
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance and Transfer, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance and Transfer.

If you are in any doubt as to any aspect of the Share Offer, this Composite Document or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Morning Star Resources Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance and Transfer to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the contents of which form part of the terms and conditions of the Share Offer contained herein.



星晨集團有限公司*

Morning Star Resources Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

**STAR ADVANCE
INTERNATIONAL LIMITED**

(incorporated in the BVI with limited liability)

**COMPOSITE DOCUMENT RELATING TO
VOLUNTARY CONDITIONAL CASH OFFER
BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF
STAR ADVANCE INTERNATIONAL LIMITED
TO ACQUIRE ALL ISSUED SHARES OF MORNING STAR RESOURCES LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
STAR ADVANCE INTERNATIONAL LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

Joint financial advisers to the Offeror



KINGSTON CORPORATE FINANCE LIMITED

AmCap

Ample Capital Limited
豐盛融資有限公司

Independent financial adviser to the Independent Board Committee

**Access
Capital**

A letter from Kingston Securities, containing among other things, the details of the terms of the Share Offer, is set out on pages 6 to 13 of this Composite Document. A letter from the Board is set out on pages 14 to 20 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Share Offer is set out on pages 21 to 22 of this Composite Document. A letter from Access Capital containing its advice and recommendation to the Independent Board Committee in respect of the Share Offer is set out on pages 23 to 41 of this Composite Document.

The procedures for acceptance and settlement of the Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the Share Offer contained herein should be received by the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Wednesday, 6 October 2010 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

* *For identification purpose only*

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EXPECTED TIMETABLE

The timetable set out below is indicative and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All time and date references contained in this Composite Document refer to Hong Kong times and dates.

2010

Despatch date of this Composite Document and the accompanying Form of Acceptance and Transfer, and commencement of the Share Offer (<i>Note 1</i>)	Wednesday, 15 September
	4:00 p.m.,
Latest time and date for acceptance of the Share Offer	Wednesday, 6 October
First Closing Date (<i>Note 2</i>)	Wednesday, 6 October
Announcement of the result of the Share Offer, as at the First Closing Date, on the website of the Stock Exchange and the website of the Company (<i>Note 2</i>)	by 7:00 p.m., Wednesday, 6 October
Latest date of remittance for the amount due in respect of valid acceptance received under the Share Offer on or before 4:00 p.m. on the First Closing Date, assuming the Share Offer becomes, or is declared, unconditional in all respect on the First Closing Date (<i>Note 3</i>)	Friday, 15 October
Latest time and date for the Share Offer to remain open for acceptance assuming the Share Offer becomes or is declared unconditional on the First Closing Date (<i>Note 4</i>)	4:00 p.m., Wednesday, 20 October
Latest date for posting of remittance for the amount due in respect of valid acceptance received under the Share Offer on or before 4:00 p.m. on 20 October 2010, being the latest date which the Share Offer remains open for acceptance assuming the Share Offer becomes, or is declared, unconditional in all respect on the First Closing Date	Saturday, 30 October
Latest time by which the Share Offer can become or be declared unconditional (<i>Note 5</i>)	7:00 p.m., Monday, 15 November

Notes:

- (1) The Share Offer is made on Wednesday, 15 September 2010, being the date of posting of this Composite Document, and is capable of acceptance on and from that date until the close of the Offer Period.
- (2) In accordance with the Takeovers Code, the Share Offer must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Share Offer will be closed on the First Closing Date (i.e. Wednesday, 6 October 2010) unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code. An announcement will be issued by the Company and the

EXPECTED TIMETABLE

Offeror through the Stock Exchange's website by 7:00 p.m. on Wednesday, 6 October 2010 stating the results of the Share Offer and whether the Share Offer has been revised or extended or expired. In the event that the Offeror decides that the Share Offer will remain open, the announcement will state the next closing date of the Share Offer or, if the Share Offer has become or been declared unconditional, that the Share Offer will remain open until further notice. At least 14 days' notice in writing will be given, before the Share Offer is closed, to those Shareholders who have not accepted the Share Offer. For further details, please refer to Appendix I to this Composite Document. If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a "black" rainstorm warning signal in force between 9:00 a.m. and 4:00 p.m. on the First Closing Date, the time and date of the close of the Share Offer will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve.

- (3) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares validly tendered under the Share Offer will be posted by ordinary post to the Shareholders who accept the Share Offer or, in the case of joint Shareholders, to the Shareholder whose name stands first in the register of members of the Company, at their own risk, as soon as possible, but in any event within 10 days from the later of the date on which the Share Offer becomes or is declared unconditional and the date the Offeror receives a duly completed Form of Acceptance and Transfer from the Shareholders accepting the Share Offer. Relevant documents of title must be received by the Offeror to render acceptance of the Share Offer complete and valid.

Pursuant to Rule 17 of the Takeovers Code, an acceptor shall be entitled to withdraw his acceptance after 21 days from the First Closing Date on Wednesday, 6 October 2010, if the Share Offer has not by then become unconditional as to acceptances. However, this entitlement to withdraw shall only be exercisable until such time as the Share Offer becomes or is declared unconditional as to acceptances. For further details, please refer to Appendix I to this Composite Document.

- (4) In accordance with the Takeovers Code, where the Share Offer becomes or is declared unconditional in all respects, the Share Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Share Offer is closed to the Shareholders who have not accepted the Share Offer. The Offeror has the right, subject to the Takeovers Code, to extend the Share Offer until such date as it may determine or as permitted by the Executive, in accordance with the Takeovers Code.
- (5) In accordance with the Takeovers Code, except with the consent of the Executive, the Share Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day on which this Composite Document was posted. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Share Offer has previously become or is declared unconditional as to acceptances, the Share Offer will lapse after 7:00 p.m. on Monday, 15 November 2010, unless extended with the consent of the Executive.

WARNING:

If, at the close of the Share Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares, or
- there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange may consider exercising its discretion to suspend dealings in the Shares. In this connection, it should be noted that upon completion of the Share Offer, there may be insufficient public float for the Shares and therefore, trading in the Shares may be suspended until a prescribed level of public float is attained.

DEFINITIONS

In this Composite Document, the following expressions have the following meanings, unless the context otherwise requires:

“Access Capital”	Access Capital Limited, a licensed corporation to carry out types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities, advising on corporate finance and asset management respectively) under the SFO and the independent financial adviser to the Independent Board Committee in relation to the Share Offer
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Ample Capital”	Ample Capital Limited, a licensed corporation to carry out types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management respectively) under the SFO, one of the joint financial advisers to the Offeror in respect of the Share Offer
“Board”	the board of Directors
“Bonham”	Bonham Industries Limited, a company incorporated in the BVI which held 26.96% of the share capital of the Company immediately prior to Completion
“Business Day”	a day (other than a Saturday and a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for general banking business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Commission”	the Securities and Futures Commission of Hong Kong
“Company”	Morning Star Resources Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board

