星晨集團有限公司

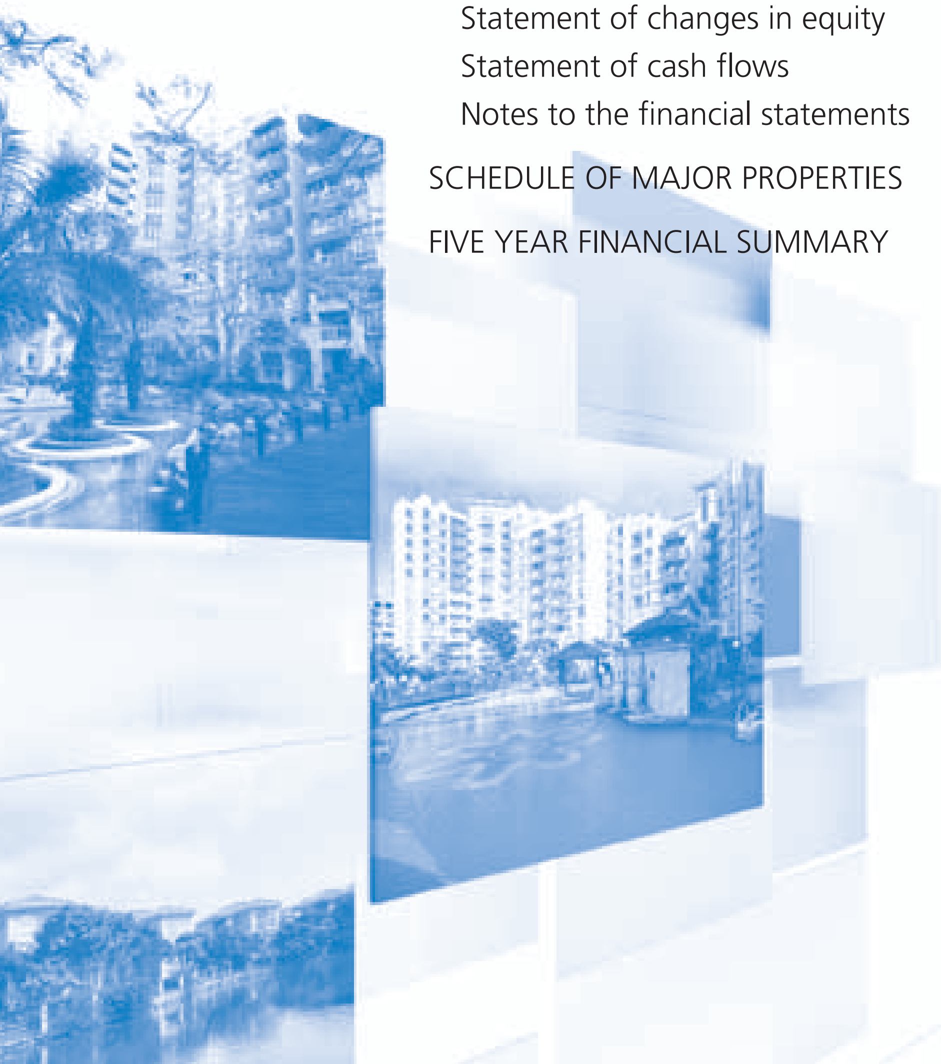
Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

Annual Report 2012

Contents



Corporate Information

EXECUTIVE DIRECTORS

CHI Chi Hung, Kenneth (Chief Executive Officer)
YEUNG Kwok Leung
HO Tak Pong, Matthew (appointed on 5 November 2012)
SUNG Wai Man, Peter (resigned on 6 November 2012)
LEE Kuang Yeu (appointed on 14 November 2012)

NON-EXECUTIVE DIRECTOR

TSO Shiu Kei, Vincent (resigned on 14 December 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

COMPANY SECRETARY

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

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
CITIC Bank International Limited
Citibank, N.A.
Malayan Banking Berhad
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Parker Randall CF (H.K.) CPA Limited
Room 2112, North Tower,
Concordia Plaza,
1 Science Museum Road,
Tsim Sha Tsui,
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

28/F., LHT Tower
31 Queen's Road Central
Hong Kong

Chief Executive Officer'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 2012.

FINANCIAL RESULTS

The Group reported a profit after tax of HK$86.2 million for the year ended 31 December 2012 (2011: HK$6.9 million).

The Group's consolidated profit attributable to the equity holders of the Company for 2012 amounted to HK$94.9 million (2011: HK$6.9 million).

DIVIDEND

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2012 (2011: Nil).

REVIEW OF OPERATIONS

Property Development Segment

For the year ended 31 December 2012, the Group's property development segment recorded revenue of HK$8.8 million (2011: HK$33.5 million) with a corresponding operating loss of HK$23.2 million (2011: loss of HK$0.1 million).

During the year, the Group still 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. At the same time, the Group was actively exploring new investment opportunities in property developments and related projects.

As at 31 December 2012, 99.7% of all residential units completed under Phase I to Phase VIII of MSV had been sold, and 96.0% of all residential and commercial units completed under Phase I to Phase IV of MSP had been sold.

Disposal of Subsidiaries

During the year 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 its subsidiary, Beijing Morning Star Travel Service Limited, ceased to be subsidiaries of the Company. The Disposal was satisfied by cash consideration of HK$145,342,000 and the associated gain of the Disposal amounted to HK$111,945,000. The Disposal was completed on 6 November 2012.

OUTLOOK

Looking forward to 2013, the Group will be actively looking for new investment projects, especially in the PRC and other Asian Countries in the property development and management business, to maximize the returns on the Company to its shareholders. At the same time, we will continue the sale of its unsold completed units in MSV and MSP.

Chief Executive Officer's Statement

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 valuable contribution during the year.

CHI CHI HUNG, KENNETH
Chief Executive Officer

Hong Kong, 5 February 2013

Management Discussion and Analysis

GROUP OVERVIEW

For the year under review, the Group recorded a profit from its continuing operations of HK$138.2 million as compared to a profit of HK$3.2 million for 2011. Profit attributable to owners of the Company for the year ended 31 December 2012 amounted to HK$94.9 million against a profit of HK$6.9 million for 2011.

For the year ended 31 December 2012, the Group's revenue from continuing operations dropped from HK$33.5 million in 2011 by HK$24.7 million to HK$8.8 million in 2012.

PROPERTY DEVELOPMENT SEGMENT

In the year of 2012, revenue from sales to external customers of Property Development Segment was HK$8.8 million compared to HK$33.5 million in 2011. The result of Property Development Segment recorded a loss of HK$23.2 million compared to a profit of HK$0.1 million in 2011.

During the year, the management continued focusing on the sale of unsold completed properties in Morning Star Villa ("MSV") and Morning Star Plaza ("MSP") resulting in HK$8.4 million worth of stocks on hand being sold during the year. The profit margin for the completed properties in MSV and MSP sold in 2012 was approximately the same as comparing to the properties sold in 2011. In line with the normal approach adopted in the recognition of revenues, the revenue from sales to external customers and profits arising from 3 properties sold with an accumulated sales value of HK$0.4 million and a profit of HK$0.1 million have not been recognised in the Group's income statement.

To date, approximately 99.7% of all residential units completed under Phase I to Phase VIII of MSV had been sold, and approximately 96.0% of all residential and commercial units completed under Phase I to Phase IV of MSP had been sold.

DISCONTINUED OPERATION

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"), which were responsible for the entire travel and travel-related businesses of the Group. Upon completion of the Disposal, the Disposal Group together with Beijing Morning Star Travel Service Limited, an indirectly held subsidiary of the Company, would cease to be subsidiaries of the Company. The Disposal was completed on 6 November 2012. Gain on the Disposal of HK$111.9 million was recorded. The Board has been exploring profitable investment opportunities to secure better returns for the company and shareholders.

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 property development.

Management Discussion and Analysis

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of continuous operations as at 31 December 2012, consisting mainly of property, plant and equipment, property under development, available-for-sale financial assets, and pledged bank balances, amounted to HK$57.6 million as compared to HK$35.5 million at 31 December 2011. Current assets of continuous operations as at 31 December 2012 was totalled HK$624.0 million against HK$519.4 million at 31 December 2011. Current liabilities of continuous operations at 31 December 2012 was totalled HK$69.50 million, compared to HK$47.3 million at 31 December 2011.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2012, the Group's total borrowings was HK$16.7 million (2011: HK$16.7 million) comprising non-interest-bearing other borrowings. As at 31 December 2012, the Group's available banking facilities not utilised was Nil (2011: Nil).

The Group's total equity as at 31 December 2012 was HK$612.1 million (2011: HK$518.8 million).

The Group's gearing ratio as at 31 December 2012 was 2.7%, compared to 3.2% as at 31 December 2011. 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.

Lease Commitments

Lease commitment of the Group's continuous operations was HK$24.9 million as at 31 December 2012 (2011: Nil).

