairment charged	(325)	—
	22,387	2,987

30. OTHER RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest-bearing loan receivable (<i>Note</i>)	2,500	2,500
Deposits	10,962	9,417
Sundry debtors and prepayments	8,838	7,159
	22,300	19,076

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.

31. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the trade payables, other payables and accruals are trade payables of approximately HK\$48,852,000 (2008: HK\$26,985,000). An aging analysis of trade payables as at the reporting date is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current	43,514	24,245
1–3 months	2,598	2,095
4–12 months	1,411	436
Over 1 year	1,329	209
	48,852	26,985

32. BALANCES WITH ASSOCIATES

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements

For the year ended 31 December 2009

33. INTEREST-BEARING BANK BORROWINGS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Bank overdrafts, secured	<u>—</u>	<u>7,238</u>
Bank overdrafts are repayable as follows:		
Within one year	<u>—</u>	<u>7,238</u>

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

	2009	2008
Bank overdrafts	<u>—</u>	<u>1.80%–6.49%</u>

The bank overdrafts facility and letter of guarantee facility were secured by the cross guarantees from a subsidiary in 2008. As at 31 December 2009, the Group's available banking facilities not utilised is Nil (2008: HK\$8.3 million).

34. NON-INTEREST-BEARING OTHER BORROWINGS

The non-interest-bearing other borrowings represent short term loans of HK\$16,710,000 (2008: HK\$16,710,000) granted by the minority shareholders of subsidiaries which are unsecured, interest-free and have no fixed terms of repayment.

35. SHARE CAPITAL

	2009 <i>HK\$'000</i>	2008 <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>

Notes to the Financial Statements

For the year ended 31 December 2009

36. FINANCIAL POSITION OF THE COMPANY

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Investments in subsidiaries	44,805	43,254
Due from subsidiaries	146,686	135,781
Due from associates	101	94
Cash and cash equivalents	30,938	52,771
Other assets	638	833
Due to subsidiaries	(33,398)	(43,959)
Other current liabilities	(863)	(738)
	<u>188,907</u>	<u>188,036</u>
NET ASSETS		
	<u>188,907</u>	<u>188,036</u>
Share capital	482,910	482,910
Reserves	(294,003)	(294,874)
	<u>188,907</u>	<u>188,036</u>
TOTAL EQUITY		
	<u>188,907</u>	<u>188,036</u>

37. 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 30 of the financial statements.

(b) Company

	Share premium account <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008	6,328	(303,142)	(296,814)
Profit for the year	—	1,940	1,940
	<u>6,328</u>	<u>(301,202)</u>	<u>(294,874)</u>
At 31 December 2008 and at 1 January 2009	6,328	(301,202)	(294,874)
Profit for the year	—	871	871
	<u>6,328</u>	<u>(300,331)</u>	<u>(294,003)</u>
At 31 December 2009	6,328	(300,331)	(294,003)

Notes to the Financial Statements

For the year ended 31 December 2009

38. LEASE COMMITMENTS

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	9,843	10,831
In the second to fifth years, inclusive	3,445	5,084
	13,288	15,915

39. CONTINGENT LIABILITIES

As at 31 December 2009, the Group had contingent liabilities amounting to HK\$50,577,000 (2008: HK\$44,252,000). 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 2009

40. MATERIAL RELATED PARTY TRANSACTIONS

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

	Note	2009 HK\$'000	2008 HK\$'000
Interest income from MVM	(i)	32	29
Property management fees paid to MVM	(ii)	138	71
Acquisition of available-for-sale financial assets	(iii)	<u>11,181</u>	<u>5,914</u>

Note:

- (i) *MVM is engaged in the property management of 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.*
- (ii) *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 the rate per square foot charged to the other owners of MSV.*
- (iii) *The Company through its wholly-owned subsidiary, Swift Progress Investments Limited, had acquired 27,240,000 ordinary shares of Malayan United Industries Berhad ("MUI") on the Bursa Malaysia Securities Berhad from 3 March 2009 to 14 April 2009 at a total consideration of approximately HK\$11,181,000 (2008: acquired 9,300,000 shares of MUI at a total consideration of approximately HK\$5,914,000) which had been satisfied by the Company in cash from its internal resources, representing approximately 1.4% of the entire issued share capital of MUI. The Company is of the view that the acquisition of equity interests in MUI is in line with the Group's treasury management and future strategic development goals.*
- (b) Details of the Group's balances with jointly-controlled entity, associates, related companies and loan receivable from a shareholder at the reporting date are set out in notes 19, 20, 25, 32 and 34 to the financial statements, respectively.