DEFINITIONS

“Completion”	completion of the acquisition of 1,530,223,657 Placing Shares on 5 August 2010 by the Placees (including the 700,000,000 Placing Shares acquired by the Offeror, representing approximately 28.99% of the Company’s issued share capital as at the Latest Practicable Date) on a simultaneous basis pursuant to the terms and conditions of the Placing Agreement
“Composite Document”	this composite offer and response document issued jointly by the Offeror and the Company in connection with the Share Offer in accordance with the Takeovers Code containing, among other things, information relating to the Offeror, information relating to the Company, the terms and conditions of the Share Offer, the recommendation of the Independent Board Committee in respect of the Share Offer and the advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Share Offer
“Convoy”	Convoy Investment Services Limited, a licensed corporation to carry out types 1, 2 and 4 regulated activities (dealing in securities, dealing in futures contracts and advising on securities respectively) under the SFO and the placing agent to the Placing
“Director(s)”	the director(s) of the Company from time to time
“Executive”	the executive director of the Corporate Finance Division of the Commission or any of its delegate
“First Closing Date”	Wednesday, 6 October 2010, being the first closing date of the Share Offer
“Firstway”	Firstway International Investment Limited, a company incorporated in Hong Kong which held 36.42% of the share capital of the Company immediately prior to Completion
“Form of Acceptance and Transfer”	the form of acceptance and transfer in respect of the Share Offer which accompanies this Composite Document
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising Mr. Chan Choung Yau, Mr. Wong Nyen Faat, Mr. Wong Kim Ling, Mr. Ooi Boon Leong @ Law Weng Leun and Mr. Oh Hong Choon established to give its recommendation to the Independent Shareholders in respect of the Share Offer
“Independent Financial Adviser”	Access Capital
“Independent Shareholders”	Shareholders who do not have an interest in the Share Offer that is different from other Shareholders, being the Shareholders other than the Offeror, its parties acting in concert and its associates
“Joint Announcement”	the joint announcement dated 4 August 2010 issued by the Offeror and the Company in relation to, among others, the Share Offer
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO, one of the joint financial advisers to the Offeror in respect of the Share Offer
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry out type 1 regulated activity (dealing in securities) under the SFO, and the entity making the Share Offer on behalf of the Offeror
“Last Trading Day”	23 June 2010, being the last trading day before the suspension of the trading in the Shares, pending the release of the Joint Announcement
“Latest Practicable Date”	13 September 2010, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 November 2010, being the date that is 60 days after the date of the posting of this Composite Document (or such later date as the Executive may consent to)
“Main Board”	the Main Board of the Stock Exchange

DEFINITIONS

“Mr. Fong”	Mr. Fong Shing Kwong (方承光)
“Offer Period”	has the meaning ascribed to it in the Takeovers Code and commenced from 23 June 2010, being the date of the Company’s announcement issued in respect of the Placing and a general offer which would be triggered on the part of the Offeror, to the First Closing Date or such later time and/or date to which the Offeror may decide to extend the Share Offer in accordance with the Takeovers Code
“Offer Share(s)”	Share(s) not already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Star Advance International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. Fong
“Overseas Shareholders”	Shareholders whose registered addresses, as shown on the Company’s branch share register in Hong Kong, are outside Hong Kong
“Placee(s)”	purchaser(s) of the Placing Shares under the Placing who are selected institutional and/or private investors
“Placing”	the private placing of an aggregate of 1,530,223,657 Placing Shares by Firstway and Bonham pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 24 May 2010 entered into by Firstway, Bonham and Convoy in respect of the Placing
“Placing Price”	the placing price of HK\$0.20 per Placing Share
“Placing Shares”	an aggregate of 1,530,223,657 Shares placed pursuant to the Placing
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Tricor Tengis Limited, the branch share registrar of the Company located at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong

DEFINITIONS

“Relevant Period”	the period commencing from 24 December 2009, being six months preceding the date of the Company’s announcement dated 23 June 2010 issued in respect of the Placing and a general offer which would be triggered on the part of the Offeror, and up to and including the Latest Practicable Date
“RTA”	Registrar of Travel Agents of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the voluntary conditional cash offer made by Kingston Securities on behalf of the Offeror for all Offer Shares at the Share Offer Price of HK\$0.20 per Offer Share in accordance with the Takeovers Code
“Share Offer Price”	the price of HK\$0.20 per Offer Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Travel Agencies”	Morning Star Travel Service Limited and Star Travel Service Limited
“Travel Agents Ordinance”	Travel Agents Ordinance (Chapter 218 of the Laws of Hong Kong)
“Vendors”	Bonham and Firstway
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

LETTER FROM KINGSTON SECURITIES



KINGSTON SECURITIES LIMITED

Suite 2801, 28th Floor
One International Finance centre
1 Harbour View Street
Central
Hong Kong

15 September 2010

To the Independent Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER
BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF
STAR ADVANCE INTERNATIONAL LIMITED
TO ACQUIRE ALL ISSUED SHARES OF MORNING STAR RESOURCES LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
STAR ADVANCE INTERNATIONAL LIMITED AND PARTIES ACTING IN
CONCERT WITH IT)**

INTRODUCTION

On 4 August 2010, the Offeror and the Company announced in the Joint Announcement that the Offeror intended to make the Share Offer (in compliance with the Takeovers Code) through Kingston Securities for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at the Share Offer Price of HK\$0.20 per Offer Share.

This letter sets out, among other things, details of the terms of the Share Offer, information on the Offeror and the intention of the Offeror regarding the Group. Further details of the terms of the Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer.

THE SHARE OFFER

Kingston Securities, on behalf of the Offeror, hereby offers to acquire, on the terms and subject to the conditions set out in this Composite Document and in the Form of Acceptance and Transfer, all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Share Offer is made on the following basis:

For each Offer Share HK\$0.20 in cash

LETTER FROM KINGSTON SECURITIES

As at the Latest Practicable Date, the Company had 2,414,547,555 Shares in issue. At the Share Offer Price of HK\$0.20 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$482,910,000.

The Company did not have any outstanding warrants, options, derivatives or securities convertible into Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it owned an aggregate of 700,000,000 Shares, representing approximately 28.99% of the issued share capital of the Company. The number of Offer Shares that are subject to the Share Offer is therefore 1,714,547,555. In the event that the Share Offer is accepted in full, the aggregate amount payable by the Offeror will be approximately HK\$342,910,000.

Comparisons of value

The Share Offer Price represents:

- (i) a discount of approximately 17.36% to the closing price of HK\$0.242 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 29.82% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 28.83% to the average closing price of HK\$0.281 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 26.74% to the average closing price of HK\$0.273 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 112.09% over the audited consolidated net asset attributable to Shareholders per Share of approximately HK\$0.0943 as at 31 December 2009.

Highest and lowest Share prices

During the Relevant Period, the highest and lowest daily closing prices of the Shares as quoted on the Stock Exchange were HK\$0.30 on 7 June 2010 and HK\$0.066 on 5 and 8 February 2010 respectively.

TOTAL CONSIDERATION FOR THE SHARE OFFER AND CONFIRMATION OF FINANCIAL RESOURCES

The maximum cash consideration payable under the Share Offer for the Offer Shares by the Offeror and parties acting in concert with it is approximately HK\$342,910,000.

LETTER FROM KINGSTON SECURITIES

The Offeror will finance the Share Offer with a loan facility (the “**Loan Facility**”) provided by Kingston Securities. The Offeror confirms that (i) payment of the interest and the principal of the Loan Facility; and (ii) security for any liability (contingent or otherwise) under the Loan Facility, would not be dependent to any significant extent on the business of the Group. Kingston Corporate Finance and Ample Capital are satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Share Offer.

CONDITIONS OF THE SHARE OFFER

The Share Offer will be subject to and conditional upon:

- (i) valid acceptances of the Share Offer being received by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company; and
- (ii) the Commission having granted its approval for the Offeror to become a substantial shareholder of Morning Star Securities Limited, an indirect wholly-owned subsidiary of the Company and a licensed corporation to carry out types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities, advising on corporate finance and asset management respectively) under the SFO.

As at the Latest Practicable Date, condition (ii) set out above has been fulfilled.

Shareholders should note that if the condition (i) set out above is not fulfilled, the Share Offer will not become unconditional and will lapse. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the Shares.

PAYMENT AND SHARE CERTIFICATES

Payment in cash (after deducting the sellers’ ad valorem stamp duty) in respect of valid acceptances of the Share Offer will be made as soon as possible but in any event within 10 days of the later of (i) the date the Share Offer becomes or is declared unconditional; or (ii) the date the Offeror receives a duly completed Form of Acceptance and Transfer.