Contingent Liabilities

As at 31 December 2012, the Group had contingent liabilities amounting to HK$3.0 million (2011: HK$3.0 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 MSV and MSP. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

Charges on Group Assets

As at 31 December 2012, non-current bank balances amounting to HK$2.4 million (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, PRC.

STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2012 was 59 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 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.

Report of the Directors

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 and property development up to 6 November 2012. Thereafter, the subsidiaries are principally engaged in property development.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements from pages 28 to 78.

No dividends have been declared in respect of the year.

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 80.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 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 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

At 31 December 2012, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2009 Revision) of the Cayman Islands.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 44 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

The directors of the Company ("the Directors") during the year and up to the date of this report were:

Executive Directors:

CHI Chi Hung, Kenneth (Chief Executive Officer)
YEUNG Kwok Leung
HO Tak Pong, Matthew (appointed on 5 November 2012)
SUNG Wai Man, Peter (resigned on 6 November 2012)
LEE Kuang Yeu (appointed on 14 November 2012)

Non-Executive Director:

TSO Shiu Kei, Vincent (resigned on 14 December 2012)

Independent Non-Executive Directors:

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

In accordance with Article 112 of the Company's Articles of Association, Mr. HO Tak Pong, Matthew and Mr. LEE Kuang Yeu shall retire from and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Articles 106 and 107 of the Company's Articles of Association, Ms. SO Wai Lam and Mr. SUNG Yat Chun shall 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

For the year ended 31 December 2012, none of the Executive Directors are considered to have interests in the business which compete or is likely to compete with the business of the Group pursuant to the Listing Rules.

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 2012, none of the Directors and chief executives 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 the Directors of Listed Issuers ("Model Code") contained in the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

CHI Chi Hung, Kenneth

Mr. CHI, aged 44, was appointed an Executive Director of the Company in October 2010. He has over 20 years of experience in accounting and financial control. He holds a Bachelor's Degree in Accountancy from Hong Kong Polytechnic University, and was admitted as a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. CHI is currently an executive director of Hua Yi Copper Holdings Limited, China Sandi Holdings Limited (formerly known as China Grand Forestry Green Resources Group Limited) and M Dream Inworld Limited. Mr. CHI is also an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited (formerly known as ZMAY Holdings Limited), Aurum Pacific (China) Group Limited, Noble Century Investment Holdings Limited (formerly known as Sam Woo Holdings Limited), China Natural Investment Company Limited and Perfect Shape (PRC) Holdings Limited. He resigned as an independent non-executive director of Interchina Holdings Company Limited in August 2012. He was also appointed as an independent non-executive director of L'sea Resources International Holdings Limited (formerly know as Goodtop Tin International Holdings Limited) in October 2012.

YEUNG Kwok Leung

Mr. YEUNG, aged 39, was appointed an Executive Director of the Company in October 2010. He holds a Bachelor's Degree in Accountancy and has over 17 years of experience in auditing, financial controlling, accounting, corporate developments as well as business strategies. He was admitted as a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. YEUNG is currently an executive director of The Hong Kong Building and Loan Agency Limited. Mr. YEUNG was previously an executive director of China Fortune Financial Group Limited.

HO Tak Pong, Matthew

Mr. HO, aged 41, was appointed an Executive Director of the Company in November 2012. He holds a Bachelor of Arts Degree in Business Administration from The University of Western Ontario, Canada. Mr. HO has over 18 years of experience in the banking industry. Prior to his joining the Company, he worked in Deutsche Bank AG Hong Kong Branch as a Managing Director, Head of Institutional Client Group Hong Kong. He was mainly responsible for the FICC (Fixed Income, Currency and Commodity) sales businesses to real money clients and the mega wealth/family offices in Hong Kong.

LEE Kuang Yeu

Mr. LEE, aged 70, was appointed an Executive Director of the Company in November 2012. Mr. LEE graduated from Chu Hai College in Business Administration. Mr. LEE has over 35 years of experience in marketing, forex and bullion trading investment. Prior to his joining the Company, he has been working as an overseas consultant to explore overseas forex and bullion investment market.

CHAN Hoi Ling

Ms. CHAN, aged 39, was appointed an Independent Non-Executive Director of the Company in October 2010. She graduated from the University of South Australia with a Bachelor's Degree in Accountancy and Hong Kong Polytechnic University with a Master's Degree in Business Administration. She has extensive experience in auditing and accounting. Ms. CHAN was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants. Ms. CHAN is currently an independent non-executive director of M Dream Inworld Limited. Ms. CHAN was previously an independent non-executive director of China E-Learning Group Limited.

SO Wai Lam

Ms. SO, aged 32, was appointed an Independent Non-Executive Director of the Company in October 2010. She holds a Bachelor's Degree in Science with double majors in Mathematics and Statistics from the University of British Columbia in Canada and a Master's Degree in Finance from the University of Hong Kong. Ms. SO has over 9 years of experience in the corporate finance Industry. She is also a responsible officer of Fortune Financial Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. She was previously an executive director of China Oriental Culture Group Limited.

SUNG Yat Chun

Mr. SUNG, aged 34, was appointed an Independent Non-Executive Director of the Company in October 2010. He is a holder of a Bachelor of Science Degree from the University of Western Sydney, Australia. Mr. SUNG specialises in product research and in-house operations, and is responsible for trading procedures for investment adviser. Mr. SUNG has been a compliance manager for United Overseas Bank, and an operations officer for Success Securities Limited. He is also a member of the US National Futures Association and chief operation officer of STI Wealth Management Ltd. His product knowledge and long association with innovative strategies has allowed him to provide unique and diversified solutions to clients' investments. Mr. SUNG was appointed as a director of Ayers Alliance Limited and Ayers Alliance Holdings Pty Limited in July 2012.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 December 2012, the following Shareholders had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

Report of the Directors

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 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 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 from pages 13 to 25.

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 2012. The Audit Committee constituted three Independent Non-Executive Directors of the Company.

AUDITOR

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.

On behalf of the Board
CHI Chi Hung, Kenneth
Executive Director

Hong Kong, 5 February 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has made certain amendments ("Amendments") to the Listing Rules, which are related to the Code, practices and the reporting. Such Amendments took effect from 1 January 2012, 1 April 2012 or 31 December 2012, respectively.

With the introduction of the Code as revised with effect from 1 April 2012 ("Revised Code"), the Board adopted the Revised Code.

The Board reviews at least annually the corporate governance practices of the Company to ensure its continuous compliance with the Code and the Revised Code, and make appropriate changes if considered necessary. The Company was in compliance with the applicable code provisions in the Code (the "Code Provision") and the Revised Code (the "Revised Code Provision") for the year ended 31 December 2012, except for Code Provision or Revised Code Provision A.2.1 to A.2.9, A.4.1, A.6.7, E.1.2 and F.1.1. The following sections set out the principles in the Code and Revised Code as they have been applied by the Company, including any deviations therefrom, for the year under review.

BOARD

The Board currently comprises seven directors (the "Directors") in total, with four Executive Directors and three Independent Non-Executive Directors ("INEDs"). The composition of the Board during the year is set out as follows:

Executive Directors	CHI Chi Hung, Kenneth *(Chief Executive Officer)* YEUNG Kwok Leung HO Tak Pong, Matthew *(appointed on 5 November 2012)* SUNG Wai Man, Peter *(resigned on 6 November 2012)* LEE Kuang Yeu *(appointed on 14 November 2012)*
Non-Executive Director	TSO Shiu Kei, Vincent *(resigned on 14 December 2012)*
INEDs	CHAN Hoi Ling SO Wai Lam SUNG Yat Chun

During the year, the Non-Executive Directors (a majority of whom are independent) provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and Committee meetings.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

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.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, four Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board Committees" of this report.

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the day-to-day responsibility to the executive management. The respective functions of the Board and management of the Company have been formalised and set out in writing and will be reviewed by the Board from time to time to ensure that they are consistent with the existing rules and regulations.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the following Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company ("Articles of Association") also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the Revised Code on continuous professional development during the year ended 31 December 2012:

	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/ Financial/Management or Other Professional Skills	
Directors	**Read Materials**	**Attended Seminars/ Briefings**	**Read Materials**	**Attended Seminars/ Briefings**
Executive Directors				
CHI Chi Hung, Kenneth	✓	✓	✓	✓
YEUNG Kwok Leung	✓	✓	✓	✓
HO Tak Pong, Matthew *(appointed on 5 November 2012)*	✓			
LEE Kuang Yeu *(appointed on 14 November 2012)*	✓			
Non-Executive Director				
TSO Shiu Kei, Vincent *(resigned on 14 December 2012)*	✓	✓		
INEDs				
CHAN Hoi Ling	✓	✓	✓	✓
SO Wai Lam		✓		
SUNG Yat Chun		✓		

CHAIRMAN AND CHIEF EXECUTIVE

The functions of Chief Executive Officer are performed by Mr. SUNG Wai Man, Peter up to 6 November 2012 and thereafter by Mr. CHI Chi Hung, Kenneth. The Chairman of the Company has not been appointed. Under Code Provision and Revised Code Provision A.2.1, the roles of the Chairman and the Chief Executive Officer are segregated and assumed by two different 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. It is the Board's intention to appoint a new Chairman as soon as the suitable person is selected.

