



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

2012 Interim Report

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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

LEUNG Lai Seung, Candy *F.C.I.S.*

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
6th 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

Caledonian Trust (Cayman) Limited
Caledonian House
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Grand Cayman KY1-1102
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1803, 18th Floor
Tower 1, Enterprise Square
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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 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	<i>Note</i>	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	5	300,380	287,100
Cost of sales		(263,388)	(252,461)
		<hr/>	
Gross profit		36,992	34,639
Other income	6	9,188	11,159
Selling expenses		(3,811)	(3,567)
Administrative expenses		(42,747)	(36,572)
		<hr/>	
(LOSS)/PROFIT BEFORE TAX		(378)	5,659
Income tax expense	8	(28)	—
		<hr/>	
(Loss)/Profit for the period from continuing operations		(406)	5,659
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	9	—	(207)
		<hr/>	
(LOSS)/PROFIT FOR THE PERIOD		(406)	5,452
		<hr/>	
Attributable to:			
Owners of the Company		727	4,908
Non-controlling interests		(1,133)	544
		<hr/>	
		(406)	5,452
		<hr/>	
EARNINGS PER SHARE			
Basic and diluted	10		
— For profit for the period		0.04 cent	0.91 cent
		<hr/>	
— For profit from continuing operations		0.04 cent	0.95 cent
		<hr/>	

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	(406)	5,452
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	13,201	1,889
	13,201	(1,379)
Exchange differences on translation of foreign operations	(1,316)	1,740
Other comprehensive income for the period, net of tax	11,885	361
Total comprehensive income for the period	11,479	5,813
Attributable to:		
Owners of the Company	12,612	5,269
Non-controlling interests	(1,133)	544
	11,479	5,813

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	20,905	21,078
Property under development		3,806	3,806
Prepaid land lease payments		2,967	3,035
Investment in an associate		—	—
Available-for-sale financial assets	13	23,100	—
Other assets		8,569	8,225
Pledged bank balances		2,322	2,343
Deferred tax assets		10,014	10,043
		71,683	48,530
CURRENT ASSETS			
Properties held for sale under development		66,651	66,233
Properties held for sale		34,041	35,225
Inventories		697	754
Trade receivables	14	11,286	5,896
Prepayments, deposits and other receivables		38,905	45,861
Financial assets at fair value through profit or loss		—	—
Due from related companies		8,585	8,788
Due from associates		449	921
Cash and cash equivalents		421,801	429,647
		582,415	593,325
TOTAL CURRENT ASSETS			
CURRENT LIABILITIES			
Due to related companies		2,279	2,279
Due to associates		129	129
Tax payables		3,910	4,256
Trade payables, other payables and accruals	15	100,805	99,695
Non-interest bearing other borrowings		16,710	16,710
		123,833	123,069
TOTAL CURRENT LIABILITIES			
NET CURRENT ASSETS		458,582	470,256
NET ASSETS		530,265	518,786
CAPITAL AND RESERVES			
Share capital	16	19,316	19,316
Reserves		453,198	440,586
Equity attributable to owners of the Company		472,514	459,902
Non-controlling interests		57,751	58,884
TOTAL EQUITY		530,265	518,786

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2012

	Attributable to owners of the Company									
	Share capital	Share premium	Foreign currency translation reserve	Capital reduction reserve	Other reserve	Available-for-sales financial assets valuation reserve	Accumulated Profit/(losses)	Total	Non-controlling interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2012	19,316	223,216	17,586	191,925	(1,522)	—	9,381	459,902	58,884	518,786
Profit for the period	—	—	—	—	—	—	727	727	(1,133)	(406)
Other comprehensive income/ (expenses) for the period	—	—	(1,316)	—	—	13,201	—	11,885	—	11,885
Total comprehensive income/ (expense) for the period	—	—	(1,316)	—	—	13,201	727	12,612	(1,133)	11,479
At 30 June 2012	19,316	223,216	16,270	191,925	(1,522)	13,201	10,108	472,514	57,751	530,265
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	(480,495)	—	—	191,925	—	—	288,570	—	—	—
Open offer	12,072	221,717	—	—	—	—	—	233,789	—	233,789
Bonus share issued	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,117	20,884
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(7,773)	18,260
NET CASH GENERATED FROM FINANCING ACTIVITIES	—	237,620
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,656)	276,764
Cash and cash equivalents at the beginning of period	429,647	144,966
Effect of foreign exchange rate changes, net	(1,190)	996
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	421,801	422,726
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	421,801	422,726

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 2011.

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 2012. 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 2011.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group identifies reportable segments, on the basis of the products and services, for internal reports about components of the Group that are regularly reviewed by the chief operation decision makers for the purpose of allocating resources to segments and assessing their performance. There are three reportable operating segments identified 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 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 result represents the profit or loss earned before tax from continuing operations without allocation of interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the Board for the purposes of resource allocation and performance assessment.