If the Share Offer lapses, the Offeror will, as soon as possible but in any event within 10 days thereof, post the share certificates lodged with the Form of Acceptance and Transfer to, or make such share certificates available for collection by, those Independent Shareholders who have accepted the Share Offer.

CLOSE OF THE SHARE OFFER

If the conditions to the Share Offer are not satisfied (or, if permissible, waived) on or before the First Closing Date, the Share Offer will lapse unless extended by the Offeror in accordance with the Takeovers Code. In that case, the Offeror will issue an announcement in accordance with the Takeovers Code as soon as practicable thereafter.

LETTER FROM KINGSTON SECURITIES

The latest date on which the Offeror can declare the Share Offer unconditional is the Long Stop Date. In accordance with the Takeovers Code, except with the consent of the Executive, the Share Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the Long Stop Date. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Share Offer has previously become or is declared unconditional as to acceptances, the Share Offer will lapse after 7:00 p.m. on Monday, 15 November 2010, unless extended with the consent of the Executive. An announcement will be made to Shareholders both when the Share Offer becomes unconditional as to acceptances and when it becomes unconditional in all respects.

EFFECT OF ACCEPTING THE SHARE OFFER

By accepting the Share Offer, the relevant Shareholders will sell their respective Shares to the Offeror at the Share Offer Price free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including (without limitation) the right to receive dividends and distributions declared, made or paid, if any, on or after the date of this Composite Document.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the close of the Share Offer.

STAMP DUTY

Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Share Offer. It is emphasised that none of the Offeror, the Company, Kingston Securities, Kingston Corporate Finance, Ample Capital, any of their respective directors and any persons involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person or persons as a result of their acceptance or rejection of the Share Offer.

LETTER FROM KINGSTON SECURITIES

OVERSEAS SHAREHOLDERS

The Share Offer is in respect of securities of a company incorporated in the Cayman Islands, the issued Shares of which are listed on the Stock Exchange, and is subject to the procedure and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions.

The making of the Share Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of each Overseas Shareholder wishing to accept the Share Offer to satisfy himself or herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Any such Overseas Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable and the Offeror, the Company, Kingston Securities, Kingston Corporate Finance, Ample Capital and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such Overseas Shareholder for any such issue, transfer or other taxes as such person may be required to pay. Acceptance of the Share Offer by any such person will constitute a warranty by such person that such person has observed and is permitted under all applicable laws and regulations to receive and accept the Share Offer and any revision thereof, and that he/she/it has obtained any requisite governmental, exchange control or other consents, complied with all other necessary formalities or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her/it in connection with such acceptance in any territory, and that he/she/it has not taken or omitted to take any action which will or may result in the Offeror, the Company, Kingston Securities, Kingston Corporate Finance, Ample Capital or any other person acting on their behalf in breach of the legal or regulatory requirements of any jurisdiction in connection with the Share Offer and/or his/her/its acceptance thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations.

REASON FOR THE SHARE OFFER

As at the Latest Practicable Date, there were 2,414,547,555 Shares in issue, of which 700,000,000 Shares, representing approximately 28.99% of the Company's issued share capital, were held by the Offeror and parties acting in concert with it. The Offeror wishes to consolidate its control in the Company to over 50% and has accordingly proposed the Share Offer.

If the Offeror holds more than 50% of the voting rights of the Company, the Offeror will no longer be subject to the creeper provisions of the Takeovers Code. Under such circumstances, the Offeror will have more flexibility in increasing and reducing its investment in the Company should it wish to do so. There will also be administrative benefits, for instance when conducting major transactions under the Listing Rules where written confirmations from the majority Shareholder or a closely-allied group of Shareholders, who together hold more than 50% in nominal value of the Shares giving the

LETTER FROM KINGSTON SECURITIES

right to attend and vote at the general meeting to approve the transaction, would suffice in lieu of holding the Shareholders' meetings pursuant to Rule 14.44 of the Listing Rules, which in turn saves time and costs.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability and wholly-owned by Mr. Fong. The principal business of the Offeror is investment holding. As at the Latest Practicable Date, the sole director of the Offeror was Mr. Fong.

Mr. Fong, aged 62, is an executive director of New World China Land Limited, the issued shares of which are listed on the Main Board. Mr. Fong is also an independent non-executive director of Chuang's Consortium International Limited, the issued shares of which are listed on the Main Board. Mr. Fong joined the New World Group in 1978 and was appointed an executive director of New World Hotels International Limited from 1985 to 1997. He has extensive experience in the hospitality industry, property development and investment business in the PRC.

As at the Latest Practicable Date:

- (a) there were no existing holdings of voting rights or rights over Shares in respect of which the Offeror or any parties acting in concert with it:
 - (i) had received an irrevocable commitment to accept or reject the Share Offer;
 - (ii) held convertible securities, warrants or options;
- (b) there were no outstanding derivatives in respect of securities in the Company entered into by the Offeror or any parties acting in concert with it;
- (c) there were no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company, which might be material to the Share Offer;
- (d) there were no agreements or arrangements to which the Offeror was party, which related to circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Share Offer; or
- (e) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it had borrowed or lent.

LETTER FROM KINGSTON SECURITIES

DEALINGS IN THE SHARES BY THE OFFEROR DURING THE RELEVANT PERIOD

Save for the acquisition of 700,000,000 Shares under the Placing through a sub-placing agent (the “**Sub-Placing Agent**”) (which have been deposited with Kingston Securities as collateral for the Loan Facility), there had been no dealings in the Shares by the Offeror and parties acting in concert with it during the Relevant Period.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Following the close of the Share Offer, the Offeror intends to continue the existing businesses of the Group. The Offeror will conduct a review on the financial position and operations of the Group and will formulate long-term business plans and strategy of the Group, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such disposals and/or acquisitions materialise, further announcement will be made in accordance with the Listing Rules.

As at the Latest Practicable Date, the Offeror had an intention to dispose of the shares in Malayan United Industries Berhad held by the Company through its wholly-owned subsidiary, Swift Progress Investments Limited, a company incorporated in the BVI, where such assets were of no interest to the Offeror. Tan Sri Dr. Khoo Kay Peng had considered to enter, through his personal company(ies), into certain agreements with the Group to facilitate such disposal. Although there were some preliminary discussions, as at the Latest Practicable Date, no agreement had been entered into and such disposal might or might not occur. In the circumstance where such disposal does occur and is made to Tan Sri Dr. Khoo Kay Peng or to his personal company(ies), it will then constitute a connected transaction under the Listing Rules. The Company will comply with the requirements related to connected transactions under the Listing Rules.

The Share Offer is not conditional upon the possible disposal mentioned above.

PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of 8 Directors, comprising 1 executive Director, 4 non-executive Directors and 3 independent non-executive Directors. It is intended that all of the existing Directors shall resign following the close of the Share Offer.

As at the Latest Practicable Date, the Offeror intended to appoint certain persons as Directors after the despatch of the Composite Document to the Shareholders.

Further announcement in respect of the appointment of Directors will be made in compliance with the requirements of the Listing Rules. Save as disclosed above, the Offeror does not intend that there will be any material change to the existing management and employees of the Group following the close of the Share Offer.

LETTER FROM KINGSTON SECURITIES

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Share Offer. Each of the new Directors to be nominated by the Offeror, the director of the Offeror and the Company will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Share Offer to ensure that not less than 25% of the Shares will be held by the public.

If, at the close of the Share Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (1) a false market exist or may exist in the trading of the Shares; or (2) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares. In this connection, it should be noted that upon the close of the Share Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

GENERAL

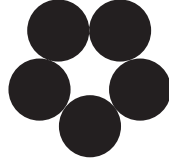
To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of Shares by each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in the names of nominee to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer. Your attention is drawn to the section headed "Procedures for acceptance and settlement" in Appendix I of this Composite Document.

