



星晨集團有限公司

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)



INTERIM REPORT 2010

UNAUDITED INTERIM RESULTS

The Board of Directors of Morning Star Resources Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the six months ended 30 June	
		2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>
TURNOVER	3	258,931	206,646
Cost of sales		<u>(225,700)</u>	<u>(177,842)</u>
Gross profit		33,231	28,804
Other income	4	5,490	6,696
Selling and promotional expenses		(2,720)	(2,169)
Administrative expenses		<u>(32,226)</u>	<u>(32,153)</u>
PROFIT FROM OPERATING ACTIVITIES	5	3,775	1,178
Finance costs	6	—	(4)
Share of loss of a jointly- controlled entity		<u>—</u>	<u>(14)</u>
PROFIT BEFORE TAX		3,775	1,160
Income tax expense	7	<u>—</u>	<u>(2,628)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>3,775</u>	<u>(1,468)</u>
Attributable to:			
Equity holders of the Company		4,923	(390)
Minority interests		<u>(1,148)</u>	<u>(1,078)</u>
		<u>3,775</u>	<u>(1,468)</u>
EARNINGS/(LOSS) PER SHARE			
— Basic	8	<u>0.2 cent</u>	<u>(0.02 cent)</u>

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net Profit/(Loss)	<u>3,775</u>	<u>(1,468)</u>
Other comprehensive (expense)/ income for the period (after taxation and reclassification adjustments):		
Exchange differences on translation of financial statements of overseas subsidiaries	507	(3,219)
Deregistration of subsidiaries: net movement in goodwill reserve	(3,060)	—
Acquisition of a subsidiary: net movement in goodwill reserve	—	(334)
Available-for-sale financial assets: net movement in financial assets reserve	<u>(5,480)</u>	<u>12,403</u>
Other comprehensive (expense)/income	<u>(8,033)</u>	<u>8,850</u>
Total comprehensive (expense)/income	<u>(4,258)</u>	<u>7,382</u>
Total comprehensive (expense)/ income attributable to:		
Owners of the parent	(3,110)	8,460
Minority interests	<u>(1,148)</u>	<u>(1,078)</u>
	<u>(4,258)</u>	<u>7,382</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2010 (Unaudited) <i>HK\$'000</i>	31 December 2009 (Audited) <i>HK\$'000</i>
	<i>Note</i>	
NON-CURRENT ASSETS		
Property, plant and equipment	17,350	18,084
Prepaid land lease payments	2,932	2,931
Property under development	3,806	3,806
Investment in an associate	—	—
Available-for-sale financial assets	21,534	27,012
Other assets	8,356	8,255
Pledged bank balances	2,636	3,397
Deferred tax assets	12,024	12,023
	<u>68,638</u>	<u>75,508</u>
CURRENT ASSETS		
Due from related companies	7,912	7,888
Due from an associate	915	915
Properties held for sale	66,216	73,012
Properties held for sale under development	65,689	65,599
Financial assets at fair value through profit or loss	—	—
Inventories	340	329
Trade receivables	10 19,911	22,387
Other receivables	21,264	22,300
Client trust bank balances	8,643	6,291
Cash and cash equivalents	148,589	134,610
	<u>339,479</u>	<u>333,331</u>
CURRENT LIABILITIES		
Due to related companies	1,934	1,921
Due to an associate	129	129
Tax payables	4,362	5,148
Advanced proceeds from sales of properties	2,662	2,751
Trade payables, other payables and accruals	11 88,076	86,154
Non-interest-bearing other borrowings	16,710	16,710
	<u>113,873</u>	<u>112,813</u>
NET CURRENT ASSETS	<u>225,606</u>	<u>220,518</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>294,244</u>	<u>296,026</u>
CAPITAL AND RESERVES		
Share capital	482,910	482,910
Reserves	(258,336)	(255,226)
Equity attributable to equity holders of the Company	224,574	227,684
Minority interests	69,670	68,342
TOTAL EQUITY	<u>294,244</u>	<u>296,026</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	12,785	(4,343)
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES	<u>799</u>	<u>(7,394)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,584	(11,737)
Cash and cash equivalents at the beginning of period	134,610	128,847
Effect of foreign exchange rate changes, net	<u>395</u>	<u>(3,671)</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>148,589</u>	<u>113,439</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	148,589	113,439
Bank overdrafts	<u>—</u>	<u>—</u>
	<u>148,589</u>	<u>113,439</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Goodwill reserve (Unaudited) HK\$'000	Financial assets reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2010	482,910	6,328	8,573	1,538	3,258	(274,923)	227,684	68,342	296,026
Translation differences	—	—	507	—	—	—	507	—	507
Loss arising from changes in fair value of available-for-sale financial assets	—	—	—	—	(5,480)	—	(5,480)	—	(5,480)
Deregistration of subsidiaries	—	—	—	(3,060)	—	—	(3,060)	—	(3,060)
Net income/(expense) recognised directly in equity	—	—	507	(3,060)	(5,480)	—	(8,033)	—	(8,033)
Profit for the period	—	—	—	—	—	4,923	4,923	(1,148)	3,775
Total comprehensive income/(expense) for the period	—	—	507	(3,060)	(5,480)	4,923	(3,110)	(1,148)	(4,258)
Deregistration of subsidiaries	—	—	—	—	—	—	—	2,476	2,476
At 30 June 2010	482,910	6,328	9,080	(1,522)	(2,222)	(270,000)	224,574	69,670	294,244
At 1 January 2009	482,910	6,328	11,432	1,658	(3,309)	(277,519)	221,500	70,177	291,677
Translation differences	—	—	(3,219)	—	—	—	(3,219)	—	(3,219)
Gain arising from changes in fair value of available-for-sale financial assets	—	—	—	—	12,403	—	12,403	—	12,403
Goodwill arising on acquisition of a subsidiary	—	—	—	(334)	—	—	(334)	—	(334)
Net income/(expense) recognised directly in equity	—	—	(3,219)	(334)	12,403	—	8,850	—	8,850
Loss for the period	—	—	—	—	—	(390)	(390)	(1,078)	(1,468)
Total recognised income and expense for the period	—	—	(3,219)	(334)	12,403	(390)	8,460	(1,078)	7,382
Acquisition of a subsidiary	—	—	—	—	—	—	—	1,222	1,222
At 30 June 2009	482,910	6,328	8,213	1,324	9,094	(277,909)	229,960	70,321	300,281