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	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<i>Segment revenue:</i>								
Sales to external customers	298,546	270,475	1,834	16,625	—	—	300,380	287,100
Other income	4,012	3,460	262	876	—	3	4,274	4,339
Total revenue	302,558	273,935	2,096	17,501	—	3	304,654	291,439
<i>Reconciliation:</i>								
Interest income							3,900	869
Recovery from impaired available-for-sale financial assets							1,014	—
Gain on disposal of subsidiary							—	3,000
Gain on disposal of available-for-sale financial assets							—	2,951
Revenue from continuing operations							309,568	298,259
Segment results	1,444	1,222	(2,874)	1,408	723	5,452	(707)	8,082
<i>Reconciliation:</i>								
Interest income							3,900	869
Unallocated expenses							(3,571)	(3,292)
(Loss)/Profit before tax for continuing operations							(378)	5,659

Revenue reported above represents revenue generated from external customers.

Geographical information

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

	<i>For the six months ended 30 June</i>	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Hong Kong	247,281	225,008
PRC	53,099	62,092
	<hr/>	<hr/>
	300,380	287,100
	<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>	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Rendering of travel and travel-related services	298,546	270,475
Sales of properties held for sale	1,834	16,625
	<hr/>	<hr/>
	300,380	287,100
	<hr/>	<hr/>

6. OTHER INCOME

	<i>For the six months ended 30 June</i>	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
<u>Other income</u>		
Bank interest income	2,822	854
Other interest income **	1,078	15
	<hr/>	<hr/>
	3,900	869
Visa income	258	161
Commission income	2,992	2,420
Others	1,024	1,758
	<hr/>	<hr/>
	8,174	5,208
	<hr/>	<hr/>
<u>Gains</u>		
Recovery from impaired available-for-sale financial assets	1,014	—
Gain on disposal of available for sale financial assets	—	2,951
Gain on disposal of subsidiary	—	3,000
	<hr/>	<hr/>
	1,014	5,951
	<hr/>	<hr/>
	9,188	11,159
	<hr/>	<hr/>

** During the six months ended 30 June 2012, the Group had entered into an agreement to grant a loan (the "Loan") amounting to HK\$50 million ("Principal Amount") to an independent thirty party. The Principal Amount had been repaid in full in June 2012. Interest income relating to the Loan amounted to HK\$1,063,000.

7. (LOSS)/PROFIT BEFORE TAX

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

	<i>For the six months ended 30 June</i>	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	231	174
Cost of services provided	260,787	240,249
Cost of properties sold	1,113	11,558
Depreciation	1,843	873
Amortisation of prepaid land lease payments	37	36
Recovery from impaired available-for-sale financial assets	(1,014)	—
Gain on disposal of available-for-sale financial assets	—	(2,951)
Gain on disposal of subsidiary	—	(3,000)
Bank interest income	(2,822)	(854)
Other interest income	(1,078)	(15)
	(3,900)	(869)

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Subsidiaries in the PRC are subject to PRC Enterprise Income Tax at 25% (2011: 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. No provision for Hong Kong profits tax has been made as the Group did not have assessable profit in Hong Kong during the period (2011: nil).

	<i>For the six months ended 30 June</i>	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
PRC tax	28	—

9. *DISCONTINUED OPERATION*

On 3 December 2010, the Board 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 year are presented below:

	<i>For the six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	—	127
Expenses	—	(334)
	<hr/>	<hr/>
Loss before tax from the discontinued operation	—	(207)
Attributable income tax expense	—	—
	<hr/>	<hr/>
Loss for the period from the discontinued operation	—	(207)

10. *EARNINGS PER SHARE*

The calculation of basic and diluted earnings per share 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 1,931,638,040 (30 June 2011: 540,271,689) in issue during the period.

11. *DIVIDEND*

No dividend was paid or proposed for the six months ended 30 June 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

12. *PROPERTY, PLANT AND EQUIPMENT*

During the period, the Group spent approximately HK\$1,774,000 (30 June 2011: HK\$3,554,000) on additions to property, plant and equipment.

13. *AVAILABLE-FOR-SALE FINANCIAL ASSETS*

During the period under review, the Group acquired a listed equity security in Hong Kong with carrying value of HK\$23,100,000 as at 30 June 2012, which was classified as available-for-sale financial asset. In addition, the gains on change in the fair value of the available-for-sale financial assets during the period recognised in other comprehensive income amounted to HK\$13,201,000 (30 June 2011: HK\$1,889,000).