ADDITIONAL INFORMATION

Your attention is drawn to the accompanying Form of Acceptance and Transfer and the additional information set out in the appendices which form part of this Composite Document. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from Access Capital" in this Composite Document and to consult your professional advisers as you see fit.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Nicholas Chu
Director

LETTER FROM THE BOARD



星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 542)

Directors:

Tan Sri Dr Khoo Kay Peng* (*Chairman*)
Ms Ho Kuan Lai (*Executive Director*)
Mr Khet Kok Yin (*Note*)
Mr Chan Choung Yau* (*also as Alternate
Director to Mr Khet Kok Yin*)
Mr Wong Nyen Faat*
Mr Wong Kim Ling**
Mr Oh Hong Choon**
Mr Ooi Boon Leong @ Law Weng Leun**

* *Non-Executive Directors*

** *Independent Non-Executive Directors*

Note: Mr. Khet Kok Yin, who is a non-executive Director, is excluded from the responsibility statement to the Composite Document pursuant to Rule 9.4 of the Takeovers Code and is excluded as a member of the Independent Board Committee. For more details, please refer to the section headed "Independent Board Committee" under "Letter from the Board" set out on pages 15 to 16 of the Composite Document.

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 in Hong Kong:*

Unit 1803, 18th Floor
Tower 1, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

15 September 2010

To the Independent Shareholders

Dear Sirs or Madams,

**VOLUNTARY CONDITIONAL CASH OFFER
BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF
STAR ADVANCE INTERNATIONAL LIMITED
TO ACQUIRE ALL ISSUED SHARES OF MORNING STAR RESOURCES
LIMITED (OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
STAR ADVANCE INTERNATIONAL LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

* *For identification purpose only*

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Share Offer. Unless otherwise specified, capitalized terms used in this Letter shall have the same meaning as those defined in the composite offer and response document dated 15 September 2010 jointly issued by the Company and Star Advance International Limited.

On 4 August 2010, the Company and the Offeror announced in the Joint Announcement that the Offeror intended to make the Share Offer through Kingston Securities for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at the Share Offer Price of HK\$0.20 per Offer Share upon completion of the acquisition of 700,000,000 Placing Shares pursuant to the Placing Agreement.

Completion took place on 5 August 2010. As a result, the Offeror and parties acting in concert with it own a total of 700,000,000 Shares, representing approximately 28.99% of the issued share capital of the Company. The Offeror will make the Share Offer, being a voluntary conditional cash offer, for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, in compliance with the Takeovers Code.

Independent Board Committee

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee which comprises Mr. Chan Choung Yau, Mr. Wong Nyen Faat, Mr. Wong Kim Ling, Mr. Ooi Boon Leong @ Law Weng Leun and Mr. Oh Hong Choon, being all of the non-executive Directors and independent non-executive Directors, except Tan Sri Dr. Khoo Kay Peng who is a non-executive Director and the chairman of the Company, and Mr. Khet Kok Yin who is a non-executive Director, has been established to advise and make recommendations to the Independent Shareholders in respect of the Share Offer.

Tan Sri Dr. Khoo Kay Peng was deemed to be interested in 99.90% of the Shares held by Firstway and Bonham as at the date of the Joint Announcement. In accordance with Rule 2.8 of the Takeovers Code, he is deemed to have an interest in the Share Offer and is therefore excluded as a member of the Independent Board Committee. Save for Tan Sri Dr. Khoo Kay Peng, each of the members of the Independent Board Committee has no direct or indirect interests in the Share Offer.

Under Rule 9.4 of the Takeovers Code, the Executive's consent is required for any director to be excluded from the responsibility statement as set out under Rule 9.3 of the Takeovers Code. If the Executive's consent is being obtained, such exclusion and reasons for it should be stated in the relevant document. Mr. Khet Kok Yin has applied for, and the Executive has granted its consent pursuant to Rule 9.4 of the Takeovers Code, to exclude himself from the responsibility statement under Rule 9.3 of the Takeovers Code which is included in the Composite Document, and also to exclude himself as a member of the Independent Board Committee. The grounds for such application is that since early this year Mr. Khet Kok Yin has been suffering from a serious ill health and his unstable health condition is restraining him from attending to all of his work affairs, in particular, the

LETTER FROM THE BOARD

lengthy discussions and negotiations regarding the Composite Document. In view of this, Mr. Khet Kok Yin is therefore excluded from the responsibility statement to the Composite Document and is also excluded as a member of the Independent Board Committee.

The Independent Board Committee has appointed Access Capital as the independent financial adviser to advise the Independent Board Committee on the terms of the Share Offer. The full text of the letter of advice from Access Capital addressed to the Independent Board Committee and the Independent Shareholders is set out in the Composite Document. Shareholders are advised to read the letter of advice from Access Capital and the additional information contained in the appendices to the Composite Document carefully before taking any action in respect of the Share Offer.

The purpose of the Composite Document is to provide you with, among other things, information in relation to the Company, the Offeror and the Share Offer, as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Share Offer and the letter from Access Capital containing its recommendation and advice to the Independent Board Committee in respect of the Share Offer.

SHARE CAPITAL AND SHAREHOLDING STRUCTURE OF THE COMPANY

The authorized share capital of the Company as at the Latest Practicable Date was HK\$1,000,000,000.

The issued share capital of the Company as at the Latest Practicable Date comprised:

	Number of Shares held as at the Latest Practicable Date	Approximate percentage of shareholding (%)
The Offeror and parties acting in concert with it	700,000,000	28.99
Public	<u>1,714,547,555</u>	<u>71.01</u>
Total	<u><u>2,414,547,555</u></u>	<u><u>100</u></u>

No new Shares were issued since 31 December 2009 (being the date on which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date.

All existing issued Shares rank pari passu in all respect including all rights as to dividends, voting and interest in capital.

As at the Latest Practicable Date, the Company does not have any outstanding warrants, options, derivatives or securities convertible into Shares.

LETTER FROM THE BOARD

VOLUNTARY CONDITIONAL CASH OFFER

Following Completion, the Offeror and parties acting in concert with it own in aggregate 700,000,000 Shares, representing approximately 28.99% of the issued share capital of the Company.

The Offeror will make the Share Offer, being a voluntary conditional cash offer, for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, in compliance with the Takeovers Code.

Details of the Share Offer are set out in the “Letter from Kingston Securities” on pages 6 to 13 of, in Appendix I to the Composite Document and in the Form of Acceptance and Transfer.

Kingston Securities, one of the joint financial advisers to the Offeror, will make the Share Offer, on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For each Offer Share HK\$0.20 in cash

The Share Offer Price is equal to the price per Placing Share under the Placing Agreement.

CONDITIONS OF THE SHARE OFFER

The Share Offer will be subject to and conditional upon:

- (i) valid acceptances of the Share Offer being received by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company; and
- (ii) the Commission having granted its approval for the Offeror to become a substantial shareholder of Morning Star Securities Limited, an indirect wholly-owned subsidiary of the Company and a licensed corporation to carry out types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities, advising on corporate finance and asset management respectively) under the SFO.

As at the Latest Practicable Date, condition (ii) set out above has been fulfilled.