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies adopted in preparing these interim results are consistent with those used in the Group's annual audited consolidated financial statements for the year ended 31 December 2009. The interim results are unaudited but have been reviewed by the Group's audit committee.

The Group has applied the following amendments of Hong Kong Financial Reporting Standards ("HKFRS"), HKAS and interpretations (hereinafter collectively referred to as "New HKFRSs") issued by the HKICPA, which are effective.

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

The Group has not early applied the following new or revised Standards, Amendments and Interpretations that have been issued but are not yet effective for annual periods beginning on 1 January 2010.

HKFRS 9	Financial Instruments ³
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement ¹
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments ²

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

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2013

2. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions applied in the preparation of the condensed consolidated interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2009.

3. SEGMENT INFORMATION

An analysis of the Group's segment revenue and segment results by business segments and geographical segments are summarised as follows:

(i) Business segments

(a) Revenue

	For the six months ended 30 June 2010			
	Sales to external customers (Unaudited) HK\$'000	Intersegment sales (Unaudited) HK\$'000	Other revenue (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Travel and travel-related services	247,146	—	4,709	251,855
Property development	11,036	—	397	11,433
Financial services	749	—	70	819
Corporate and other businesses	—	—	137	137
	258,931	—	5,313	264,244
Eliminations	—	—	—	—
Consolidated	258,931	—	5,313	264,244