NON-EXECUTIVE DIRECTORS

Under Code Provision and Revised Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The Non-Executive Director of the Company is not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. The Non-Executive Director has resigned on 14 December 2012.

All the Independent Non-Executive Directors were appointed for a specific term of 1 year which shall continue until 31 December 2013 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.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee , a Nomination Committee (established on 1 April 2012) and an Executive Committee (established on 5 February 2013), each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section headed "The Board" of this report, have been adopted for the committee meetings so far as practicable.

The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and general meetings during the year ended 31st December, 2012 are set out below:

	Number of meetings attended/held					
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**Nomination Committee**	**Annual General Meeting**	**Extraordinary General Meeting**
Executive Directors:						
CHI Chi Hung, Kenneth *(Chief Executive Officer)*	4/4	–	–	–	1/1	1/1
YEUNG Kwok Leung	4/4	–	–	–	1/1	1/1
HO Tak Pong, Matthew *(appointed on 5 November 2012)*	1/1	–	–	–	0/0	0/0
SUNG Wai Man, Peter *(resigned on 6 November 2012)*	3/3	1/1	–	–	1/1	0/1
LEE Kuang Yeu *(appointed on 14 November 2012)*	1/1	–	–	–	0/0	0/0
Non-Executive Director:						
TSO Shiu Kei, Vincent *(resigned on 14 December 2012)*	3/4	–	–	–	1/1	1/1
INEDs:						
CHAN Hoi Ling	4/4	1/1	2/2	1/1	1/1	1/1
SO Wai Lam	3/4	1/1	2/2	1/1	0/1	1/1
SUNG Yat Chun	4/4	1/1	2/2	1/1	1/1	0/1

Remuneration Committee

The Remuneration Committee was established in August 2005. This Committee currently consists of three members, including Ms. CHAN Hoi Ling (Chairman of the Committee), Ms. SO Wai Lam, Mr. SUNG Yat Chun, all being the INEDs.

On 28 March 2012, the Board adopted a set of the revised terms of reference of the Remuneration Committee, which has included changes in line with the Revised Code requirements effective from 1 April 2012. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Executive Directors and senior management only. The revised terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors 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.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Committee meeting was held in 2012 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during 2012. In 2012 and up to the date of this report, the Remuneration Committee performed the works as summarized below:

(i) reviewed the existing policy and structure for the remuneration of Directors;

(ii) reviewed the existing remuneration packages of the Executive Directors;

(iii) reviewed the existing remuneration of the Non-Executive Directors (including the INEDs);

(iv) reviewed and recommended the revised terms of reference of Remuneration Committee for the Board's approval;

(v) reviewed and recommended the remuneration package of two newly appointed Executive Directors for the Board 's approval; and

(vi) reviewed and recommended the revision of remuneration and the renewal of the terms of appointment of the INEDs for one year commencing from 1 January 2013 for the Board's approval.

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements.

Audit Committee

The Audit Committee was established in March 1999. This Committee currently consists of three members, including Ms. CHAN Hoi Ling (Chairman of the Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise.

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.

On 28 March 2012, the Board adopted a set of the revised terms of reference of the Audit Committee, which has included changes in line with the Revised Code requirements effective from 1 April 2012. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Two Committee meetings were held in 2012 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Committee meeting, the Audit Committee also dealt with matters by way of circulation during 2012. In 2012 and up to the date of this report, the Audit Committee performed the works as summarized below:

(i) reviewed and recommended 2011 final results, audit findings and draft final results announcement for the Board's approval;

(ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;

(iii) considered the audit fee for the Year 2012;

(iv) reviewed and recommended 2012 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;

(v) reviewed and recommended 2012 final results, audit findings and draft final results announcements for the Board's approval;

(vi) reviewed and recommended the revised terms of reference of the Audit Committee for the Board's approval;

(vii) reviewed and recommended the Whistle Blower Policy for the Board's approval;

(viii) reviewed and recommended Shareholders' Communication Policy for the Board's approval; and

(ix) reviewed and recommended the Report on Internal Control for the Board's approval.

Nomination Committee

The Nomination Committee was established on 1 April 2012. This Committee currently consists of three members, including Ms. CHAN Hoi Ling (Chairman of the Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Nomination Committee is 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 Nomination Committee shall formulate the policy, review the size, structure and composition of the Board, and assess the independence of its Independent Non-Executive Directors in accordance with the criteria prescribed under the Listing Rules and the Code. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. One Committee meeting was held in 2012 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Committee meeting, the Nomination Committee also dealt with matters by way of circulation during 2012. In 2012 and up to the date of this report, the Nomination Committee performed the works as summarized below:

(i) reviewed the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board and make recommendations on proposed changes to the Board to complement the Company's corporate strategy; and

(ii) reviewed and make recommendations to the Board on the change of the Chief Executive Officer and appointment of two newly appointed Executive Directors.

Executive Committee

The Executive Committee was established on 5 February 2013. This Committee currently consists of four members, including Mr. HO Tak Pong, Matthew (Chairman of the Committee), Mr. CHI Chi Hung, Kenneth, Mr. YEUNG Kwok Leung and Mr. LEE Kuang Yeu, all being Executive Directors.

The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee. The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and may also deal with matters by way of circulation. The Executive Committee is mainly responsible for undertaking and supervising the day-to-day management and is empowered:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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 confirms 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.

Internal Control

The Board has the responsibility to review annually the effectiveness of the Group's internal control systems and ensure that the controls are sound and effective to safeguard the Shareholders' investments and the Group's assets at all times. In 2012, the Board, through the Audit Committee, had reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

External Auditor's 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 2012 is set out below:

	HK$'000
Types of services	
Audit fee for the Group	460
Taxation services and others	70
Total	530

COMPANY SECRETARY

Revised Code Provision F.1.1 stipulates that the company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. Where an issuer engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact.

The Company does not have a Company Secretary for the period from 15 December 2012 to 4 February 2013.

The Company Secretary has been appointed on 5 February 2013. She is a full time employee of the Company and has day-to-day knowledge of the Company. The Company Secretary reports to the Chief Executive Officer and is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Communication Policy

On 28 March 2012, the Board adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.msr.com.hk;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;

(iv) Annual General Meeting ("**AGMs**") and extraordinary general meetings ("**EGMs**") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

Details of the Last General Meetings

The Company's AGM is a valuable forum for the Board to communicate directly with the Shareholders. Under Code Provision and Revised Code Provision E.1.2, the chairman of the Board should attend the annual general meeting of the Company. Since the Chairman of the Board has not been appointed, no Chairman of the Board was able to attend the annual general meeting of the Company held on 22 May 2012. However, the Board has delegated this Chairman's duty to Mr. CHI Chi Hung, Kenneth, an Executive Director of the Company. The Board considers that executive director a suitable person for taking up such duty as the executive director has been serving for similar duties for many years and he has good understanding of each operating segment of the Group.

The Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing this his duly appointed delegate, are also available to answer questions at the AGM. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting of the Shareholders to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

Under Revised Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagement, an Independent Non-Executive Director could not attend the AGM of the Company held on 22 May 2012 and the EGM of the Company held on 30 October 2012. However, at the respective general meeting of the Company, there were Executive Directors, a Non-Executive Director and some Independent Non-Executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of retiring Directors.

The notice to Shareholders is to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an EGM

Pursuant to the Articles of Association of the Company, the Board shall, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the company of the Company, forthwith proceed duly to convene an EGM of the Company.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong, and may consist of several documents in like form, each signed by one or more requisitionists.

If the Board do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting convened under this Article by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

Procedures for Putting forward Proposals at a General Meeting

Pursuant to the Articles of Association of the Company, it shall be the duty of the Company, on the requisition in writing of such number of members as is specified in these Articles and (unless the Company otherwise resolves) at the expense of the requisitionists:

(a) to give to members entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to members entitled to have notice of any General Meeting of any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such resolution shall be given, any such statement shall be circulated, to members of the Company entitled to have notice of the meeting sent to them, and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in accordance with the provisions of the Statutes.

Procedures for Proposing a Person for Election as a Director

As regards the procedure for proposing a person for election as a Director, please refer to the procedures made available under the "Corporate Governance" section ("Procedure for election of Directors" sub-section) of the Company's' website at www.msr.com.hk.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary and the Group Financial Controller whose contact details are set out in the "Contact Us" section of the Company's website at www.msr.com.hk.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

The Company has adopted in May 2012 the amended and restated Memorandum of Association and Articles of Association of the Company which consolidated all previous amendments and the proposed amendments in bringing its Articles of Association in line with certain recent changes to the Listing Rules, in substitution of the Company's existing Memorandum of Association and Articles of Association.