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 2012 HK\$'000 <i>(Unaudited)</i>	<i>At</i> 31 December 2011 HK\$'000 <i>(Audited)</i>
<i>Within 1 month</i>	5,020	1,875
<i>1–3 months</i>	6,156	3,879
<i>4–12 months</i>	67	6
<i>Over 1 year</i>	43	136
	<hr/>	
	11,286	5,896
	<hr/>	

15. *TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS*

Included in the trade payables, other payables and accruals are trade payables of approximately HK\$41,324,000 (31 December 2011: HK\$35,493,000). 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> 30 June 2012 HK\$'000 <i>(Unaudited)</i>	<i>At</i> 31 December 2011 HK\$'000 <i>(Audited)</i>
<i>Within 1 month</i>	38,044	32,174
<i>1–3 months</i>	979	1,220
<i>4–12 months</i>	855	591
<i>Over 1 year</i>	1,446	1,508
	<hr/>	
	41,324	35,493
	<hr/>	

16. SHARE CAPITAL

	<i>At</i> 30 June 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At</i> 31 December 2011 <i>HK\$'000</i> <i>(Audited)</i>
<i>Authorised:</i>		
100,000,000,000 (2011: 100,000,000,000) ordinary shares of HK\$0.01 (2011: HK\$0.01) each	1,000,000	1,000,000
<i>Issued and fully paid:</i>		
1,931,638,040 (2011: 1,931,638,040) ordinary shares of HK\$0.01 (2011: HK\$0.01) each	19,316	19,316

17. CAPITAL COMMITMENTS

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

	<i>At</i> 30 June 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At</i> 31 December 2011 <i>HK\$'000</i> <i>(Audited)</i>
<i>Contracted, but not provided for:</i>		
Leasehold improvement	—	186
Furniture, fixtures and equipment	—	88
	—	274

18. 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.

As at 30 June, 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<i>At</i> 30 June 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At</i> 31 December 2011 <i>HK\$'000</i> <i>(Audited)</i>
Within one year	12,895	13,588
In the second to fifth years, inclusive	3,602	7,449
	<hr/>	
	16,497	21,037

19. CONTINGENT LIABILITIES

As at 30 June 2012, the Group had contingent liabilities amounting to HK\$2,705,000 (31 December 2011: HK\$2,958,000) 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.

20. 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 2012 and 2011.

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

	<i>For the six months ended 30 June</i>	
	2012 <i>HK\$'000</i> <i>(Unaudited)</i>	2011 <i>HK\$'000</i> <i>(Unaudited)</i>
Short term employee benefits	1,337	1,320
Post-employment benefits	6	6
	<hr/>	
	1,343	1,326

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

Group Overview

For the six months ended 30 June 2012, the Group's total revenue amounted to HK\$300.4 million, compared to HK\$287.1 million for the corresponding period in 2011. The Group recorded a loss from operations of HK\$0.4 million, compared to a profit of HK\$5.7 million for the corresponding period 2011. The Group's consolidated profit attributable to the owners of the Company for the six months ended 30 June 2012 amounted to HK\$0.7 million, compared to a profit of HK\$4.9 million in the corresponding period 2011.

Travel and Tourism Segment

For the six months ended 30 June 2012, sales revenue of the Travel and Tourism Segment (the "Segment") was HK\$298.5 million, an increase by 10.4% on the basis of corresponding period 2011. The segment profit for the six months ended 30 June 2012 was HK\$1.4 million, as compared to HK\$1.2 million for the corresponding period 2011.

Commensurate with the increase in segment revenue, total operating costs increased by 22.1% on the basis of corresponding period 2011. Among the operating costs, depreciation expense increased by 178.5%, rental by 14.9%, and staff cost by 14.1%, respectively. Substantial increase in depreciation expense was mainly due to substantial increase in capital investment in information system, computer hardware, and branch renovation from the second half of 2011 to the first half of 2012. Advertising and promotional expenses for the six months ended 30 June 2012 was approximately the same as those for the corresponding period 2011. In view of the continuous loss-making, the Board decided to cease operation of Beijing Morning Star Travel Service Limited ("BMS"), a subsidiary of Morning Star Travel Service Limited ("MST"). An impairment of the cost of investment in BMS was made by the end of 30 June 2012.

On 29 June, 2012, the Company entered into a sale and purchase agreement (the "SPA") to dispose the entire issued shares (the "Disposal") in its indirectly held wholly-owned subsidiaries of the Travel Segment, namely Morning Star Travel Service Limited, Star Travel Service Limited, Morning Star Traveller Plus Limited and Morning Star Travel Service (Macau) Limited (the "Target Group"). Upon completion of the Disposal, the Target Group together with BMS will cease to be subsidiaries of the Company. Details of the Disposal can be found in an announcement dated 24 July 2012 which is available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.msr.com.hk). The completion of the Disposal is conditional and subject to the passing by the shareholders at an extraordinary general meeting of the Company, authorisation from the Registrar of Travel Agents, and fulfillment of other terms, conditions and warranties under the SPA.