For the six months ended 30 June 2009

	<i>Sales to external customers (Unaudited) HK\$'000</i>	<i>Intersegment sales (Unaudited) HK\$'000</i>	<i>Other revenue (Unaudited) HK\$'000</i>	<i>Total (Unaudited) HK\$'000</i>
<i>Travel and travel- related services</i>	190,444	—	2,247	192,691
<i>Property development</i>	15,474	—	3,012	18,486
<i>Financial services</i>	728	700	369	1,797
<i>Corporate and other businesses</i>	—	—	509	509
	<u>206,646</u>	<u>700</u>	<u>6,137</u>	<u>213,483</u>
<i>Eliminations</i>	—	(700)	—	(700)
<i>Consolidated</i>	<u>206,646</u>	<u>—</u>	<u>6,137</u>	<u>212,783</u>

(b) *Results*

*For the six months
ended 30 June*

	<i>2010 Total (Unaudited) HK\$'000</i>	<i>2009 Total (Unaudited) HK\$'000</i>
<i>Travel and travel-related services</i>	8,954	504
<i>Property development</i>	(2,355)	2,652
<i>Financial services</i>	(276)	(49)
<i>Corporate and other businesses</i>	<u>(34)</u>	<u>(225)</u>
	6,289	2,882
<i>Interest income and dividend income</i>	177	559
<i>Unallocated expenses</i>	<u>(2,691)</u>	<u>(2,263)</u>
<i>Profit from operating activities</i>	<u>3,775</u>	<u>1,178</u>

(ii) Geographical segments

(a) Revenue

	<i>For the six months ended 30 June 2010</i>			
	<i>Sales to external customers</i>	<i>Intersegment sales</i>	<i>Other revenue</i>	<i>Total</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>The People's Republic of China ("PRC")</i>				
<i>Hong Kong</i>	201,849	—	4,869	206,718
<i>Elsewhere</i>	57,082	—	491	57,573
<i>Other countries</i>	—	—	(47)	(47)
	<u>258,931</u>	<u>—</u>	<u>5,313</u>	<u>264,244</u>
<i>Eliminations</i>	—	—	—	—
<i>Consolidated</i>	<u>258,931</u>	<u>—</u>	<u>5,313</u>	<u>264,244</u>
	<i>For the six months ended 30 June 2009</i>			
	<i>Sales to external customers</i>	<i>Intersegment sales</i>	<i>Other revenue</i>	<i>Total</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>PRC</i>				
<i>Hong Kong</i>	155,253	—	3,215	158,468
<i>Elsewhere</i>	51,393	—	3,094	54,487
<i>Other countries</i>	—	—	(172)	(172)
	<u>206,646</u>	<u>—</u>	<u>6,137</u>	<u>212,783</u>
<i>Eliminations</i>	—	—	—	—
<i>Consolidated</i>	<u>206,646</u>	<u>—</u>	<u>6,137</u>	<u>212,783</u>

(b) Results

	<i>For the six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>PRC</i>		
<i>Hong Kong</i>	<i>9,475</i>	<i>610</i>
<i>Elsewhere</i>	<i>(2,968)</i>	<i>2,536</i>
<i>Other countries</i>	<i>(218)</i>	<i>(264)</i>
	<hr/>	<hr/>
<i>Consolidated</i>	<i>6,289</i>	<i>2,882</i>
	<hr/>	<hr/>

4. OTHER INCOME

	<i>For the six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Visa income</i>	<i>169</i>	<i>147</i>
<i>Commission income</i>	<i>2,279</i>	<i>1,943</i>
<i>Gain on deregistration of subsidiaries (note)</i>	<i>1,870</i>	<i>—</i>
<i>Gain arising from changes in fair value of financial assets at fair value through profit or loss</i>	<i>—</i>	<i>59</i>
<i>Gain on disposals of financial assets at fair value through profit or loss</i>	<i>—</i>	<i>69</i>
<i>Foreign exchange gains, net</i>	<i>226</i>	<i>3,210</i>
<i>Others</i>	<i>769</i>	<i>709</i>
	<hr/>	<hr/>
	<i>5,313</i>	<i>6,137</i>
<i>Interest income</i>	<i>177</i>	<i>559</i>
	<hr/>	<hr/>
	<i>5,490</i>	<i>6,696</i>
	<hr/>	<hr/>

Note: Three subsidiaries of the Group, Morning Star Holdings (Thailand) Limited, Morning Star Travel Service (Thailand) Limited and Star Building (Holdings) Limited had been deregistered in February 2010.