An updated version of the Company's Memorandum of Association and Articles of Association is available on both the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but also about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

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

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

We have audited the consolidated financial statements of Morning Star Resources Limited (the "Company") and its subsidiaries (together the "Group") set out from pages 28 to 78, which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 of consolidated financial statements that give a true and fair view 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 2012, and of the Group's profit 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
Seto Man Fai
Practising Certificate No.: P05229
Hong Kong

5 February 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000 (restated)
CONTINUING OPERATIONS			
REVENUE	*8*	**8,754**	33,522
Cost of sales		**(8,385)**	(25,240)
Gross profit		**369**	8,282
Other income			
Gain on disposal of subsidiaries	*9*	**111,946**	3,000
Gain on disposal of available-for-sales financial assets	*9*	**12,176**	3,326
Gain on waiver of inter-company balances	*9*	**55,722**	–
Others	*9*	**12,740**	6,542
Selling expenses		**(463)**	(576)
Administrative expenses		**(51,706)**	(17,385)
PROFIT/(LOSS) FROM OPERATIONS		**140,784**	3,189
Finance costs		**–**	–
Share of loss of a jointly-controlled entity		**–**	–
PROFIT/(LOSS) BEFORE TAX	*10*	**140,784**	3,189
Income tax expense	*13*	**(2,554)**	(28)
Profit/(loss) for the year from continuing operations		**138,230**	3,161
DISCONTINUED OPERATION			
(Loss)/profit for the year from a discontinued operation	*14*	**(52,025)**	3,746
PROFIT/(LOSS) FOR THE YEAR		**86,205**	6,907
Attributable to:			
Owners of the Company	*15*	**94,927**	6,891
Non-controlling interests		**(8,722)**	16
		86,205	6,907
EARNINGS/(LOSS) PER SHARE	*16*		
Basic			
— For profit/(loss) for the year		**4.46 cents**	0.55 cents
— For profit/(loss) from continuing operations		**7.16 cents**	0.25 cents
Diluted			
— For profit/(loss) for the year		**4.46 cents**	0.55 cents
— For profit/(loss) from continuing operations		**7.16 cents**	0.55 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Profit/(loss) for the year		**86,205**	6,907
Other comprehensive income:			
Reclassification adjustments for gain on available-for-sale financial assets		**–**	(3,059)
Changes in fair value of available-for-sale financial assets		**15,728**	–
Exchange differences on translation of foreign operations		**(7,775)**	4,354
Other comprehensive income for the year		**7,953**	1,295
Total comprehensive income/(expense) for the year		**94,158**	8,202
Attributable to:			
Owners of the Company	*15*	**102,880**	8,186
Non-controlling interests		**(8,722)**	16
		94,158	8,202

The notes on pages 28 to 78 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 HK$'000	As at 31 December 2011 HK$'000 (restated)	As at 1 January 2011 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	17	**22,344**	14,992	16,426
Property under development	18	**–**	3,806	3,806
Prepaid land lease payments	19	**2,983**	3,035	2,983
Investment in an associate	20	**–**	–	–
Available-for-sale financial assets	21	**21,379**	–	26,826
Other assets	22	**8,492**	7,979	8,123
Pledged bank balances	23	**2,362**	2,343	2,416
Deferred tax assets	24	**–**	3,391	3,402
		57,560	35,546	63,982
CURRENT ASSETS				
Properties held for sale under development	25	**66,816**	66,233	65,908
Properties held for sale	26	**27,820**	35,225	59,119
Inventories	27	**224**	101	95
Trade receivables	28	**50**	85	86
Prepayments, deposits and other receivables	29	**51,732**	16,128	27,040
Due from related companies	30	**–**	8,780	8,091
Due from associates	31	**–**	921	920
Cash and cash equivalents	32	**477,344**	391,918	115,387
		623,986	519,391	276,646
Assets attributable to disposed subsidiaries	14	**–**	86,920	53,175
TOTAL CURRENT ASSETS		**623,986**	606,311	329,821
CURRENT LIABILITIES				
Due to related companies	30	**2,279**	2,280	2,280
Due to associates	31	**182**	129	129
Tax payables		**6,595**	4,246	4,353
Trade payables, other payables and accruals	33	**43,705**	23,922	30,658
Non-interest bearing other borrowings	34	**16,710**	16,710	16,710
		69,471	47,287	54,130
Liabilities attributable to disposed subsidiaries	14	**–**	75,784	62,878
TOTAL CURRENT LIABILITIES		**69,471**	123,071	117,008
NET CURRENT ASSETS		**554,515**	483,239	212,813
NET ASSETS		**612,075**	518,786	276,795
CAPITAL AND RESERVES				
Share capital	36	**19,316**	19,316	482,910
Reserves	38	**543,286**	440,586	(264,983)
Equity attributable to owners of the Company		**562,602**	459,902	217,927
Non-controlling interests		**49,473**	58,884	58,868
TOTAL EQUITY		**612,075**	518,786	276,795

YEUNG Kwok Leung	**CHI Chi Hung, Kenneth**
Director	*Director*

The notes on pages 28 to 78 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Foreign currency translation reserve HK$'000	Capital reduction reserve HK$'000	Other reserve HK$'000	Available-for-sales financial assets valuation reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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 year	–	–	–	–	–	–	6,891	6,891	16	6,907
Other comprehensive income/(expense) for the year	–	–	4,354	–	–	(3,059)	–	1,295	–	1,295
Total comprehensive income/(expense) for the year	–	–	4,354	–	–	(3,059)	6,891	8,186	16	8,202
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 31 December 2011	19,316	223,216	17,586	191,925	(1,522)	–	9,381	459,902	58,884	518,786
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**94,927**	**94,927**	**(8,722)**	**86,205**
Other comprehensive income/(expense) for the year	**–**	**–**	**(7,775)**	**–**	**–**	**15,728**	**–**	**7,953**	**–**	**7,953**
Total comprehensive income/(expense) for the year	**–**	**–**	**(7,775)**	**–**	**–**	**15,728**	**94,927**	**102,880**	**(8,722)**	**94,158**
Disposal of subsidiaries	**–**	**(1)**	**(993)**	**–**	**811**	**–**	**–**	**(183)**	**(689)**	**(872)**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**3**	**–**	**–**	**3**	**–**	**3**
At 31 December 2012	**19,316**	**223,215**	**8,818**	**191,925**	**(708)**	**15,728**	**104,308**	**562,602**	**49,473**	**612,075**

The notes on pages 28 to 78 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax:		
From continuing operations	**140,784**	3,189
From discontinued operations	**(51,996)**	3,780
	88,788	6,969
Adjustments for:		
Interest income	**(6,414)**	(4,554)
Depreciation	**3,585**	2,271
Amortisation on prepaid land lease payments	**73**	73
Loss on disposal of property, plant and equipment	**166**	1
Gain on disposal of subsidiaries	**(111,946)**	(3,000)
Gain on disposal of available-for-sale financial assets	**(12,176)**	(3,326)
Provision on property under development	**3,806**	–
	(34,118)	(1,566)
Decrease in properties held for sale	**7,405**	26,115
(Increase)/decrease in other assets	**–**	(153)
Increase in inventories	**(111)**	(374)
(Increase)/decrease in trade receivables	**(2,911)**	1,957
(Increase) in prepayments, deposits and other receivables	**(50,418)**	(18,868)
Decrease/(increase) in due from related companies	**8,788**	(695)
Increase in client trust bank balances	**–**	184
Increase in trade payables, other payables and accruals	**42,236**	13,756
Increase in due to associate	**53**	–
Decrease in due from associate	**921**	–
Net cash generated from operations	**(28,155)**	20,356
Overseas taxes paid	**(492)**	(1,266)
Net cash from operating activities	**(28,647)**	19,090

The notes on pages 28 to 78 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Net cash from operating activities		**(28,647)**	19,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**6,414**	4,554
Proceeds from disposal of property, plant and equipment		**140**	877
Proceeds from disposal of available-for-sale financial assets		**16,424**	27,093
Net inflow from disposal of subsidiaries		**75,680**	3,831
Purchases of property, plant and equipment		**(2,518)**	(7,157)
Increase in due from associates		**–**	(1)
Decrease in pledged bank balances		**(19)**	74
Purchase of available-for-sale financial assets		**(9,899)**	–
Increase of cash from acquisition of a subsidiary		**10**	–
Net cash from investing activities		**86,232**	29,271
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	233,789
Net cash from financing activities		**–**	233,789
NET INCREASE IN CASH AND CASH EQUIVALENTS		**57,585**	282,150
Effect of foreign exchange rate changes, net		**(9,888)**	2,531
		47,697	284,681
CASH AND CASH EQUIVALENTS, AT 1 JANUARY		**429,647**	144,966
CASH AND CASH EQUIVALENTS, AT 31 DECEMBER		**477,344**	429,647
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*33*	**477,344**	429,647
Cash and bank balances attributable to a discontinued operation	*14*	**–**	37,729
Cash and bank balances attributable to continuing operations		**477,344**	391,918

The notes on pages 28 to 78 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2012

1. CORPORATE INFORMATION

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

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

— Provisions of travel and travel-related services

— Provisions of financial services and securities broking

— Properties development

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the"HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention except for certain financial assets which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

HKAS 1 Paragraph 41 states "*When the entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless reclassification is impracticable.*" HKAS 1 Paragraph 10 also states "*A complete set of financial statements comprises: (f) a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.*" The Group disposed its subsidiaries as disclosed in Note 14 and reclassified presentation for the comparative figures for the financial statements accordingly.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

3. ADOPTION OF NEW AND REVISED HKFRSs

The HKICPA has issued a number of new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2012. The Group has adopted the following new and revised HKFRSs issued up to 31 December 2012 which are pertinent to its operations and relevant to these financial statements.