Notes to the Financial Statements

For the year ended 31 December 2009

41. ACQUISITION OF A SUBSIDIARY

The Group entered into a transfer of equity interests agreement on 29 October 2008 to acquire an additional 21% equity interests in Beijing Morning Star-New Ark International Travel Service Co., Ltd. ("JV Company"), a sino-foreign joint venture company incorporated in the People's Republic of China, at a consideration of RMB1,050,000. Prior to the said agreement, the Group held 49% equity interests in the JV Company and upon completion of the aforesaid acquisition on 27 March 2009, the Group now holds 70% equity interests in the JV Company. The amount of goodwill arising as a result of the acquisition was HK\$334,000.

The net assets acquired in the transaction and the goodwill arising are as follows:

	Carrying amount and fair value HK\$'000
Net assets acquired:	
Other assets	227
Deferred tax assets	59
Property, plant and equipment	288
Trade and other receivables	13,032
Cash and cash equivalents	2,065
Trade and other payables	(11,600)
	<u>4,071</u>
Investment in an associate	(1,398)
Foreign currency translation reserve	(597)
Minority interests	(1,222)
Goodwill	334
	<u>1,188</u>
Total consideration satisfied by:	
Cash	<u>1,188</u>
Cash inflow arising on acquisition:	
Cash and cash equivalents acquired	<u>2,065</u>

Notes to the Financial Statements

For the year ended 31 December 2009

42. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2009 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
Beijing Morning Star – New Ark International Travel Service Co., Ltd.	The People's Republic of China	RMB5,000,000	—	70	Registered capital	Provision of travel services
Consing Investment Limited	Hong Kong	HK\$2	—	100	Ordinary	Investment holding
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	100	—	Ordinary	Investment holding
Morning Star Holdings (Thailand) Limited	Thailand	Baht25,000	100	—	Ordinary	Investment holding
Morning Star Hotel International Limited	Cayman Islands	HK\$200	100	—	Ordinary	Investment holding
Morning Star Hotel Investments Limited	Cayman Islands	HK\$200	100	—	Ordinary	Investment holding
Morning Star Investment Management Limited	Hong Kong	HK\$5,000,000	—	100	Ordinary	Provision of investment advisory services
Morning Star Properties Limited	British Virgin Islands	US\$2	100	—	Ordinary	Investment holding
Morning Star Securities Limited	Hong Kong	HK\$150,000,000	—	100	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

Notes to the Financial Statements

For the year ended 31 December 2009

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		
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
Swift Progress Investments Limited	British Virgin Islands	US\$1	—	100	Ordinary	Investment holding
Vista International Hotels Limited	Hong Kong	HK\$10	—	100	Ordinary	Investment holding
		HK\$300,000	—	100	Non-voting deferred	
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 2009 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 21 April 2010.

Schedule of Major Properties

For the year ended 31 December 2009

COMPLETED PROPERTIES HELD FOR SALE

Name/location	Use	Gross floor area (sq.m.)	Percentage of Group's interest
Morning Star Villa, Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential	4,187	55
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	21,781	55

PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

Name/location	Use	Site area (sq.m.)	Percentage of Group's interest
Morning Star Villa Mu He Path Gangkouzhen Zhongshan Guangdong PRC	Residential/Commercial	151,675	55
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	7,344	55

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				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
TURNOVER	507,040	484,901	540,155	480,074	485,430
PROFIT/(LOSS) BEFORE TAX	5,416	(27,110)	(6,547)	15,720	(6,389)
INCOME TAX EXPENSE	(4,113)	(3,830)	(1,029)	(2,038)	(1,135)
PROFIT/(LOSS) FOR THE YEAR	1,303	(30,940)	(7,576)	13,682	(7,524)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	2,596	(31,034)	(10,824)	14,880	(7,312)
MINORITY INTERESTS	(1,293)	94	3,248	(1,198)	(212)
	1,303	(30,940)	(7,576)	13,682	(7,524)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
ASSETS AND LIABILITIES					
NON-CURRENT ASSETS	75,508	61,538	92,137	59,431	152,664
CURRENT ASSETS	333,331	336,564	401,763	396,241	309,045
CURRENT LIABILITIES	(112,813)	(106,425)	(166,951)	(135,427)	(172,411)
NET ASSETS	296,026	291,677	326,949	320,245	289,298
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	227,684	221,500	256,866	253,410	215,733
MINORITY INTERESTS	68,342	70,177	70,083	66,835	73,565
TOTAL EQUITY	296,026	291,677	326,949	320,245	289,298