



星晨集團有限公司

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

Morning Star

Interim Report **2011**



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CORPORATE INFORMATION

DIRECTORS

SUNG Wai Man, Peter, *Chief Executive Officer*
CHI Chi Hung, Kenneth, *Executive Director*
YEUNG Kwok Leung, *Executive Director*
TSO Shiu Kei, Vincent, *Non-Executive Director*
CHAN Hoi Ling*
SO Wai Lam*
SUNG Yat Chun*

* *Independent Non-Executive Director*

COMPANY SECRETARY

CHI Chi Hung, Kenneth
(resigned on 29 August 2011)
LEUNG Lai Seung, Candy
(appointed on 29 August 2011)

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
CITIC Bank International 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

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Tower 1, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Morning Star Resources Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	<i>Note</i>	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	5	287,100	258,182
Cost of sales		(252,461)	(225,700)
Gross profit		34,639	32,482
Other income	6	11,159	5,504
Selling expenses		(3,567)	(2,720)
Administrative expenses		(36,572)	(31,179)
PROFIT BEFORE TAX		5,659	4,087
Income tax expense	8	—	—
Profit for the period from continuing operations		5,659	4,087
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	9	(207)	(312)
PROFIT FOR THE PERIOD		5,452	3,775
Attributable to:			
Owners of the Company		4,908	4,923
Non-controlling interests		544	(1,148)
		5,452	3,775
EARNINGS PER SHARE			
Basic	10		
— For profit for the period		0.91 cent	2.04 cent
— For profit from continuing operations		0.95 cent	2.17 cent
Diluted			
— For profit for the period		—	—
— For profit from continuing operations		—	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>5,452</u>	3,775
Other comprehensive income:		
Reclassification adjustments for gain on available-for-sale financial assets	(3,268)	—
Changes in fair value of available-for-sale financial assets	1,889	(5,480)
	(1,379)	(5,480)
Exchange differences on translation of foreign operations	<u>1,740</u>	507
Other comprehensive income for the period, net of tax	<u>361</u>	(4,973)
Total comprehensive income/(expense) for the period	<u>5,813</u>	(1,198)
Attributable to:		
Owners of the Company	5,269	(51)
Non-controlling interests	<u>544</u>	(1,147)
	<u>5,813</u>	(1,198)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	12	19,750	17,038
Property under development		3,806	3,806
Prepaid land lease payments		2,997	2,983
Investment in an associate		—	—
Available-for-sale financial assets	13	7,600	26,826
Other assets		8,309	8,217
Pledged bank balances		2,283	2,417
Deferred tax assets		10,086	10,086
		54,831	71,373
CURRENT ASSETS			
Properties held for sale under development		66,038	65,908
Properties held for sale		47,328	59,719
Inventories		402	380
Trade receivables	14	10,843	8,435
Prepayments, deposits and other receivables		45,836	27,063
Financial assets at fair value through profit or loss		—	—
Due from related companies		8,328	8,093
Due from associates		921	920
Cash and cash equivalents		422,726	134,791
		602,422	305,309
Assets of a disposal group classified as held for sale	9	—	17,323
		602,422	322,632
CURRENT LIABILITIES			
Due to related companies		2,279	2,279
Due to associates		129	129
Tax payables		4,077	4,382
Trade payables, other payables and accruals	15	117,661	87,121
Non-interest bearing other borrowings		16,710	16,710
		140,856	110,621
Liabilities directly associated with the assets classified as held for sale	9	—	6,589
		140,856	117,210
NET CURRENT ASSETS			
		461,566	205,422
NET ASSETS			
		516,397	276,795
CAPITAL AND RESERVES			
Share capital	16	19,316	482,910
Reserves		437,669	(264,983)
Equity attributable to owners of the Company		456,985	217,927
Non-controlling interests		59,412	58,868
		516,397	276,795
TOTAL EQUITY			
		516,397	276,795