Shareholders should note that if the conditions (i) set out above is not fulfilled, the Share Offer will not become unconditional and will lapse. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

ACCEPTANCE OF THE SHARE OFFER

Acceptance of which shall be irrevocable and cannot be withdrawn, except for the circumstances set out in Rule 19.2 of the Takeovers Code, which provides that if the Offeror is unable to comply with any of the requirements of Rule 19 of the Takeovers Code (which states that, where applicable, the Offeror must inform the Executive and the Stock Exchange their decision in relation to the revision, extension, expiry or unconditionality of the Share Offer by 6:00 p.m. on the First Closing Date, i.e. Wednesday, 6 October 2010, and to publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating the same), the Executive may require the Independent Shareholders who accept the Share Offer be granted a right of withdrawal, on terms acceptable to the Executive until the requirements under Rule 19 of the Takeovers Code can be met.

By accepting the Share Offer, the relevant Shareholders will sell their respective Shares to the Offeror at the Share Offer Price free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including (without limitation) the right to receive dividends and distributions declared, made or paid, if any, on or after the date of the Composite Document.

Further details of the Share Offer

Further details of the Share Offer, including the terms and conditions of the Share Offer and the procedures for acceptance of the Share Offer, are contained in the "Letter from Kingston Securities" on pages 6 to 13 of, in Appendix I to the Composite Document and in the Form of Acceptance and Transfer.

INFORMATION OF THE COMPANY

Business

The Company is an investment holding company listed on the Main Board. The Group is principally engaged in provision of travel and travel related services, property development, financial services and securities broking.

Financial Information

Based on the Company's audited financial results as disclosed in the Company's annual report for the financial year ended 31 December 2009 and the Company's unaudited financial results as disclosed in the Company's interim report for the six months ended 30 June 2010, the Group recorded a profit attributable to Shareholders of approximately HK\$2,596,000 and a profit attributable to Shareholders of approximately HK\$4,923,000 for the six months ended 30 June 2010 respectively.

A summary of the audited results of the Company for each of the three years ended 31 December 2007, 2008 and 2009 and the unaudited results of the Company for the six months ended 30 June 2009 and 2010 are set out in Appendix II to the Composite Document.

LETTER FROM THE BOARD

Information on the property division of the Group

For the six months ended 30 June 2010, a decrease in the turnover of the property division of the Group was recorded. In view of the series of policies implemented by the PRC Central Government to curb speculation in real estate and rising property prices, the property market in the PRC may remain under pressure. 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 approximately 151,773 square meter in respect of the idle land policy issued by the Zhongshan local government – 中山市閒置土地處理規定. The said policy states that any idle land left undeveloped by a property developer may stand the risks of being levied penalty for late development of land, possible re-possession of land by the relevant authorities, or require re-arrangement with the relevant authorities for development. ZMSV has taken note of these notifications and is considering the next course of action in respect of the said piece of land. For more information regarding the turnover of the property division of the Group, please refer to the announcement issued by the Company dated 25 August 2010 in connection with the interim results of the Group for the six months ended 30 June 2010.

Further Information

Further information in relation to the Company is set out in Appendix IV to the Composite Document.

An expected timetable in relation to the Share Offer is set out under the section headed “Expected timetable” of the Composite Document.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Kingston Securities” as set out on page 11 of the Composite Document.

INTENTION OF THE OFFEROR ON THE GROUP

The Directors, save and except for Mr. Khet Kok Yin, note from the “Letter from Kingston Securities” that it is the intention of the Offeror that the Company will continue its existing business and maintain its listing status on the Stock Exchange after the close of the Share Offer, and save as disclosed in the “Letter from Kingston Securities”, the Offeror does not intend that there will be any material change to the existing management and employees of the Group following the close of the Share Offer. The Directors, save and except for Mr. Khet Kok Yin, have no comments on the intention of the Offeror in respect of the Group as disclosed above and in the “Letter from Kingston Securities”. Your attention is drawn to the section headed “Intention of the Offeror in relation to the Group” and “Proposed Change of Board Composition” in the “Letter from Kingston Securities” as set out on page 12 of the Composite Document.

BOARD COMPOSITION OF THE COMPANY

It is intended that all of the existing Directors shall resign following the close of the Share Offer. Details of any change of the composition of the Board will be announced as and when deemed necessary.

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing status of the Shares on the Stock Exchange after the close of the Share Offer. Each of the Company and the Offeror will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Share Offer to ensure that not less than 25% of the Shares will be held by the public as required by the Listing Rules. As the Company and the Offeror are unable to ascertain at this stage the level of acceptances of the Shares by the Independent Shareholders, the aforesaid parties have not decided the exact steps/actions that will be taken by them after the close of the Share Offer to restore the public float of the Shares, if required.

If, at the close of the Share Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (1) a false market exist or may exist in the trading of the Shares; or (2) there are insufficient Share in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares. In this connection, it should be noted that upon the close of the Share Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

RECOMMENDATIONS

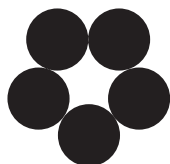
Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 21 to 22 of the Composite Document, which contains its recommendation to the Independent Shareholders regarding the Share Offer and the “Letter from Access Capital” set out on pages 23 to 41 of the Composite Document, which sets out its advice and recommendation to the Independent Board Committee in respect of the fairness and reasonableness of the Share Offer, and the principal factors which it has considered before arriving at its advice and recommendation to the Independent Board Committee.

ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from Kingston Securities” as set out on pages 6 to 13 of, in Appendix I to the Composite Document and the Form of Acceptance and Transfer, which contain details of the Share Offer. Your attention is also drawn to the information set out in the appendices to the Composite Document.

In considering which action is to be taken in connection with the Share Offer, Independent Shareholders should consider their own tax positions and, if they are in any doubt, they should consult their professional advisers.

By order of the Board
Morning Star Resources Limited
Ho Kuan Lai
Executive Director



星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

To the Independent Shareholders

15 September 2010

Dear Sirs or Madams,

**VOLUNTARY CONDITIONAL CASH OFFER
BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF
STAR ADVANCE INTERNATIONAL LIMITED
TO ACQUIRE ALL ISSUED SHARES OF MORNING STAR RESOURCES
LIMITED (OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
STAR ADVANCE INTERNATIONAL LIMITED AND PARTIES ACTING
IN CONCERT WITH IT)**

We refer to the composite offer and response document dated 15 September 2010 jointly issued by the Company and the Offeror (the “Composite Document”), which this letter forms part of. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Composite Document.

We have been appointed by the Board to consider and to make recommendations to the Independent Shareholders as to whether or not the terms of the Share Offer are fair and reasonable and as to acceptance of the Share Offer. Access Capital has been appointed as the independent financial adviser to advise us in respect of the terms of the Share Offer. Details of its advice, together with the principal factors and reasons taken into account in arriving at such advice, are set out in the “Letter from Access Capital” on pages 23 to 41 of the Composite Document.

We also wish to draw your attention to the “Letter from the Board” and the “Letter from Kingston Securities” as set out in the Composite Document and the additional information set out in the appendices to the Composite Document.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Share Offer, and the advice and recommendation of Access Capital, we consider that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Share Offer.

For and on behalf of
Independent Board Committee

Mr. CHAN Choung Yau
Non-executive Director

Mr. WONG Nyen Faat
Non-executive Director

Mr. WONG Kim Ling
*Independent non-executive
Director*

**Mr. OOI Boon Leong @
LAW Weng Leun**
*Independent non-executive
Director*

Mr. OH Hong Choon
*Independent non-executive
Director*

Note: Mr. KHET Kok Yin, who is a non-executive Director, is excluded from the responsibility statement to the Composite Document pursuant to Rule 9.4 of the Takeovers Code and is excluded as a member of the Independent Board Committee. For more details, please refer to the section headed “Independent Board Committee” in the “Letter from the Board” as set out on pages 15 to 16 of this Composite Document.

LETTER FROM ACCESS CAPITAL

The following is the full text of the letter of advice and recommendation to the Independent Board Committee and the Independent Shareholders from Access Capital prepared for the purpose of inclusion in this Composite Document.