5. *PROFIT FROM OPERATING ACTIVITIES*

Profit from operating activities is arrived at after charging:

	<i>For the six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Depreciation:</i>		
<i>Owned property, plant and equipment</i>	808	865
<i>Amortisation:</i>		
<i>Prepaid lease payment on land use right</i>	35	34

6. *FINANCE COSTS*

	<i>For the six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Interest on bank overdrafts</i>	—	4

7. *INCOME TAX EXPENSE*

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 June 2009: Nil).

Taxes on profits assessable elsewhere have been calculated based on existing legislation and practices at the rates of tax prevailing in the countries in which the Group operates. The tax charge for the period arose as follows:

	<i>For the six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Current tax — overseas</i>		
<i>Provision for the period</i>	—	2,628
<i>Deferred tax</i>	—	—
	—	2,628

8. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share for the six months ended 30 June 2010 is calculated by dividing the Group's profit attributable to equity holders of HK\$4,923,000 (six months ended 30 June 2009: loss of HK\$390,000) by the weighted average number of ordinary shares in issue of 2,414,547,555 (2009: 2,414,547,555 shares).

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary shares during the two periods ended 30 June 2010 and 2009.

9. DIVIDENDS

At a meeting of the Board of Directors held on 25 August 2010, the Directors resolved not to declare an interim dividend in respect of the year ending 31 December 2010.

10. TRADE RECEIVABLES

The Group grants credit periods of up to 30 days to its trade customers. An aging analysis of trade receivables net of allowance for doubtful debts as at the reporting date is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Current	11,032	10,566
1-3 months	6,479	10,403
4-12 months	2,531	1,532
Over 1 year	<u>198</u>	<u>211</u>
	20,240	22,712
Impairment charged	<u>(329)</u>	<u>(325)</u>
	<u>19,911</u>	<u>22,387</u>

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the trade payables, other payables and accruals are trade payables of approximately HK\$40,117,000 (31 December 2009: HK\$48,852,000). An aging analysis of trade payables as at the reporting date is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Current	36,624	43,514
1-3 months	958	2,598
4-12 months	1,188	1,411
Over 1 year	<u>1,347</u>	<u>1,329</u>
	<u>40,117</u>	<u>48,852</u>

12. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with related parties:

	Note	30 June 2010 (Unaudited) HK\$'000	30 June 2009 (Unaudited) HK\$'000
Interest income from Morning Star Villa Management Limited ("MVM")	(i)	15	15
Property management fees paid to MVM	(ii)	50	79
Acquisition of available-for-sale financial assets	(iii)	<u>—</u>	<u>11,181</u>

Note:

- (i) MVM is engaged in the property management of Morning Star Villa ("MSV"). Certain directors of the Company and its subsidiaries are also the directors of MVM. Interest at 2% above the Hong Kong dollar prime rate per annum is charged on balances with MVM.
- (ii) Property management fees paid to MVM represent the property management fees of the vacant units of MSV owned by Jubilation Properties Limited, which is engaged in the development of MSV. The property management fees on unsold units are determined based on the rate per square foot charged to the other owners of MSV.