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital HK\$'000 (unaudited)	Share premium account HK\$'000 (unaudited)	Foreign currency translation reserve HK\$'000 (unaudited)	Capital reduction reserve HK\$'000 (unaudited)	Other reserve HK\$'000 (unaudited)	Available- for-sales financial assets valuation reserve HK\$'000 (unaudited)	Accumulated (losses)/ Profit HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Non- controlling interests HK\$'000 (unaudited)	Total Equity HK\$'000 (unaudited)		
											Total	
At 1 January 2011	482,910	6,328	13,232	—	(1,522)	3,059	(286,080)	217,927	58,868	276,795		
Profit for the period	—	—	—	—	—	—	4,908	4,908	544	5,452		
Other comprehensive income/ (expenses) for the period	—	—	1,740	—	—	(1,379)	—	361	—	361		
Total comprehensive income/ (expense) for the period	—	—	1,740	—	—	(1,379)	4,908	5,269	544	5,813		
Capital Reduction (note 16)	(480,495)	—	—	191,925	—	—	288,570	—	—	—		
Open offer (note 16)	12,072	221,717	—	—	—	—	—	233,789	—	233,789		
Bonus share issued (note 16)	4,829	(4,829)	—	—	—	—	—	—	—	—		
At 30 June 2011	19,316	223,216	14,972	191,925	(1,522)	1,680	7,398	456,985	59,412	516,397		
At 1 January 2010	482,910	6,328	8,573	—	1,538	3,258	(274,923)	227,684	68,342	296,026		
Profit for the period	—	—	—	—	—	—	4,923	4,923	(1,148)	3,775		
Other comprehensive income/ (expenses) for the period	—	—	507	—	—	(5,480)	—	(4,973)	—	(4,973)		
Total comprehensive income/ (expense) for the period	—	—	507	—	—	(5,480)	4,923	(50)	(1,148)	(1,198)		
Deregistration of subsidiaries	—	—	—	—	(3,060)	—	—	(3,060)	2,476	(584)		
At 30 June 2010	482,910	6,328	9,080	—	(1,522)	(2,222)	(270,000)	224,574	69,670	294,244		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	20,884	12,785
NET CASH GENERATED FROM INVESTING ACTIVITIES	18,260	799
NET CASH GENERATED FROM FINANCING ACTIVITIES	237,620	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	276,764	13,584
Cash and cash equivalents at the beginning of period	144,966	134,610
Effect of foreign exchange rate changes, net	996	395
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	422,726	148,589
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	422,726	148,589

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 Interim Financial Reporting. These condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2010.

The Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants which are relevant to its operations and effective for accounting periods beginning or after 1 January 2011. The adoption of the new and revised HKFRSs has had no significant impact on these condensed consolidated interim financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective in these condensed consolidated interim financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimate and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments 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; and*
- (c) The corporate and other businesses segment includes interest income and general corporate expense items.*

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

	For the six months ended 30 June							
	Travel and travel-related services		Property development		Corporate and other businesses		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue:								
Sales to external customers	270,475	247,145	16,625	11,037	—	—	287,100	258,182
Other income	3,460	2,779	876	397	3	120	4,339	3,296
Total revenue	273,935	249,924	17,501	11,434	3	120	291,439	261,478
Reconciliation:								
Interest income							869	165
Gain on deregistration of subsidiaries							—	1,870
Gain on disposal of subsidiary							3,000	—
Gain on disposal of available-for-sale financial assets							2,951	—
Foreign exchange gains, net							—	173
Revenue from continuing operations							298,259	263,686
Segment results	1,222	8,954	1,408	(2,355)	5,452	14	8,082	6,613
Reconciliation:								
Interest income							869	165
Unallocated expenses							(3,292)	(2,691)
Profit before tax for continuing operations							5,659	4,087

Revenue reported above represents revenue generated from external customers.

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.

Geographical information

The Group operates in two main geographical areas — the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong.

	<i>For the six months ended 30 June</i>	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	225,008	201,099
PRC	62,092	57,083
	<hr/>	<hr/>
	287,100	258,182
	<hr/>	<hr/>

5. **REVENUE**

Revenue, which also is the Group's turnover, represents the value of services rendered, and proceeds from sales of properties held for sale during the period.

	<i>For the six months ended 30 June</i>	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
Rendering of travel and travel-related services	270,475	247,145
Sales of properties held for sale	16,625	11,037
	<hr/>	<hr/>
	287,100	258,182
	<hr/>	<hr/>

6. OTHER INCOME

For the six months ended 30 June

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Continuing operations</i>		
<i>Other income</i>		
<i>Bank interest income</i>	854	150
<i>Other interest income</i>	15	15
	<hr/>	<hr/>
	869	165
<i>Visa income</i>	161	169
<i>Commission income</i>	2,420	2,279
<i>Others</i>	1,758	848
	<hr/>	<hr/>
	5,208	3,461
	<hr/>	<hr/>
<i>Gains</i>		
<i>Gain on disposal of available for sale financial assets</i>	2,951	—
<i>Gain on disposal of subsidiary</i>	3,000	—
<i>Gain on deregistration of subsidiaries</i>	—	1,870
<i>Foreign exchange gains, net</i>	—	173
	<hr/>	<hr/>
	5,951	2,043
	<hr/>	<hr/>
	11,159	5,504
	<hr/>	<hr/>