Property Development Segment

For the six months ended 30 June 2012, segment revenue of the Property Development Segment amounted to HK\$1.8 million compared to HK\$16.7 million for the corresponding period in 2011. The segment loss for six months ended 30 June 2012 was HK\$2.9 million compared to the segment profit of HK\$1.4 million for the corresponding period in 2011.

In line with the normal approach adopted in the recognition of sales, revenue of HK\$6 million and the loss of HK\$0.9 million from the sales of 14 units have not been recognised in the Group's income statement.

During the period under review, the Group continued focusing on the sale of completed unsold properties. To-date, approximately 99.7% of all residential units completed under Phase I to Phase VIII of Morning Star Villa ("MSV") had been sold, and approximately 95.9% of all residential and commercial units completed under Phase I to Phase IV of Morning Star Plaza ("MSP") had been sold.

The Board is optimistic in the property market in Hong Kong and the PRC, and will plan to engage in property related businesses.

Geographical Segments

The revenue for Hong Kong 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 2012, 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\$71.7 million, an increase of HK\$23.2 million, compared to HK\$48.5 million as at 31 December 2011. Current assets as at 30 June 2012 amounted to HK\$582.4 million against HK\$593.3 million as at 31 December 2011. Current liabilities as at 30 June 2012 amounted to HK\$123.8 million, compared to HK\$123.1 million as at 31 December 2011.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2012, the Group's total borrowings amounted to HK\$16.7 million (31 December 2011: HK\$16.7 million). The borrowings mainly comprised non-interest-bearing other borrowings. As at 30 June 2012, the Group's available banking facilities not utilised is nil (31 December 2011: nil).

The Group's total equity as at 30 June 2012 was HK\$530.3 million (31 December 2011: HK\$518.8 million).

The Group's gearing ratio as at 30 June 2012 was 3.2% (31 December 2011: 3.2%). 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 did not have any capital commitments as at 30 June 2012 (31 December 2011: HK\$0.3 million).

Contingent Liabilities

As at 30 June 2012, the Group had contingent liabilities amounting to HK\$2.7 million (31 December 2011: HK\$3.0 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by MSV and MSP. The Directors considered that the fair value of such guarantees were insignificant.

Charges on Group Assets

As at 30 June 2012, non-current bank balances amounting to HK\$2.3 million (31 December 2011: HK\$2.3 million) were pledged to certain banks to secure mortgage loan facilities to purchasers of properties developed by MSV and MSP in Zhongshan, the PRC.

Staff Analysis

The total number of staff employed by the Group as at 30 June 2012 was 362 compared to 361 as at 31 December 2011. 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 2012.

DIRECTORS' INTERESTS

As at 30 June 2012, 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 2012, 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 2012, 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

The Company is committed to maintaining the high corporate governance standards and upholding accountability and transparency.

The Corporate Governance Code (the “New Code”), issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in October 2011, is the new edition of the Code on Corporate Governance Practices (the “Former Code”), and is applicable to financial reports covering a period after 1 April 2012.

During the six months ended 30 June 2012, the Company has applied the principles of and complied with the applicable code provisions set out in the Former Code during the period from 1 January 2012 to 31 March 2012 as well as the New Code during the period from 1 April 2012 to 30 June 2012, except for certain deviations which are summarized below:

Code Provisions A.2.1 to A.2.9, A.4.1 and E.1.2

- (1) Code Provision A.2.1 of both the Former Code and the New code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Further, code provisions A.2.2 to A.2.9 of the New Code stipulate the roles and responsibilities of the chairman.

The Company does not have a Chairman of the Board at present. It is the Board’s intention to appoint the Chairman of the Board as soon as the suitable and appropriate candidate is identified.

- (2) Code provision A.4.1 of both the Former Code and the New code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

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

- (3) Code provision E.1.2 of the New Code stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting.

The Company does not have a Chairman of the Board at present. It is the Board's intention to appoint the Chairman of the Board as soon as the suitable and appropriate candidate is identified. As such, no Chairman of the Board was able to attend the annual general meeting of the Company held on 22 May 2012. However, Mr. Chi Chi Hung, Kenneth, an Executive Director of the Company, took the chair of that meeting and Chairman of the Audit Committee, Remuneration Committee and Nomination Committee was present thereat to be available to answer any question to ensure effective communication with the Shareholders.

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. Sung Yat Chun, an Independent Non-Executive Director of the Company, has been appointed director of Ayers Alliance Limited and Ayers Alliance Holdings Pty Limited with effect from 24 July 2012.
2. Mr. Chi Chi Hung, Kenneth, an Executive Director of the Company, retired as an independent non-executive director of Interchina Holdings Company Limited with effect from 15 August 2012.

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 2012.

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 2012. 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, 28 August 2012