(iii) *The Company through its wholly-owned subsidiary, Swift Progress Investments Limited, had acquired 27,240,000 ordinary shares of Malaysian United Industries Berhad (“MUI”) in the open market on the Bursa Malaysia Securities Berhad from 3 March 2009 to 14 April 2009 at a total consideration of approximately HK\$11,181,000 which had been satisfied by the Company in cash from its internal resources, representing approximately 1.40% of the entire issued share capital of MUI.*

13. FIVE HIGHEST PAID EMPLOYEES

Remuneration for five key management personnel, including amounts paid to the Company’s Directors and certain of the highest paid employees for the six months ended 30 June is as follows:

	2010	2009
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
<i>Short-term employee benefits</i>	1,561	1,479
<i>Post-employment benefits</i>	44	33
	<u>1,605</u>	<u>1,512</u>

14. CONTINGENT LIABILITIES

As at 30 June 2010, the Group had contingent liabilities of approximately HK\$28,098,000 (2009: HK\$50,577,000). The contingent liabilities were in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by Zhongshan Morning Star Villa Housing and Real Estate Development Limited and Zhongshan Morning Star Plaza Housing and Real Estate Development Limited.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the accounts for the guarantees.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 25 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

Group Overview

For the six months ended 30 June 2010, the Group's turnover was HK\$258.9 million compared to HK\$206.6 million for the corresponding period in 2009 whilst its profit before tax was HK\$3.8 million compared to HK\$1.2 million for the corresponding period in 2009.

For the same period under review, the Group's profit attributable to equity holders was HK\$4.9 million compared to a loss of HK\$0.4 million for the corresponding period in 2009.

Travel and Tourism Division

The economic recovery in Hong Kong has been gaining momentum and together with positive consumers' sentiments, for the six months ended 30 June 2010, the turnover of the Travel and Tourism Division increased by 29.8% to HK\$247.1 million compared to HK\$190.4 million for the corresponding period in 2009. With the increase in turnover and coupled with effective cost management and product development, the Division recorded an operating profit of HK\$9.0 million for the six months ended 30 June 2010 compared to a profit of HK\$0.5 million for the corresponding period in 2009.

During the period under review, Morning Star Travel Service Limited, the travel arm of the Group received various accolades, including, "Contributions to the Promotion of Taiwan Tourism in 2009 Award" by Taiwan Tourism Bureau, "Taiwan Travel Partner Award" by Taiwan Visitors Association and "Outstanding Promotion Award" by EVA Air.

Property Division

For the six months ended 30 June 2010, the turnover of the Property Division decreased to HK\$11.0 million compared to HK\$15.5 million for the corresponding period in 2009. As a result of the decrease in turnover, which was mainly attributable to weaker demand for the remaining units in the Morning Star Plaza project in Zhongshan, PRC, the division recorded an operating loss of HK\$2.4 million against an operating profit of HK\$2.7 million for the corresponding period in 2009. The property market in the PRC will remain under pressure in view of the series of policies implemented by the PRC Central Government to curb speculation in real estate and rising property prices. Zhongshan Morning Star Villa Housing and Real Estate Development Limited (“ZMSV”), an indirect subsidiary of the Company, has received two notification letters dated 11 December 2009 and 15 April 2010 from the relevant land authorities in Zhongshan advising ZMSV to deal with the piece of land of 151,773.02 sq.m. in respect of the idle land policy of the government. ZMSV has taken note of these notifications and has taken steps to address the issue accordingly.

Financial Services Division

For the six months ended 30 June 2010, the turnover of the Financial Services Division was HK\$0.7 million which was the same level of turnover recorded for the corresponding period in 2009. However, the operating loss for the division was HK\$0.3 million compared to HK\$0.05 million for the corresponding period in 2009.

Geographical Segments

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

REVIEW OF FINANCIAL POSITION

Overview

The Group’s non-current assets as at 30 June 2010 amounted to HK\$68.6 million compared to HK\$75.5 million as at 31 December 2009. Non-current assets mainly consisted of available-for-sale

financial assets, property, plant and equipment, and deferred tax assets. The Group's current assets as at 30 June 2010 amounted to HK\$339.5 million, against HK\$333.3 million as at 31 December 2009. Current assets mainly comprised properties held for sale, properties held for sale under development and cash and cash equivalents.