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

15 September 2010

*To: the Independent Board Committee and
the Independent Shareholders of Morning Star Resources Limited*

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFER
BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF
STAR ADVANCE INTERNATIONAL LIMITED
TO ACQUIRE ALL ISSUED SHARES OF MORNING STAR RESOURCES LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
STAR ADVANCE INTERNATIONAL LIMITED AND PARTIES ACTING IN
CONCERT WITH IT)**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Offer, details of which are set out in the Composite Document to the Shareholders dated 15 September 2010, of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the Share Offer. Unless otherwise stated, terms used in this letter shall have the same meanings as those defined in the Composite Document.

On 24 May 2010, the Vendors (being Bonham and Firstway) entered into the Placing Agreement with Convoy as the placing agent. Pursuant to the Placing Agreement, Convoy agreed to procure the placing of 1,530,223,657 Placing Shares owned by the Vendors, representing approximately 63.38% of the issued share capital of the Company as at the Latest Practicable Date, at an average placing price of at least HK\$0.20 per Placing Share to investors independent of the Vendors, the directors, substantial shareholders and chief executive (as those terms are defined in the Listing Rules) of the Group and their respective

LETTER FROM ACCESS CAPITAL

associates. As advised by Convoy, it has successfully procured the Placees to acquire the 1,530,223,657 Placing Shares pursuant to the Placing Agreement. Upon Completion, the Vendors would cease to be Shareholders.

On 22 June 2010, the BVI Co, in its capacity as the then holding company of the Offeror, verbally agreed with Fortune (HK) Securities Limited, a sub-placing agent of Convoy under the Placing, that the Offeror would take up 750,000,000 Placing Shares, representing approximately 31.06% of the issued share capital of the Company as at the Latest Practicable Date. Subsequently on 28 July 2010, the BVI Co and the Offeror confirmed with Fortune Securities that the Offeror would take up 700,000,000 Placing Shares instead, representing approximately 28.99% of the issued share capital of the Company as at the Latest Practicable Date. The remaining balance of 50,000,000 Placing Shares has been sub-placed by Fortune (HK) Securities Limited to a Placee who is independent of and not a party acting in concert with the Offeror.

Completion took place on 5 August 2010. As a result, the Offeror and parties acting in concert with it own a total of 700,000,000 Shares, representing approximately 28.99% of the issued share capital of the Company. The Offeror will make the Share Offer, being a voluntary conditional cash offer (in compliance with the Takeovers Code), through Kingston Securities for all the Offer Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at an offer price of HK\$0.20 per Offer Share in cash.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of an executive Director, namely Ms Ho Kuan Lai; four non-executive Directors, namely 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 three independent non-executive Directors, namely Mr Wong Kim Ling, Mr Ooi Boon Leong @ Law Weng Leun and Mr Oh Hong Choon.

An Independent Board Committee (comprising all the non-executive Directors except Tan Sri Dr Khoo Kay Peng who is a non-executive Director and the chairman of the Company, and Mr. Khet Kok Yin who is a non-executive Director) has been established for the purpose of advising the Independent Shareholders as to whether the terms of the Share Offer are fair and reasonable and as to acceptance.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these respects, and to give our opinion in relation to the Share Offer for the Independent Board Committee's consideration when making its recommendation to the Independent Shareholders.

LETTER FROM ACCESS CAPITAL

III. BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Composite Document and the information and representations provided to us by the Company and/or the Directors, save and except for Mr. Khet Kok Yin. We have assumed that all such statements, information, opinions and representations contained or referred to in the Composite Document or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors, save and except for Mr. Khet Kok Yin, and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Composite Document. We have assumed that all the opinions and representations made or provided by the Directors, save and except for Mr. Khet Kok Yin, and/or the senior management staff of the Company contained in the Composite Document have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors, save and except for Mr. Khet Kok Yin, that no material facts have been omitted from the information provided and referred to in the Composite Document.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors, save and except for Mr. Khet Kok Yin, and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

We have not considered the tax consequences on the Shareholders of acceptance of the Share Offer since these are particular to their individual circumstances. In particular, Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

LETTER FROM ACCESS CAPITAL

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Share Offer, we have taken into consideration the following principal factors and reasons:

1. Historical financial performance of the Group

The Group is principally engaged in travel and travel-related services, hotel investment, hotel management, property development and property agency services, financial services and securities broking.

Set out below is the summary of financial information of the Group for the three year ended 31 December 2007, 2008 and 2009 as extracted from the annual reports of the Company for the years ended 31 December 2008 (the “2008 Annual Report”) and 2009 (the “2009 Annual Report”) and the interim report of the Company for the six months ended 30 June 2010:

	For the six months ended 30 June		For the year ended 31 December		
	2010	2009	2009	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Turnover from:					
– Travel and travel related services	247,146	190,444	465,250	416,803	485,350
– Property development	11,036	15,474	40,336	66,456	50,922
– Financial services	<u>749</u>	<u>728</u>	<u>1,454</u>	<u>1,642</u>	<u>3,883</u>
Total turnover	258,931	206,646	507,040	484,901	540,155
Cost of sales	(225,700)	(177,842)	(447,225)	(413,320)	(462,834)
Gross profit	33,231	28,804	59,815	71,581	77,321
Profit from operations	3,775	1,178	5,433	786	9,398
(Loss)/profit before tax	3,775	1,160	5,416	(27,110)	(6,547)
(Loss)/profit for the period/year	3,775	(1,468)	1,303	(30,940)	(7,576)
(Loss)/profit for the period/year attributable to:					
Equity holders of the Company	4,923	(390)	2,596	(31,034)	(10,824)
Minority interests	<u>(1,148)</u>	<u>(1,078)</u>	<u>(1,293)</u>	<u>94</u>	<u>3,248</u>
	<u>3,775</u>	<u>(1,468)</u>	<u>1,303</u>	<u>(30,940)</u>	<u>(7,576)</u>

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	As at	
	30 June 2010	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Assets:		
Non-current assets	68,638	75,508
Current assets	<u>339,479</u>	<u>333,331</u>
Total assets	408,117	408,839
Liabilities:		
Non-current liabilities	–	–
Current liabilities	<u>113,873</u>	<u>112,813</u>
Total liabilities	<u>113,873</u>	<u>112,813</u>
Net assets	<u><u>294,244</u></u>	<u><u>296,026</u></u>

It is noted from the table above that for the three most recent financial years, the Group recorded a loss attributable to Shareholders for the two years ended 31 December 2007 and 2008. The turnover of the Group decreased approximately 6.1% from financial year 2007 to 2009, from approximately HK\$540.2 million for the year ended 31 December 2007 to approximately HK\$507.0 million for the year ended 31 December 2009. We also note that the Company has not distributed any dividends for the three financial years ended 31 December 2007 to 2009 and the six months ended 30 June 2010.

For the year ended 31 December 2008

For the year under review, the Group recorded a pre-tax loss of approximately HK\$27.1 million for the financial year ended 31 December 2008 (2007: HK\$6.5 million loss). As stated in the 2008 Annual Report, the loss was mainly attributed to a final impairment amounting to approximately HK\$23.4 million relating to the Group's investment in Oasis Hong Kong Airlines Limited and Oasis Growth and Income Investments Limited which have gone into liquidation, and other non-recurring expenses amounting to HK\$3.9 million.

Travel and tourism division

Turnover for the Group's travel and tourism division for the year ended 31 December 2008 amounted to approximately HK\$416.8 million (2007: HK\$485.4 million). As stated in the 2008 Annual Report, the decline of approximately 14.1% in turnover reflected the weakening consumer spending sentiment and affordability brought about by the economic slowdown as a result of the global financial crisis that started in 2008. Nevertheless, the management of the Group was able to

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counter the negative effects of the weakening consumer demand by implementing various product development and cost management measures, and consequently achieved a higher profit of approximately HK\$1.6 million for 2008 (2007: HK\$0.6 million). However, included in the profit was a gain of approximately HK\$0.7 million from the disposal of a property under the division in Thailand.