7. *PROFIT BEFORE TAX*

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Cost of inventories sold</i>	174	129
<i>Cost of services provided</i>	240,249	217,391
<i>Cost of properties sold</i>	11,558	8,232
<i>Depreciation</i>	873	808
<i>Amortisation of prepaid land lease payments</i>	36	35
<i>Gain on disposal of available-for-sale financial assets</i>	(2,951)	—
<i>Gain on disposal of subsidiary</i>	(3,000)	—
<i>Gain on deregistration of subsidiaries</i>	—	(1,870)
<i>Bank interest income</i>	(854)	(150)
<i>Other interest income</i>	(15)	(15)
	(869)	(165)

8. *INCOME TAX EXPENSE*

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Subsidiaries in the People's Republic of China ("PRC") are subject to PRC Enterprise Income Tax at 25% (2010: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
<i>Current tax — charge for the period</i>		
— Hong Kong	—	—
— PRC	—	—
— Other countries	—	—
<i>Total tax charge for the period</i>	—	—

9. *DISCONTINUED OPERATION*

On 3 December 2010, the board of directors announced a plan to dispose of a wholly-owned subsidiary Morning Star Securities Limited (the "MSSL") which carried out almost all of the Group's financial services operations. The disposal is consistent with the Group's long-term policy to focus its activities on the travel and travel-related services and properties development. The disposal had been completed on 28 February 2011.

The results of the MSSL for the six months ended 30 June 2011 and 2010 are presented below:

Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 17.

	<i>For the six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenue</i>	<i>127</i>	<i>734</i>
<i>Expenses</i>	<i>(334)</i>	<i>(1,046)</i>
	<hr/>	<hr/>
<i>Loss before tax from the discontinued operation</i>	<i>(207)</i>	<i>(312)</i>
<i>Attributable income tax expense</i>	<i>—</i>	<i>—</i>
	<hr/>	<hr/>
<i>Loss for the period from the discontinued operation</i>	<i>(207)</i>	<i>(312)</i>
	<hr/>	<hr/>

The major classes of assets and liabilities of the MSSL classified as held for sale as at 31 December 2010 are as follows:

	At 31 December 2010 HK\$'000 (Audited)
Assets	
Property, plant and equipment	2
Other assets	600
Trade receivables	202
Prepayments, deposits and other receivables	31
Client trust bank balances	6,313
Cash and cash equivalents	10,175
	<hr/>
Assets classified as held for sale	17,323
	<hr/>
Liabilities	
Trade payables	124
Other payables and accruals	6,465
	<hr/>
Liabilities directly associated with the assets classified as held for sale	6,589
	<hr/>
Net assets directly associated with the disposal group	10,734
	<hr/>

The net cash flows incurred by the MSSL for the six months ended 30 June 2011 and 2010 are as follows:

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities	(478)	(221)
	<hr/>	<hr/>
Net cash outflow	(478)	(221)
	<hr/>	<hr/>
Loss per share (note 10):		
<i>From the discontinued operation</i>		
Basic	(0.04 cent)	(0.13 cent)
	<hr/>	<hr/>
Diluted	—	—
	<hr/>	<hr/>

10. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 540,271,689 (2010: 241,454,755 as restated; 2,414,547,555 as previously reported) in issue during the period.

No diluted earnings per share are presented as the Company had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2011 and 2010.

11. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$3,554,000 (2010: HK\$675,000) on additions to property, plant and equipment.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

During the period, the Group disposed of certain of its listed equity securities with a carrying amount of HK\$21,114,000 for proceeds of approximately HK\$20,797,000. The accumulated changes in fair value of the listed equity securities disposed amounting to HK\$3,268,000 was included in the available-for-sale financial assets valuation reserve, and transferred to profit or loss accordingly. In addition, the gain on changes in fair value of the Group's available-for-sale financial assets during the period recognised in other comprehensive income amounted to HK\$1,889,000 (2010: loss on changes HK\$5,480,000).

14. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<i>At</i> 30 June 2011 HK\$'000 <i>(Unaudited)</i>	<i>At</i> 31 December 2010 HK\$'000 <i>(Audited)</i>
Within 1 month	1,009	363
1–3 months	8,817	5,698
4–12 months	804	2,198
Over 1 year	213	176
	<hr/> 10,843	<hr/> 8,435

15. *TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS*

Included in the trade payables, other payables and accruals are trade payables of approximately HK\$34,273,000 (31 December 2010: HK\$31,106,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<i>At</i>	<i>At</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Within 1 month</i>	<i>30,999</i>	<i>26,954</i>
<i>1–3 months</i>	<i>456</i>	<i>2,389</i>
<i>4–12 months</i>	<i>1,669</i>	<i>767</i>
<i>Over 1 year</i>	<i>1,149</i>	<i>996</i>
	<hr/> <i>34,273</i>	<hr/> <i>31,106</i>

16. *SHARE CAPITAL*

	<i>At</i>	<i>At</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Authorised:</i>		
<i>100,000,000,000 (2010: 5,000,000,000) ordinary shares</i>		
<i>of HK\$0.01 (2010: HK\$0.20) each</i>	<hr/> <i>1,000,000</i>	<hr/> <i>1,000,000</i>
<i>Issued and fully paid:</i>		
<i>1,931,638,040 (2010: 2,414,547,555) ordinary shares of</i>		
<i>HK\$0.01 (2010: HK\$0.20) each</i>	<hr/> <i>19,316</i>	<hr/> <i>482,910</i>

On 7 January 2011, an ordinary resolution and a special resolution were passed at an extraordinary general meeting in connection with (a) the consolidation of every 10 Shares of HK\$0.20 each into 1 consolidated share of HK\$2.00 each; (b) the cancellation of any fractional entitlements remaining following aggregation of all fractional entitlements arising on the share consolidation; and a reduction in the nominal value of the then issued consolidated shares from HK\$2.00 to HK\$0.01 each; (c) the subdivision of each authorized but unissued consolidated share of HK\$2.00 each into 200 adjusted shares of HK\$0.01 each; (d) the total credit arising from the capital reduction will be credited to a reserve account of the Company, which will be used, amongst others, to set off against the accumulated losses of the Company; (e) change the board lot size for trading in the shares of the Company from 2,000 Shares to 8,000 Adjusted Shares upon the capital reorganisation becoming effective; and (f) the open offer on the basis of five offer shares for every one adjusted share held with bonus issue on the basis of two bonus adjusted shares for every five offer shares taken up under the open offer. All the transactions were completed on or before 27 May 2011.

17. DISPOSAL OF A SUBSIDIARY

On 28 February 2011, the Group disposed of its entire equity interests in the MSSL which carried out almost all of its financial services operations. The net assets of the MSSL at the date of disposal were as follows:

	<i>HK\$'000</i> <i>(Unaudited)</i>
<i>Property, plant and equipment</i>	2
<i>Other assets</i>	600
<i>Trade receivables</i>	784
<i>Prepayments, deposits and other receivables</i>	101
<i>Client trust bank balances</i>	6,129
<i>Cash and cash equivalents</i>	9,697
<i>Trade payables</i>	(266)
<i>Other payables and accruals</i>	(6,519)
	<hr/>
	10,528
<i>Gain on disposal</i>	3,000
	<hr/>
<i>Satisfied by:</i>	
<i>Cash</i>	13,528
	<hr/>

18. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<i>At</i> <i>30 June</i> <i>2011</i> <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At</i> <i>31 December</i> <i>2010</i> <i>HK\$'000</i> <i>(Audited)</i>
<i>Contracted, but not provided for:</i>		
<i>Leasehold improvement</i>	125	97
<i>Furniture, fixtures and equipment</i>	828	3,332
	<hr/>	<hr/>
	953	3,429
	<hr/>	<hr/>

19. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease commitments. Leases for properties are negotiated for terms ranging from one to three years. None of the leases includes contingent rentals.

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<i>At</i> 30 June 2011 <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At</i> 31 December 2010 <i>HK\$'000</i> <i>(Audited)</i>
Within one year	11,703	11,672
In the second to fifth years, inclusive	9,732	11,926
	<hr/> 21,435	<hr/> 23,598

20. CONTINGENT LIABILITIES

As at 30 June 2011, the Group had contingent liabilities amounting to HK\$11,794,000 (31 December 2010: HK\$27,059,000) in respect of the buy-back guarantee in favor of banks to secure mortgage loans facilities granted to the purchasers of the Group's properties held for sales.