Amendments to HKFRSs	Effective for annual periods beginning on or after	Application
Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2012	Retrospective application

The principal effects of adopting these new and revised HKFRSs are as follows:

Amendments to HKAS 12: Deferred Tax — Recovery of Underlying Assets (Effective for annual periods beginning on or after 1 January 2012)

The amendments to HKAS 12 provide an exception to the general principle set out in HKAS 12 Income Taxes that the measurement of deferred tax should reflect the manner in which an entity expects to recover the carrying amount of an asset. Specifically, the amendments introduce a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in HKAS 40 Investment Property will be recovered entirely through sale for the purposes of measuring deferred taxes. The amendments were issued in response to concerns that it is difficult and subjective to apply HKAS 12's general approach to measure deferred taxes for investment properties that are measured using the fair value model because it may be that the entity intends to hold the asset for an indefinite or indeterminate period of time, during which it anticipates both rental income and capital appreciation.

Under the amendments, unless the presumption is rebutted, the measurement of the deferred tax liability or deferred tax asset is required to reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. The 'sale' presumption is rebutted if the investment property is depreciable and the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Following the application of the amendments, entities holding a depreciable investment property accounted for using the fair value model in accordance with HKAS 40 in jurisdictions where income tax is not imposed on the sale of the investment property will no longer recognise deferred tax on any temporary differences arising from fair value gains or losses (unless the 'sale' presumption is rebutted). This is because there would be no income tax consequences expected to arise from recovering the carrying amount entirely through sale, regardless of whether the entity intends to use the property to generate rental income for a period of time prior to sale.

For a depreciable investment property, the application of the amendments will result in a change in accounting policy. The amendments require full retrospective application (i.e. prior year amounts are required to be restated).

The revised standard has no financial impact on the Group.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

New and revised HKFRSs		**Effective for annual periods beginning on or after**
HKFRS 9	Financial Instruments (as revised in 2010)	1 January 2015
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
HKAS 27	Separate Financial Statements (as revised in 2011)	1 January 2013
HKAS 28	Investments in Associates and Joint Ventures (as revised in 2011)	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKAS 19	Employee Benefits (as reversed in 2011)	1 January 2013
HKFRS 1 Amendment	Government Loans	1 January 2013
HKFRS 7 Amendment	Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Annual Improvements to HKFRSs 2009–2011 Cycle	Amendments to a number of HKFRSs	1 January 2013
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(b) Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

(c) Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

(d) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(e) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, properties held for sales, properties held for sale under development, inventories, financial assets and assets of a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to $33^1/_3$%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(g) Property under development

Property under development represents a building under construction which is stated at cost less any impairment losses, and is not depreciated. Costs comprises the direct costs of construction and capitalised borrowing costs, if any, on related borrowed funds during the period of construction. Property under development is reclassified to the appropriate category of non-current assets when completed and ready for use.

(h) Other assets

Other assets mainly represent the loan to third party for acquisition of land, which are stated at cost less any impairment losses.

(i) Properties held for sale and properties held for sale under development

Properties held for sale and properties held for sale under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the year end date less selling expenses, or by management estimates based on prevailing market condition.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

(j) Inventories

Inventories included foodstuffs, liquor and other consumables are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(k) Financial assets

Initial recognition and measurement

Financial assets of the Group within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include available-for-sale financial assets, trade receivables, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, amounts due from related companies and associates, client trust bank balances and cash and cash equivalents.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39 *Financial Instruments: Recognition and Measurement*. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income and gains or finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets valuation reserve until the asset is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the asset is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale financial assets valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

(l) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, or it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(m) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(n) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(o) Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at amortised costs. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and accruals, amounts due to related companies and associates and non-interest bearing other borrowings.

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

(p) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(q) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(r) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

(s) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(t) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the 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 are 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; When properties under development are sold, income is recognised when the property development is completed with the relevant occupation permit issued by the Authorities and the significant risks and rewards of the properties are passed to the purchasers. Payments received from purchasers prior to this stage are recorded as customers' deposits received;

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

(v) rental income, on a time proportion basis over the lease terms; and

(vi) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(u) 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) Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(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.

(v) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

(w) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(x) Foreign currency translation

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(y) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2012 was HK$76,282,000 (2011: HK$131,138,000). Further details are contained in note 24 to the financial statements.

Useful lives 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.

Provision for impairment of trade and other receivables

The Group estimates the provision for impairment of trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

7. 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 two reportable operating segments identified as follows:

(a) The property development segment comprises the development and sales of properties; and

(b) 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 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 of directors for the purposes of resources allocation and performance assessment.

During the year, the Group disposed subsidiaries engaging travel and travel related businesses. And after completion of the disposals, the Company will cease to engage in the travel and travel related businesses. The segment information reported on the following pages does not include any amounts for these discontinued operations, which are described in more detail in note 14.

The following is an analysis of the Group's revenue and result by reportable segments:

	Property development		Corporate and other businesses		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**8,754**	33,522	**–**	–	**8,754**	33,522
Other income	**1,139**	1,318	**1,232**	698	**2,371**	2,016
Total revenue	**9,893**	34,840	**1,232**	698	**11,125**	35,538
Reconciliation:						
Interest income					**6,391**	4,526
Recovery from a fully impaired available for sale financial assets					**3,978**	–
Gain on disposal of subsidiaries					**111,946**	3,000
Gain on disposal of available-for-sale financial asset					**12,176**	3,326
Gain on waiver of inter-company balances					**55,722**	–
Revenue from continuing operations					**201,338**	46,390
Segment result	**(23,173)**	(105)	**176,163**	5,485	**152,990**	5,380
Interest income					**6,391**	4,526
Unallocated expenses					**(18,597)**	(6,717)
Profit/(loss) from operations					**140,784**	3,189
Finance costs					**–**	–
Non-recurring expenses					**–**	–
Profit/(loss) before tax for continuing operations					**140,784**	3,189

Revenue reported above represents revenue generated from external customers.

	Property development		Corporate and other businesses		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**206,355**	250,124	**522,420**	543,621	**728,775**	793,745
Reconciliation:						
Elimination of intersegment receivables					**(68,608)**	(238,800)
Assets related to a discontinued operation					**–**	86,910
Available-for-sale financial assets					**21,379**	–
Total assets					**681,546**	641,855
Segment liabilities	**14,757**	26,725	**106,612**	242,652	**121,369**	269,377
Reconciliation:						
Elimination of intersegment payables					**(68,608)**	(238,800)
Liabilities related to a discontinued operation					**–**	75,783
Non-interest-bearing other borrowings					**16,710**	16,710
Total liabilities					**69,471**	123,070

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

(a) all assets are allocated to reportable segments other than available-for-sale financial assets.

(b) all liabilities are allocated to reportable segments other than non-interest-bearing other borrowings.

Geographical information

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

	2012	2011
	HK$'000	HK$'000
Sales to external customers		
Hong Kong	**–**	–
PRC	**8,754**	33,522
	8,754	33,522

Information about a major customer

No revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue from continuing operations for the year (2011: Nil).

8. REVENUE

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

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Sales of properties held for sale	**8,754**	33,522
	8,754	33,522

9. OTHER INCOME

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Other income		
Bank interest income	**5,298**	4,493
Other interest income	**1,093**	33
Recovery from a fully impaired available-for-sale financial asset	**3,978**	–
Others	**2,371**	2,016
Gains		
Gain on disposal of subsidiaries	**111,946**	3,000
Gain on disposal of available-for-sale financial assets	**12,176**	3,326
Gain on waiver of inter-company balances	**55,722**	–
	179,844	6,326
	192,584	12,868

During the year ended 31 December 2012, gains were mainly generated from disposal of subsidiaries, as well as inter-company balances waiver. These resulted an increase of HKD164,668 in other income, comparing to last year. Please refer to Note 14 and 39 for details.