Property division

The Group's property businesses are in Zhongshan, Guangdong Province, the PRC. For the year ended 31 December 2008, turnover of the Group's Property Division amounted to approximately HK\$66.5 million (2007: HK\$50.9 million) with a corresponding profit of approximately HK\$3.4 million (2007: HK\$6.6 million). The decrease in profit was mainly due to higher development costs for its latest developed units as well as some lowering of prices due to stiff competition amidst weakening demand.

As at 31 December 2008, there were approximately 266 units available for sale in the residential project of Morning Star Villa ("MSV") and residential and commercial project of Morning Star Plaza ("MSP"). In anticipation of the continuing weak property market conditions in 2009, the management of the Group focused on the disposal of these completed yet unsold units while considering the next course of action for MSV and MSP.

Financial services division

For the year ended 31 December 2008, the turnover generated from the Group's financial services is approximately HK\$1.6 million, representing a decrease of approximately 59.0% from the turnover of approximately HK\$3.9 million for the year ended 31 December 2007. The segment loss of the financial services division is approximately HK\$0.2 million, compared to a segment profit of approximately HK\$2.5 million for the year ended 31 December 2007.

For the year ended 31 December 2009

For the year ended 31 December 2009, the Group's turnover grew approximately 4.6% from approximately HK\$484.9 million in 2008 to approximately HK\$507.0 million in 2009. The profit attributable to equity holders of the Company for the year ended 31 December 2009 amounted to approximately HK\$2.6 million against a loss of approximately HK\$31.0 million for 2008.

Travel and tourism division

Total turnover for the Group's travel and tourism division for the year ended 31 December 2009 amounted to HK\$465.3 million, an increase of 11.6% compared to HK\$416.8 million in 2008. As stated in the 2009 Annual Report, the growth in turnover was mainly attributable to the inclusion of turnover from a

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newly acquired subsidiary in the PRC, Beijing Morning Star-New Ark International Travel Service Co., Ltd., formerly a jointly-controlled entity of the Group.

Property division

For the year ended 31 December 2009, total turnover of the Group's property division amounted to HK\$40.3 million compared to HK\$66.5 million for 2008 with a corresponding profit of HK\$3.2 million against a profit of HK\$3.4 million for 2008.

In 2009, the management focused on the sale of unsold completed residential units in MSV and MSP resulting in over HK\$37.7 million worth of stocks on hand being sold during the year. In line with the normal approach adopted in the recognition of sales, the revenue and profits arising from 19 units sold with an accumulated sales value of HK\$7.5 million have not been recognised in the Group's profit and loss account. As stated in the 2009 Annual Report, approximately 99% of all residential units completed under Phase I to Phase VIII of MSV have been sold and approximately 73.8% of all residential and commercial units completed under Phase I to Phase IV of MSP have been sold.

Financial services division

For the year ended 31 December 2009, the turnover generated from the Group's financial services is approximately HK\$1.5 million, representing an approximately 6.3% decrease from the turnover of approximately HK\$1.6 million for the year ended 31 December 2008. The segment loss of the financial services division is approximately HK\$0.2 million, unchanged comparing to the corresponding year.

As at 31 December 2009, the audited total equity attributable to Shareholders was approximately HK\$227.7 million. Based on 2,414,547,555 Shares in issue as at the Latest Practicable Date, the equity attributable to Shareholders per Share was approximately HK\$0.0943 as at 31 December 2009.

For the six months ended 30 June 2010

The Group's turnover grew approximately 25.3% from approximately HK\$206.6 million for the six months ended 30 June 2009 to approximately HK\$258.9 million for the six months ended 30 June 2010. The profit attributable to equity holders of the Company for the first half of 2010 amounted to approximately HK\$4.9 million against a loss of approximately HK\$0.4 million for the first half of 2009.

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Travel and tourism division

The Group's turnover for the travel and tourism division grew approximately 29.8% from approximately HK\$190.4 million for the six months ended 30 June 2009 to approximately HK\$247.1 million for the six months ended 30 June 2010. The segment profit for the first half of 2010 improved to approximately HK\$9.0 million compared to a profit of approximately HK\$0.5 million for the first half of 2009.

Property division

The Group's turnover for the property division decreased by approximately 29.0% from approximately HK\$15.5 million for the six months ended 30 June 2009 to approximately HK\$11.0 million for the six months ended 30 June 2010. The segment loss for the first half of 2010 amounted to approximately HK\$2.4 million compared to a profit of approximately HK\$2.7 million for the first half of 2009.

Financial services division

The Group's turnover for the financial services division remained stable at approximately HK\$0.7 million for the six months ended 30 June 2010 and the segment loss increased to approximately HK\$0.3 million.

As at 30 June 2010, the unaudited total equity attributable to Shareholders was approximately HK\$224.6 million. Based on 2,414,547,555 Shares in issue as at the Latest Practicable Date, the equity attributable to Shareholders per Share was approximately HK\$0.0930 as at 30 June 2010.

2. Prospects of the Group

During the three years ended 31 December 2009 and the six months ended 30 June 2010, the majority of the Group's turnover was derived from the travel and tourism division and property division.

Travel and tourism division

As stated in the 2009 Annual Report, during the year, faced with unfavourable and challenging market conditions brought about by the global economic recession and outbreak of the H1N1 flu pandemic, Morning Star Travel Service Limited ("MST"), the main arm of the Group's travel and tourism division, had effectively reduced its operating costs and improved the productivity as well as the gross profit margin of the division and as a result of which, the travel and tourism division achieved an increase in its operating profit from approximately HK\$1.6 million in 2008 to approximately HK\$4.2 million in 2009.

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

We understand from the management of the Group that the travel agency industry in Hong Kong is competitive. According to the Travel Agency Registry of Hong Kong, there were 1,520 licensed travel agents as at 31 August 2010.

Set out below is the performance of the Group's travel and travel-related services segment for the three financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010:

	For the six months ended 30 June 2010	For the year ended 31 December		
	2010	2009	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2007</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Segment revenue	247,146	465,250	416,803	485,350
Segment results	8,954	4,230	1,589	582
Profit margin	3.6%	0.9%	0.4%	0.1%

As shown from the table above, the travel and travel-related services segment of the Group was operating at near break-even level, with profit margin improving from approximately 0.1% for the year ended 31 December 2007 to approximately 3.6% for the six months ended 30 June 2010. The segment revenue decreased by approximately 4.1% from approximately HK\$485.4 million for the year ended 31 December 2007 to approximately HK\$465.3 million for the year ended 31 December 2009 and improved for the six months ended 30 June 2010.

According to the 2008/2009 annual report of Trade Industry Council of Hong Kong ("TIC Annual Report"), the council that regulates outbound and inbound travel agents of Hong Kong under the Travel Agents (Amendment) Ordinance, in light of the difficulties faced by travel agents in Hong Kong, the high profit margin enjoyed by travel agents in Hong Kong in the past might no longer return. According to the TIC Annual Report, during 2008 and 2009, several airlines reduced agency commission with certain airlines introduced zero commission beginning from 1 April 2010. Accordingly, it is noted that the prospects of the travel agent industry in Hong Kong remain uncertain.

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Property division

For the year ended 31 December 2009, the Group's property division achieved a turnover of approximately HK\$40.3 million (2008: HK\$66.5 million) with a corresponding operating profit of approximately HK\$3.2 million (2008: HK\$3.4 million). For the six months ended 30 June 2010, the Group's turnover in the property division decreased to approximately HK\$11.0 million from approximately HK\$15.5 million for the six months ended 30 June 2009. The segment generated a loss of approximately HK\$2.4 million during the first half of 2010, compared to a profit of approximately HK\$2.7 million during the corresponding period in 2009.