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.

21. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had no material transactions with related parties during the six months ended 30 June 2011 and 2010.

(b) Remuneration of key management personnel of the Group:

	<i>For the six months ended 30 June</i>	
	2011 <i>HK\$'000</i> <i>(Unaudited)</i>	2010 <i>HK\$'000</i> <i>(Unaudited)</i>
Short term employee benefits	1,320	518
Post-employment benefits	6	6
	<hr/> 1,326	<hr/> 524

22. ADOPTION OF NEW SHARE OPTION SCHEME

The Company operates a new share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on 8 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the aggregate of the shares in issue as at the adoption date. Options lapsed in accordance with the terms of the Scheme and any other scheme will not be counted for the purpose of calculating the 10% limit.

Each grant of options to a participant who is a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the Scheme must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the proposed grantee of the options). Where any grant of options to substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted under the Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (A) representing in aggregate over 0.1% of the shares in issue; and (B) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such further grant of options by the board must be approved by the shareholders in general meeting (the vote on such approval to be taken on a poll). Any shareholder who is connected person of the Company must abstain from voting in favour of the resolution to approve such further grant of options. A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the options to be granted and containing the recommendation from the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option) as to voting and any other information as required under the Listing Rules. Any change in the terms of options granted to substantial shareholders or independent non-executive directors or any of their respective associates must be approved by the shareholders in general meeting.

A participant shall pay the Company HK\$1.00 for the grant of an option on acceptance of an option offer within 21 days after the offer date. The option price will be determined by the board at its absolute discretion and notified to an option-holder. The minimum option price shall not be less than the highest of: (A) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (B) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (C) the nominal value of the shares.

No dividends will be payable and no voting rights will be exercisable in relation to an option that has not been exercised (including those arising on a liquidation of the Company). Shares issued on the exercise of an option will rank equally in all respects with the shares in issue on the date of allotment. They will not rank for any rights (which include, among other things, voting rights and dividend rights) attaching to shares by reference to a date preceding the date of allotment. The shares subject to the Scheme are not required to be separately designated.

No options were granted during the six months ended 30 June 2011.

23. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation. In addition, the comparative income statement has been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (note 9).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

Group Overview

For the six months ended 30 June 2011, the Group's total sales revenue amounted to HK\$287.1 million, compared to HK\$258.1 million for the corresponding period in 2010. The Group recorded a profit from operations of HK\$5.7 million, compared to a profit of HK\$4.1 million for the corresponding period 2010. The Group's consolidated profit attributable to the owners of the Company for the six months ended 30 June 2011 amounted to HK\$4.9 million, compared to a profit of HK\$4.9 million in the corresponding period 2010.

Travel and Tourism Division

For the six months ended 30 June 2011, sales revenue of the Travel and Tourism Division (the "Division") increased by 9.5% to HK\$270.5 million as compared to the last corresponding period. The net operating profit for the six months ended 30 June 2011 amounted to HK\$1.2 million, as compared to the net operating profit of HK\$9.0 million for the same period last year.

During the period under review, the Division endeavoured to develop new travel products, and enhance its operational efficiency in spite of unfavourable economic downturn including political instability in Korea, Egypt and middle East, flood in Australia, tsunami and earthquake in Japan. Substantial amount of investment has been put in technological enhancement and renovation of branch offices. As to the operating costs, which increased by 3.1% versus the total revenue, as compared to the last corresponding period. Whereby advertising and promotional expenses, mainly for brand building on promotional activities and television advertisement to keep pace with the future business expansion, increased by 70% to HK\$4.0 million representing 1.7% of total revenue, compared with last same period. Rental and staff salaries increased by 11.3% and 19.8%, respectively mainly due to the renewal of lease agreement of branches and the recruitment of additional managerial staffs during the period. The Division is striving to maintain the profit level through the product enhancement and effective cost control.

Property Division

For the six months ended 30 June 2011, sales revenue of the Property Division amounted to HK\$16.7 million compared to HK\$11.0 million for the corresponding period in 2010 with an operating profit of HK\$1.4 million for the six months ended 30 June 2011 against a loss of HK\$2.4 million for the corresponding period in 2010. The profit was mainly attributable to the sales of unsold completed units in Morning Star Villa ("MSV") and Morning Star Plaza ("MSP").

In line with the normal approach adopted in the recognition of sales, the revenue and profits arising from 76 units sold with an accumulated sales value of HK\$21.8 million and profits of HK\$1.6 million have not been recognised in the Group's income statement.