10. PROFIT/(LOSS) BEFORE TAX

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

	2012 HK$'000	2011 HK$'000
Cost of inventories sold	**848**	729
Cost of properties sold	**7,537**	24,511
Depreciation	**943**	671
Amortisation of prepaid land lease payments	**74**	73
Minimum lease payments under operating leases in respect of land and buildings	**950**	–
Auditor's remuneration		
— Current year	**530**	415
— Under provisions	**–**	–
	530	415
Employee benefit expenses (including directors' remuneration *(note 12)*)		
Wages and salaries	**8,982**	7,273
Retirement benefits scheme contributions	**241**	238
	9,223	7,511
Gain on disposal of a subsidiary	**111,946**	(3,000)
Gain on disposal of available-for-sale financial assets	**12,176**	(3,326)
Loss on disposal of property, plant and equipment	**92**	–

11. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2012 **HK$'000**	2011 HK$'000
Fees:		
Executive Directors	**–**	–
Non-Executive Directors	**–**	–
	–	–
Other emoluments:		
Executive Directors:		
Basic salaries, housing, other allowances and benefits in kind	**4,666**	2,657
Retirement benefits scheme contributions	**13**	12
Non-Executive Directors:		
Basic salaries, housing, other allowances and benefits in kind	**295**	300
	4,974	2,969
	4,974	2,969

The emoluments paid or payable to directors are as follows:

2012

Name of Director	Directors' fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors				
SUNG Wai Man, Peter	–	**3,273**	**13**	**3,286**
CHI Chi Hung, Kenneth	–	**500**	–	**500**
YEUNG Kwok Leung	–	**120**	–	**120**
HO Tak Pong, Matthew	–	**747**	–	**747**
LEE Kuang Yeu	–	**26**	–	**26**
Non-executive Director				
TSO Shiu Kei, Vincent	–	**115**	–	**115**
Independent Non-executive Directors				
SO Wai Lam	–	**60**	–	**60**
SUNG Yat Chun	–	**60**	–	**60**
CHAN Hoi Ling	–	**60**	–	**60**
	–	**4,961**	**13**	**4,974**

2011

Name of Director	Directors' fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors				
SUNG Wai Man, Peter	–	2,417	12	2,429
CHI Chi Hung, Kenneth	–	120	–	120
YEUNG Kwok Leung	–	120	–	120
Non-executive Director				
TSO Shiu Kei, Vincent	–	120	–	120
Independent Non-executive Directors				
SO Wai Lam	–	60	–	60
SUNG Yat Chun	–	60	–	60
CHAN Hoi Ling	–	60	–	60
	–	2,957	12	2,969

There was no arrangement under which a Director waived or agreed to waive any remuneration for the years ended 31 December 2012 and 2011.

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.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 2 (2011: one) directors, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining 3 (2011: four) non-director, highest paid employees for the year are as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	**1,829**	2,063
Performance related bonuses	**–**	–
Retirement benefits scheme contributions	**61**	92
	1,890	2,155

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2012	 2011
Nil to HK$1,000,000	**3**	4

13. INCOME TAX EXPENSE

(a) 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 year. PRC subsidiaries 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.

	2012 HK$'000	2011 HK$'000
Continuing operations		
Current — Hong Kong	**521**	–
Current — PRC		
Charge for the year	**2,033**	–
Underprovision in prior years	**–**	–
	2,554	–
Current — Other countries		
Charge for the year	**–**	17
Underprovision in prior years	**–**	–
	–	17
Deferred	**–**	45
Total tax charge for the year	**2,554**	62

In 2012, provision for Hong Kong profits tax of HK$521,000 and the PRC income tax of HK$2,033,000 have been made as the Group had sufficient assessable profits from continuing operations in Hong Kong and the PRC, respectively to set off tax losses available (2011: Nil).

(b) A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	2012 HK$'000	2011 HK$'000
Profit/(loss) before tax from continuing operations	**140,784**	3,189
Tax at statutory tax rates applicable to profit/(loss) in the respective countries (or jurisdictions)	**18,154**	655
Income not subject to tax	**(95,672)**	(1,858)
Expenses not deductible for tax	**80,702**	1,007
Tax losses utilised from previous periods	**(1,163)**	(491)
Tax losses not recognised	**552**	689
Unrecognised temporary differences	**(19)**	26
Tax charge at the Group's effective rate	**2,554**	28

14. DISCONTINUED OPERATIONS

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 "Disposal Group"). Upon completion of the Disposal, the Disposal Group together with Beijing Morning Star Travel Service Limited, an indirectly held subsidiary of the Company, ceased to be the subsidiaries of the Company. The Disposal was completed on 6 November 2012.

The results of the Disposal Group at the disposal date were presented below:

	2012 HK$'000	2011 HK$'000
Revenue	**518,824**	566,461
Cost of Sales	**(456,529)**	(503,743)
Gross profit	**62,295**	62,718
Other income	**6,456**	7,657
Selling expenses	**(7,052)**	(8,972)
Administrative expenses	**(113,695)**	(57,623)
Profit/(Loss) from operations	**(51,996)**	3,780
Income tax expense	**(29)**	(34)
Profit/(Loss) from disposed subsidiaries	**(52,025)**	3,746

The net assets of the Disposal Group as at disposal date were as follows:

	2012 HK$'000	2011 HK$'000
Property, plant and equipment	**5,743**	6,086
Other assets	**2,157**	909
Trade receivables	**8,757**	5,811
Prepayments, deposits and other receivables	**48,535**	29,733
Deferred tax	**6,624**	6,652
Cash and cash equivalents	**42,062**	37,729
Trade payables, other payables and accruals	**(112,029)**	(75,784)
Net assets of the Disposal Group at the date of disposal	**1,849**	11,136

Net cash flow incurred by the disposed subsidiaries:

	2012 HK$'000	2011 HK$'000
Net cash generated from operating activities	**6,629**	25,168
Net cash (used in)/generated from investing activities	**(2,296)**	(6,843)
Net cash inflow	**4,333**	18,325
(Loss)/Profit per share (Note 16)		
From the discontinued operations		
Basic	**(2.69 cents)**	(0.30 cents)
Diluted	**(2.69 cents)**	(0.30 cents)

15. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 December 2012 includes a profit of HK$94,927,000 (2011: HK$6,891,000) which has been dealt with in the financial statements of the Company (note 38).

16. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,931,638,040 (2011: 1,241,672,808) in issue during the year.

No diluted earnings/(loss) per share are presented as the Company had no potentially dilutive ordinary shares in issue during 2012 and 2011.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2011	28,446	21,385	1,107	50,938
Additions	–	7,157	–	7,157
Disposals	(970)	(78)	–	(1,048)
Reclassification as assets attributable to disposed subsidiaries	–	(15,733)	(339)	(16,072)
Exchange realignment	22	33	35	90
At 31 December 2011	27,498	12,764	803	41,065
Additions	–	30	–	30
Disposals	–	(6,444)	(300)	(6,744)
Acquisition of a subsidiary	–	9,246	–	9,246
Exchange realignment	5	4	4	13
At 31 December 2012	**27,503**	**15,600**	**507**	**43,610**
Accumulated depreciation and impairment:				
At 1 January 2011	12,394	20,906	600	33,900
Charge for the year for continuing operations	555	45	71	671
Charge for the year for disposed subsidiaries	–	1,567	33	1,600
Disposals	(93)	(77)	–	(170)
Reclassification as assets attributable to disposed subsidiaries	–	(9,820)	(166)	(9,986)
Exchange realignment	3	30	25	58
At 31 December 2011	12,859	12,651	563	26,073
Charge for the year	557	331	55	943
Disposals	–	(6,397)	(115)	(6,512)
Acquisition of a subsidiary	–	752	–	752
Exchange realignment	1	5	4	10
At 31 December 2012	**13,417**	**7,342**	**507**	**21,266**
Net carrying amount:				
At 31 December 2012	**14,086**	**8,258**	**–**	**22,344**
At 31 December 2011	14,639	113	240	14,992

The buildings of the Group included in property, plant and equipment are all situated in the PRC.

18. PROPERTY UNDER DEVELOPMENT

	2012 HK$'000	2011 HK$'000
Cost		
At 1 January and 31 December	**32,910**	32,910
Accumulated impairment		
At 1 January	**(29,104)**	(29,104)
Charge for the year	**(3,806)**	–
At 31 December	**(32,910)**	(29,104)
Net carrying amount		
At 31 December	**–**	3,806

The Group's land included in property under development is in Philippines and is held under a long-term lease.

19. PREPAID LAND LEASE PAYMENTS

	2012 HK$'000	2011 HK$'000
Cost:		
At 1 January	**4,132**	3,964
Exchange realignment	**31**	168
At 31 December	**4,163**	4,132
Accumulated amortisation:		
At 1 January	**1,097**	981
Charge for the year	**74**	73
Exchange realignment	**9**	43
At 31 December	**1,180**	1,097
Net carrying amount		
At 31 December	**2,983**	3,035

The Group's prepaid land lease payments represent the payments for land use rights in the PRC under medium term leases.