The Group's current liabilities as at 30 June 2010 amounted to HK\$113.9 million, compared to HK\$112.8 million as at 31 December 2009. Current liabilities mainly comprised trade payables, other payables and accruals and non-interest bearing other borrowings.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2010, the Group's total borrowings amounted to HK\$16.7 million, unchanged from 31 December 2009. The borrowings mainly comprised non-interest-bearing other borrowings. The Group did not have any bank borrowing as at 30 June 2010 (2009: Nil). The Group's total equity as at 30 June 2010 was HK\$294.2 million compared to HK\$296.0 million as at 31 December 2009.

The Group's gearing ratio as at 30 June 2010 was 5.7% compared to 5.6% as at 31 December 2009. This ratio was computed on the basis of total borrowings over 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 and the travel and travel related services in Beijing, PRC.

Currency Risk

Certain subsidiaries of the Group have foreign currency transactions, which expose the Group to foreign currency risk. Certain bank balances, pledged deposits and trade receivables of the Group are denominated in foreign currencies.

The Group does not use any derivative instruments to reduce its economic exposure to changes in exchange rates. However, the management monitors foreign exchange exposure and requirements of various currencies, and would consider hedging significant foreign currency exposure should the need arise.

Capital Commitments

The Group had no significant capital commitments, contracted but not paid, as at 30 June 2010.

Contingent Liabilities

The Group had contingent liabilities amounting to HK\$28.1 million as at 30 June 2010. The contingent liabilities were in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by Morning Star Villa and Morning Star Plaza. The Directors considered that there is no indication of any change in the status of the contingent liabilities.

Charges on Group Assets

As at 30 June 2010, non-current bank balances amounting to HK\$2.6 million were pledged to certain banks to secure mortgage loan facilities to purchasers of properties developed by Morning Star Villa and Morning Star Plaza in Zhongshan, PRC.

STAFF ANALYSIS

The total number of staff employed by the Group as at 30 June 2010 was 352, compared to 374 as at 31 December 2009. As part of the Group's human resource policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group does not have a share option scheme for its employees. The Group continues to implement its overall human resource training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

NEW BUSINESS AND MATERIAL ACQUISITION

There was no material acquisition and new business for the six months ended 30 June 2010.

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

As at 30 June 2010, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or the chief executive were deemed or taken to have under such provisions of the SFO, which are required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, were as follows:

The Company

Name of Director	Notes	Nature of interest	Number of shares	Percentage of issued share capital
Tan Sri Dr. KHOO Kay Peng	(a) & (b)	Corporate	1,530,223,657 (Long position)	63.38
	(a), (b) & (c)	Corporate	1,530,223,657 (Short position)	63.38

As at 30 June 2010, certain Directors also held qualifying shares in certain subsidiaries of the Company which were beneficially owned by the Company or its other subsidiaries.

Notes:

(a) 879,382,985 shares issued by the Company were held by Firstway International Investment Limited ("Firstway"), of which each of Norcross Limited ("Norcross") and Cherubim Investment (HK) Limited ("Cherubim") had a 35% interest in the voting share capital. A 50% of the issued share capital of each of Norcross and Cherubim was held by KKP Holdings Sdn Bhd ("KKP Holdings"), and the remaining 50% of the issued share capital of each of these companies was held by Soo Lay Holdings Sdn Bhd ("SL Holdings"). Both of KKP Holdings and SL Holdings were 99.9% beneficially owned by Tan Sri Dr. KHOO Kay Peng.

Peng. Pursuant to Section 344 of Part XV of the SFO, Tan Sri Dr. KHOO Kay Peng was deemed to be interested in 99.9% of the shares held by Firstway.