To-date, approximately 99.6% of all residential units completed under Phase I to Phase VIII of MSV had been sold, and approximately 95.6% of all residential and commercial units completed under Phase I to Phase IV of MSP had been sold.

Discontinued Operation

In view of the contribution from the MSSL is meager in terms of the Group's total revenue and operating results, the Board announced on 3 December 2010 to dispose entire issued share capital in MSSL. The disposal had been completed on 28 February 2011.

Geographical Segments

The revenue for Hong Kong SAR mainly relates to travel and travel-related services, and the revenue for elsewhere in the PRC relates principally to (i) property development and (ii) travel and travel-related services.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets as at 30 June 2011, 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\$54.8 million, a decrease of HK\$16.6 million, compared to HK\$71.4 million as at 31 December 2010. Current assets as at 30 June 2011 amounted to HK\$602.4 million against HK\$322.6 million as at 31 December 2010. Current liabilities as at 30 June 2011 amounted to HK\$140.9 million, compared to HK\$117.2 million as at 31 December 2010.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2011, the Group's total borrowings amounted to HK\$16.7 million, unchanged from 31 December 2010. The borrowings mainly comprised non-interest-bearing other borrowings. As at 30 June 2011, the Group's available banking facilities not utilised is Nil (31 December 2010: Nil).

The Group's total equity as at 30 June 2011 was HK\$516.4 million compared to HK\$276.8 million as at 31 December 2010.

The Group's gearing ratio as at 30 June 2011 was 3.2% compared to 6.0% as at 31 December 2010. 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, PRC.

Capital Commitments

The Group had capital commitments amounting to HK\$1.0 million as at 30 June 2011 (31 December 2010: HK\$3.4 million).

Contingent Liabilities

As at 30 June 2011, the Group had contingent liabilities amounting to HK\$11.8 million (31 December 2010: HK\$27.1 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 30 June 2011, non-current bank balances amounting to HK\$2.3 million (31 December 2010: HK\$2.4 million) were pledged to certain banks to secure mortgage loan facilities to purchasers of properties developed by Morning Star Villa and Morning Star Plaza in Zhongshan, PRC.

Staff Analysis

The total number of staff employed by the Group as at 30 June 2011 was 364 compared to 370 as at 31 December 2010. 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 has setup a share option scheme for its employees, and continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

SHARE OPTIONS

The Company has approved and adopted a share option scheme (the "Share Option Scheme") on 8 June 2011 and, unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from that date.

No options were granted, nor were there any options outstanding under the Share Option Scheme during the six months ended 30 June 2011.

DIRECTORS' INTERESTS

As at 30 June 2011, none of the Directors and the chief executive of the Company had interest in the shares, underlying shares and debentures of the Company 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 Directors of Listed Issuers ("Model Code") contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 30 June 2011, 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:

Name of Shareholders	<i>Notes</i>	Number of shares and underlying shares held (Long Position)	Percentage of issued share capital
Star Advance International Limited ("Star Advance")	<i>1</i>	560,000,000	28.99%
Fong Shing Kwong ("Mr. Fong")	<i>2</i>	560,000,000	28.99%

Notes:

- (1) This represents 560,000,000 shares held by Star Advance.*
- (2) Mr. Fong is deemed to have interests in the shares through his 100% interest in Star Advance.*

Save as disclosed above, as at 30 June 2011, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2011, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarized as follows:

Code Provisions A.2.1 and A.4.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Chairman of the Company has not been appointed. It is the Board’s intention to appoint the Chairman as soon as the suitable person is selected.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Non-Executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

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 period.

CHANGES IN DIRECTORS’ INFORMATION

The changes in Directors’ Information, required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules, are set out below:

1. Mr. Chi Chi Hung, Kenneth, an Executive Director of the Company,
 - (i) has been appointed as an independent non-executive director of Sam Woo Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited, with effect from 29th April, 2011; and
 - (ii) has resigned as the Company Secretary of the Company with effect from 29th August, 2011.

2. Ms. So Wai Lam, an Independent Non-Executive Director of the Company,

- (i) has resigned as an executive director of China Oriental Culture Group Limited with effect from 11th May, 2011.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2011.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements of the six months ended 30 June 2011. The Audit Committee constituted three Independent Non-Executive Directors of the Company.

By order of the Board
CHI Chi Hung, Kenneth
Executive Director

Hong Kong, 29 August 2011