20. INVESTMENT IN AN ASSOCIATE

	2012 HK$'000	2011 HK$'000
Unlisted investments		
Share of net assets	–	–

Particulars of the associate of the Group are as follows:

Name of company	Place of incorporation and operations	Particulars of issued shares held	Percentage of ownership interest attributable to the Group 2012	2011	Principal activity
Way Bright Investment Limited	Hong Kong	Ordinary shares of HK$1 each	50	50	Provision of real estate agency services

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

	2012 HK$'000	2011 HK$'000
Total assets	–	609
Total liabilities	27	(1,868)
Gain on waiver of inter-company balances	1,237	–
Profit/(Loss) for the year	1,232	(8)

The Group has discontinued the recognition of its share of losses of the associate because the share of losses of the associate exceeded the Group's interest in the associate. The Group's unrecognised share of profit of the associate for the current year was approximately of HK$616,000 which arose from the waiver of amount due to group companies (2011: loss of HK$4,000), and unrecognised accumulated losses were approximately of HK$19,000 (2011: HK$635,000) respectively.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK$'000	2011 HK$'000
Listed equity securities, at fair value		
Hong Kong	21,379	–
Unlisted equity investments, at cost	–	39,100
Less: impairment	–	(39,100)
	–	–
	21,379	–

During the year, the changes in fair value of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK$15,728,000 (2011: HK$Nil).

22. OTHER ASSETS

Other assets of continuing operations of the Group comprise:

	2012 HK$'000	2011 HK$'000
Loans to Land Traders Properties and Development Company, Inc. ("Land Traders") *(Note)*	**8,492**	7,979
	8,492	7,979

Note: The loans were made to Land Traders for the acquisition of the land on which the Enrico Hotel owned by Mansara Holding Company, Inc., a 61%-owned subsidiary of the Group, is built. The loans are interest free, secured by promissory notes issued by Land Traders and have no fixed terms of repayment.

23. PLEDGED BANK BALANCES

The pledged bank balances are pledged to certain banks of the Group to secure mortgage loans facilities granted to purchasers for the acquisition of the Group's properties held for sale.

24. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:

	Losses available for offsetting against future taxable profits HK$'000	**Total** HK$'000
At 1 January 2011	3,402	3,402
Charged to the income statement	(11)	(11)
Exchange realignment	–	–
At 31 December 2011	3,391	3,391
Charged to the income statement	3,391	3,391
Exchange realignment	–	–
At 31 December 2012	**–**	**–**

The deferred tax asset represents accumulated tax losses. As at 31 December 2012, such accumulated tax losses have been expired and therefore cannot be utilized and then impaired.

As at 31 December 2012, the Group has tax losses arising in Hong Kong of HK$66,240,000 (2011: HK$137,996,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of HK$10,042,000 (2011: HK$31,200,000) that will expire in one to five years for offsetting against future taxable profits.

A deferred tax asset has been recognised in respect of HK$Nil (2011: HK$38,058,000) of such losses. No deferred tax asset has been recognised in respect of the remaining of HK$76,282,000 (2011: HK$131,138,000) due to the unpredictability of future profit streams.

As at 31 December 2012, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised HK$Nil (2011: HK$348,000). 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 difference and it is probable that such differences will not reverse in the foreseeable future.

25. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	2012 **HK$'000**	2011 HK$'000
Located in the PRC		
Properties held for sale under development, at cost	**66,816**	66,233

At the end of the reporting period, properties held for sale under development were not scheduled for completion within twelve months.

26. PROPERTIES HELD FOR SALE

	2012 **HK$'000**	2011 HK$'000
Located in the PRC		
Properties held for sale, at cost	**27,820**	35,225

27. INVENTORIES

	2012 **HK$'000**	2011 HK$'000
Goods held for resale, at cost	**224**	101

28. TRADE RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables, gross	**50**	85
Provision for impairment	**–**	–
	50	85

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

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:

	2012 HK$'000	2011 HK$'000
Within 1 month	**50**	40
1–3 months	**–**	–
4–12 months	**–**	–
Over 1 year	**–**	45
	50	85

Trade receivables that were past due but not impaired relate to a number of independent customers with good track records with the Group. Based on past experience, if the directors of the Group are of the opinion that there has not been a significant change in credit quality of the customers, no provision for impairment is necessary. The balances owed by the customers concerned are still considered fully recoverable.

The Group does not hold any collateral or other credit enhancements over these balances.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Deposits	**4,046**	70
Prepayments and other receivables *(Note)*	**47,686**	16,058
	51,732	16,128

Note: As at 31 December 2012, other receivables included an amount of HK$27.6 million being an outstanding of gross proceed of the Disposal (Note 39) which had been held by escrow agent for six months under the terms of SPA since the date of completion.

30. BALANCES WITH RELATED COMPANIES

Particulars of the amounts due from related companies, disclosed pursuant to Section 161B of the Companies Ordinance, are as follows:

Name of company	At 31 December 2012 HK$'000	Maximum amount outstanding during the year HK$'000	At 1 January 2012 HK$'000
Zhongshan Morning Star Plaza Properties Management Limited	–	1,589	1,589
Morning Star Villa Management Limited ("MVM")	–	7,191	7,191
	–	8,780	8,780

The balances with related companies are unsecured and have no fixed terms of repayment. Except for the balance due from MVM which is interest bearing at 2% above the Hong Kong dollar prime rate of The Hong Kong and Shanghai Banking Corporation Limited per annum, the balances with related companies are interest-free.

The Group and the above related companies have common directors.

31. BALANCES WITH ASSOCIATES

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

32. CASH AND CASH EQUIVALENTS

	2012 HK$'000	2011 HK$'000
Time deposits	**40,417**	328,789
Cash and bank balances	**436,927**	63,129
	477,344	391,918

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$45,959,000 (2011: HK$57,873,000). The RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is subject to approval for the conversion of RMB into other currencies.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged bank balances are deposited with creditworthy banks with no recent history of default.

33. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2012 HK$'000	2011 HK$'000
Trade payables	**–**	198
Received in advance for sales of properties held for sale	**367**	6,263
Other payables and accruals	**43,338**	17,461
	43,705	23,922

During the year ended 31 December 2012, World Gain Investments Limited was acquired and increase the amount of other payables and accruals by HKD12,071,000.

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012 HK$'000	2011 HK$'000
Within 1 month	**–**	49
1–3 months	**–**	–
4–12 months	**–**	64
Over 1 year	**–**	85
	–	198

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

34. NON-INTEREST-BEARING OTHER BORROWINGS

	2012 HK$'000	2011 HK$'000
Advancement from the non-controlling interests of subsidiaries	**16,710**	16,710

The other borrowings are unsecured, interest-free and have no fixed terms of repayment.

35. ACQUISITION OF A SUBSIDIARY

On 30 November 2012, the Group acquired 100% of the equity interest of World Gain Investments Limited ("World Gain") at a cash consideration of HK$250,000. World Gain is an investment holding company for the Group. During the year World Gain did not contribute any revenue to the Group.

The net assets acquired in the transaction and the goodwill arising were as follow:

	Carrying amount of the net assets and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	8,014
Other receivables	3,988
Cash on hand	10
Other payables	(11,759)
Goodwill	(3)
	250

Satisfied by:	HK$'000
Cash consideration	250

Goodwill arose from the acquisition for HK$3,000 was a gain on bargain purchase, the benefit of which was not recognised separately because they did not meet the recognition criteria for identifiable intangible assets.

36. SHARE CAPITAL

	2012 HK$'000	2011 HK$'000
Authorised:		
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
Issued and fully paid:		
1,931,638,040 (2011: 1,931,638,040) ordinary shares of HK$0.01 (2011: HK$0.01) each	**19,316**	19,316

37. FINANCIAL POSITION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
Investments in subsidiaries	**44,801**	44,801
Due from subsidiaries	**254,234**	131,421
(Due to)/due from an associate	**(182)**	106
Cash and cash equivalents	**424,637**	331,176
Other assets	**35,590**	1,357
Due to subsidiaries	**(342,606)**	(68,102)
Other current liabilities	**(6,877)**	(923)
NET ASSETS	**409,597**	439,836
Share capital	**19,316**	19,316
Reserves	**390,281**	420,520
TOTAL EQUITY	**409,597**	439,836

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of the consolidated financial statements.