- (b) *650,840,672 shares were held by Bonham Industries Limited (“Bonham”) which was owned as to 37.18%, 49.22% and 13.60% by KKP Holdings, SL Holdings and Norcross respectively. By virtue of the interests of Tan Sri Dr. KHOO Kay Peng in KKP Holdings and SL Holdings as mentioned in Note (a) above, he was deemed to be interested in 99.9% of the shares held by Bonham.*
- (c) *Pursuant to a placing agreement entered into by Firstway and Bonham with Convoy Investment Services Limited (the “Placing Agent”) dated 24 May 2010 in which the Placing Agent agreed to procure on a best effort basis, investors who are independent of Firstway and Bonham, the directors, substantial shareholders and chief executive of the Company, to purchase their combined shareholding of 1,530,223,657 shares of the Company to be placed at an average target placing price of at least HK\$0.20 per share (the “Placing”). Upon the completion of the Placing on 5 August 2010, Firstway and Bonham have ceased to be substantial shareholders of the Company.*

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

OTHER SHAREHOLDERS’ INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 2010, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of the Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of

the Group and the amount of each of such person's interest in such securities together with particulars of any options in respect of such capital:

Interests of substantial shareholders

Name	Notes	Number of shares	Percentage of issued share capital
KKP Holdings	(a) & (b)	1,530,223,657 (Long Position)	63.38
	(a), (b) & (c)	1,530,223,657 (Short Position)	63.38
SL Holdings	(a) & (b)	1,530,223,657 (Long Position)	63.38
	(a), (b) & (c)	1,530,223,657 (Short Position)	63.38
Cherubim	(a)	879,382,985 (Long Position)	36.42
	(a) & (c)	879,382,985 (Short Position)	36.42
Norcross	(a)	879,382,985 (Long Position)	36.42
	(a) & (c)	879,382,985 (Short Position)	36.42
Firstway	(a)	879,382,985 (Long Position)	36.42
	(a) & (c)	879,382,985 (Short Position)	36.42
Bonham	(b)	650,840,672 (Long Position)	26.95
	(b) & (c)	650,840,672 (Short Position)	26.95

Name	Notes	Number of shares	Percentage of issued share capital
Sino Finance International Investment Group Limited		171,000,000 (Long Position)	7.08

Notes:

- (a) *These shares were held by Firstway, of which each of Norcross and Cherubim had a 35% interest in the voting share capital. Norcross and Cherubim were owned as to 50% by KKP Holdings and 50% by SL Holdings. Pursuant to Section 316 of Part XV of the SFO, each of KKP Holdings, SL Holdings, Norcross and Cherubim was deemed to be interested in the shares held by Firstway.*
- (b) *These shares were held by Bonham, which was owned as to 37.18%, 49.22% and 13.60% by KKP Holdings, SL Holdings and Norcross respectively. Pursuant to Section 316 of Part XV of the SFO, each of KKP Holdings and SL Holdings was deemed to be interested in the shares held by Bonham.*
- (c) *Reference is made to note (c) in the section of "DIRECTORS' INTERESTS IN THE SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS" above.*

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executive knows of any person (not being a Director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities together with particulars of any options in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except that the Non-Executive Directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company; and that the Chairman of the Board did not attend the annual general meeting of the Company held in May 2010 due to other business engagements and commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 unaudited interim financial statements of the period. The Audit Committee constituted three Independent Non-Executive Directors and a Non-Executive Director of the Company.

REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the Code on Corporate Governance Practices. The Remuneration Committee constituted two Independent Non-Executive Directors and a Non-Executive Director of the Company.

By order of the Board
Ho Kuan Lai
Executive Director

Hong Kong, 25 August 2010

As at the date of this report, the Executive Director of the Company is Ms HO Kuan Lai; the Non-Executive Directors are Tan Sri Dr KHOO Kay Peng (Chairman), Mr KHET Kok Yin, Mr CHAN Choung Yau (also as an Alternate Director to Mr KHET Kok Yin) and Mr WONG Nyen Faat; and the Independent Non-Executive Directors are Mr WONG Kim Ling, Mr OOI Boon Leong @ LAW Weng Leun and Mr OH Hong Choon.