(b) Company

	Share premium account HK$'000	Capital reduction reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1 January 2011	6,328	–	(288,501)	(282,173)
Capital reduction	–	191,925	288,570	480,495
Open offer	221,717	–	–	221,717
Bonus share issued	(4,829)	–	–	(4,829)
Profit for the year	–	–	5,310	5,310
At 31 December 2011	223,216	191,925	5,379	420,520
(Loss) for the year	**–**	**–**	**(30,239)**	**(30,239)**
At 31 December 2012	**223,216**	**191,925**	**(24,860)**	**390,281**

39. DISPOSAL OF A SUBSIDIARY

On 6 November 2012, the Group disposed of its entire equity interests in the Disposal Group. The net assets of the Disposal Group at the date of disposal were as follows:

	2012 **HK$'000**
Gain on disposal, represented by:	
Gross proceed from the Disposal	**145,342**
Less: Loss on waiver of amount due from the Disposal Group	**(24,914)**
Transaction costs of the Disposal	**(6,633)**
Net assets of the Disposal Group at the date of disposal *(Note 14)*	**(1,849)**
	111,946
Satisfied by:	
Cash	**145,342**

40. CONTINGENT LIABILITIES

As at 31 December 2012, the Group had contingent liabilities amounting to HK$3,044,000 (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.

41. 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 the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**10,517**	–
In the second to fifth years, inclusive	**14,368**	–
	24,885	–

42. CAPITAL COMMITMENTS

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

	2012 **HK$'000**	2011 HK$'000 (restated)
Contracted, but not provided for:		
Leasehold improvement	**–**	–
Furniture, fixtures and equipment	**–**	–
	–	–

Saved as disclosed above, neither the Group nor the Company had any significant commitments at the end of the reporting period.

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with a related party during the year:

	Notes	**2012** **HK$'000**	2011 HK$'000
Interest income from MVM	*(i)*	**30**	33
Property management fees to MVM	*(ii)*	**46**	107

Notes:

(i) Details of terms of the transaction are set out in Note 30.

(ii) Property management fees paid to MVM represent the property management fees of the vacant units of Morning Star Villa ("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.

(b) Details of the Group's balances with related companies, associates and advancement from the non-controlling interests of subsidiaries at the end of the reporting period are set out in Note 30 to the consolidated financial statements respectively.

(c) Details of remuneration of key management personnel, representing emolument of directors of the Company, are set out in Note 11 and 12 to the consolidated financial statements.

44. 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 year ended 31 December 2012.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the continuing operation of the Group as at the end of the reporting period are as follows:

Financial assets

2012

	Financial assets at fair value though profit or loss (held for trading) HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	–	–	21,379	21,379
Trade receivables	–	50	–	50
Prepayments, deposits and other receivables	–	51,732	–	51,732
Financial assets at fair value through profit or loss	–	–	–	–
Due from related companies	–	–	–	–
Due from associates	–	–	–	–
Cash and cash equivalents	–	477,344	–	477,344
Other assets	–	8,492	–	8,492
Pledged bank balances	–	2,362	–	2,362
	–	539,980	21,379	561,359

2011

	Financial assets at fair value though profit or loss (held for trading) HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	–	–	–	–
Trade receivables	–	85	–	85
Prepayments, deposits and other receivables	–	16,136	–	16,136
Financial assets at fair value through profit or loss	–	–	–	–
Due from related companies	–	8,780	–	8,780
Due from associates	–	921	–	921
Cash and cash equivalents	–	391,918	–	391,918
Other assets	–	7,979	–	7,979
Pledged bank balances	–	2,343	–	2,343
	–	428,162	–	428,162

Financial liabilities

Financial liabilities at amortised costs	2012 HK$'000	2011 HK$'000
Trade payables, other payables and accruals	**43,705**	23,922
Due to related companies	**2,279**	2,280
Due to associates	**182**	129
Non-interest bearing other borrowings	**16,710**	16,710
	62,876	43,041

46. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at the end of the reporting period, all the assets measured at fair value including available-for-sale financial assets and financial assets at fair value through profit or loss are based on Level 1 to determine their fair values.

47. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2012 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 2012	2011	Class of shares held	Principal activities
Bright Profit Investments Limited	British Virgin Islands/ The People's Republic of China	US$50,000	**55**	55	Ordinary	Property development
Consing Investment Limited	Hong Kong	HK$2	**100**	100	Ordinary	Investment holding
Ever Point Enterprises Limited	British Virgin Islands	US$1	**100**	0	Ordinary	Investment holding
Jubilation Properties Limited	British Virgin Islands/ The People's Republic of China	US$50,000	**55**	55	Ordinary	Property development
Mansara Holding Company, Inc.	Philippines	Peso30,000,000	**61**	61	Ordinary	Hotel investment
Mansara International Limited	British Virgin Islands/ Philippines	US$100	**61**	61	Ordinary	Investment holding
Morning Star Finance Limited	Cayman Islands	HK$200	**100**	*100	Ordinary	Investment holding

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company 2012	2011	Class of shares held	Principal activities
Morning Star Financial Services Limited	Hong Kong	HK$42,924,000	**100**	*100	Ordinary	Investment holding
Morning Star Foreign Exchange Limited	Hong Kong	HK$300,000	**100**	100	Ordinary	Money lending
Morning Star Hotel International Limited	Cayman Islands	HK$200	**100**	*100	Ordinary	Investment holding
Morning Star Hotel Investments Limited	Cayman Islands	HK$200	**100**	*100	Ordinary	Investment holding
Morning Star Investment Management Limited	Hong Kong	HK$5,000,000	**100**	100	Ordinary	Provision of investment advisory services
Morning Star Properties Limited	British Virgin Islands	US$2	**100**	*100	Ordinary	Investment holding
Morning Star Travel International Limited	Cayman Islands	HK$200	**100**	*100	Ordinary	Investment holding
Morning Star Travel Service Ltd.	British Columbia, Canada	C$81,000	**100**	100	Ordinary	Provision of travel services
Speed Gainer Limited	Hong Kong	HK$1	**100**	100	Ordinary	Investment holding
Swift Progress Investments Limited	British Virgin Islands	US$1	**100**	100	Ordinary	Investment holding
Vista International Hotels Limited	Hong Kong	HK$10 HK$300,000	**100** **100**	100 100	Ordinary Non-voting deferred	Investment holding
World Gain Investments Limited	Hong Kong	HK$1	**100**	0	Ordinary	Investment holding
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	The People's Republic of China	US$2,100,000	**55**	55	Registered capital	Property development
Zhongshan Morning Star Villa Club Co., Ltd.	The People's Republic of China	US$1,400,000	**55**	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**	55	Registered capital	Property development

* *Direct*

The above table lists the subsidiaries of the Company as at 31 December 2012 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.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank balances and cash, equity investments, borrowings, amounts due from/to related companies and associates. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

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 2012, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's profit before tax and equity by approximately HK$4,797,000 (2011: HK$4,319,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period 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 2011.

Foreign 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 ("USD"), 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 USD and a 5% fluctuation in other foreign currency exchange rates. As at 31 December 2012, the sensitivity analysis of a 1% and 5% decrease in HKD against USD and other foreign currencies would have a decrease of HK$151,000 and an increase of HK$3,066,000 in equity (2011: a decrease of HK$161,000 and an increase of HK$3,091,000) respectively.

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 different risk profiles.

Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2011 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.

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. The maturity profile of the Group's financial liabilities as at the end of the reporting period is within one year (2011: within one year).

Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

49. COMPARATIVE FIGURES

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

50. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2013.

Schedule of Major Properties

For the year ended 31 December 2012

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	1,260	55
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	5,951	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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
REVENUE	**8,754**	33,522	23,379	41,790	68,099
PROFIT/(LOSS) BEFORE TAX	**140,784**	3,189	(32,203)	3,112	(52,435)
INCOME TAX EXPENSE	**(2,554)**	(28)	(34)	(4,098)	(3,830)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**138,230**	3,161	(32,237)	(986)	(56,265)
DISCONTINUED OPERATIONS					
(Loss)/profit for the year from disposed subsidiaries	**(52,025)**	3,746	9,131	2,289	25,325
PROFIT/(LOSS) FOR THE YEAR	**86,205**	6,907	(23,106)	1,303	(30,940)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**94,927**	6,891	(11,157)	2,596	(31,034)
NON-CONTROLLING INTERESTS	**(8,722)**	16	(11,949)	(1,293)	94
	86,205	6,907	(23,106)	1,303	(30,940)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
NON-CURRENT ASSETS	**57,560**	35,546	63,982	64,430	47,888
CURRENT ASSETS	**623,986**	519,391	276,646	290,317	324,674
ASSETS ATTRIBUTABLE TO DISPOSED SUBSIDIARIES	**–**	86,920	53,175	54,092	25,540
CURRENT LIABILITIES	**(69,471)**	(47,287)	(54,130)	(53,320)	(58,252)
LIABILITIES ATTRIBUTABLE TO DISPOSED SUBSIDIARIES	**–**	(75,784)	(62,878)	(231,596)	(48,173)
NET ASSETS	**612,075**	518,786	276,795	296,026	291,677
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**562,602**	459,902	217,927	227,684	221,500
NON-CONTROLLING INTERESTS	**49,473**	58,884	58,868	68,342	70,177
TOTAL EQUITY	**612,075**	518,786	276,795	296,026	291,677