As stated in the 2009 Annual Report, the Group's property division will continue to focus on the sale of its unsold completed units in the Group's existing projects, MSV and MSP, and will also be exploring various options to generate maximum return on its lands and properties in Zhongshan.

As stated in the interim report of the Company for the six months ended 30 June 2010, the property market in the PRC will remain under pressure in view of the series of policies implemented by the PRC 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 approximately 151,773 square meters (the "Land") in respect of the idle land policy issued by the Zhongshan local government – 中山市閑置土地處理規定. The said policy states that any idle land left undeveloped by a property developer may stand the risks of being levied penalty for late development of land, possible re-possession of land by the relevant authorities, or require re-arrangement with the relevant authorities for development. ZMSV has taken note of these notifications and is considering the next course of action in respect of the said piece of land.

The property projects of the Group are located in the Guangdong province. According to the information published by National Bureau of Statistics of China on 12 July 2010, during January to June 2010, the sales area of commercial buildings in Guangdong Province was approximately 28.5 million squared meters, representing a decrease of approximately 3.2% from the corresponding period in 2009. The sales amount of commercial buildings in Guangdong Province was approximately RMB206.0 billion, representing an increase of approximately 13.7% over the corresponding period in 2009.

With the stated intention to curb speculation in real estate and rising property prices, the PRC government adopted a series of policies in 2010. On 7 January 2010, the PRC government announced that for families that purchased their first property with mortgage financing, they are required to have at least 40% down payment for the purchase of the second property. On 17 April 2010, the PRC government further imposed stricter restrictions and introduced new

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policies including, among others, (i) for the purchase of the first property of the family, the down payment must be not less than 30% of the purchase price; (ii) for the purchase of the second property of the family, the down payment must be not less than 50% of the purchase price and the interest rate for the mortgage loan must not be lower than 1.1 times the central bank's benchmark lending rate; and (iii) for the purchase of the third property of the family, the down payment required and the interest rate for the mortgage loan would be substantially higher and the commercial banks have the right to refuse granting mortgage loans for the purchase of the third property.

It is noted that notwithstanding the sales amount of commercial building in Guangdong Province has been growing for the first half of 2010 according to the National Bureau of Statistics of China, the various policies adopted by the PRC government may make it more difficult to purchase properties going forward with the higher level of down payment required. Accordingly, the prospects of the properties industry remain uncertain.

3. The Share Offer

Kingston Securities, on behalf of the Offeror, will make the Share Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.20

As at the Latest Practicable Date, the Company had 2,414,547,555 Shares in issue. The Company did not have any outstanding warrants, options, derivatives or securities convertible into Shares as at the Latest Practicable Date. Save for the acquisition of 700,000,000 Shares by the Offeror at the Placing Price of HK\$0.20 per Share pursuant to the Placing, there has been no dealings in the Shares by the Offeror and parties acting in concert with it during the Relevant Period.

At the Share Offer Price of HK\$0.20 per Share, the entire issued share capital of the Company is valued at approximately HK\$482,910,000. Based on 1,714,547,555 Offer Shares (comprising 2,414,547,555 Shares in issue less 700,000,000 Shares held by the Offeror and parties acting in concert with it upon Completion) which will be subject to the Share Offer, the Share Offer is valued at approximately HK\$342,910,000.

The Share Offer Price represents:

- (i) a premium of approximately 53.85% over the closing price of HK\$0.130 per Share as quoted on the Stock Exchange on 20 May 2010, being the last trading day prior to the publication of the announcement relating to the placing of existing Shares by the controlling Shareholder;
- (ii) a discount of approximately 29.82% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;

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- (iii) a discount of approximately 28.83% to the average closing price of HK\$0.281 per Share as quoted on the Stock Exchange during the five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 26.74% to the average closing price of HK\$0.273 per Share as quoted on the Stock Exchange during the ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 17.36% to the closing price of HK\$0.242 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a premium of approximately 112.09% to the audited consolidated net asset per Share attributable to Shareholders of approximately HK\$0.0943 as at 31 December 2009; and
- (vii) a premium of approximately 115.05% to the unaudited consolidated net asset per Share attributable to Shareholders of approximately HK\$0.0930 as at 30 June 2010.

4. Historical Share price performance

The chart below illustrates the daily closing prices of the Shares as quoted on the Stock Exchange for the period from 1 June 2009 up to and including the Latest Practicable Date (the “Review Period”).



Source: website of the Stock Exchange (www.hkex.com.hk)

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As shown in the chart above, during the Review Period, the Share prices have been trading within the range of HK\$0.05 to HK\$0.10 from June 2009 to February 2010. The Share price increased to over HK\$0.10 in March 2010 and began to show an increasing trend. The closing prices of the Shares were trading between HK\$0.054 per Share (“Lowest Closing Price”) recorded on 1 June 2009 to HK\$0.30 (“Highest Closing Price”) per Share recorded on 7 June 2010. On 25 May 2010 (before trading hour), the Company published an announcement in relation to the placing of 1,530,233,657 existing Shares by the Company’s two substantial Shareholders at an average target placing price of at least HK\$0.20 per Share (the “Placing Announcement”). Following the publication of the Placing Announcement, the Share price rose approximately 12.3% from HK\$0.13 to HK\$0.146 per Share on 25 May 2010 and further increased in the following month. The Share price increased to as high as HK\$0.30 per Share on 7 June 2010. On 4 August 2010, the Company and the Offeror jointly announced (i) the successful procurement of Places for the placing of 1,530,223,657 Shares; and (ii) the Offeror intends to make the Share Offer. The Share price dropped approximately 12.6% to HK\$0.249 per Share on 4 August 2010. Thereafter, the Share price decreased further to a level below the Share Offer Price before increasing to HK\$0.242 as at the Latest Practicable Date.

In general, the Share Offer Price has been at significant level of premiums over the trading prices of the Shares for a prolong period under the Review Period. The Share Offer Price of HK\$0.20 per Share represents (i) a discount of approximately 33.3% to the Highest Closing Price; (ii) a premium of approximately 270.4% over the Lowest Closing Price; and (iii) a discount of approximately 17.4% to the closing Share price on the Latest Practicable Date.

We note that following the publication of the Placing Announcement which leads to the Share Offer, there has been a substantial increase in Share price. Accordingly, we consider that it is more meaningful to compare the Share Offer Price to the then prevailing level of Share price prior to the Placing Announcement. Prior to the Placing Announcement, the Share Offer Price has been consistently higher than the closing Share prices during the Review Period.

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5. Historical liquidity of the Shares

Set out below is the average daily trading volume of the Shares during the Review Period and the percentages of average daily trading volume of the Shares to the total number of issued Shares and the number of Offer Shares as at the Latest Practicable Date:

Month/Period	Total trading volume (Number of Shares)	Average daily trading volume (note 1) (Number of Shares)	Average daily trading volume to the total number of issued Shares (%)	Average daily trading volume to the number of Offer Shares (%)
2009				
June	206,587,000	9,390,318	0.39%	0.55%
July	45,366,000	2,062,091	0.09%	0.12%
August	46,955,000	2,235,952	0.09%	0.13%
September	18,191,000	826,864	0.03%	0.05%
October	88,916,000	4,445,800	0.18%	0.26%
November	27,222,000	1,296,286	0.05%	0.08%
December	30,010,000	1,364,091	0.06%	0.08%
2010				
January	17,170,000	858,500	0.04%	0.05%
February	4,637,500	257,639	0.01%	0.02%
March	369,271,000	16,055,261	0.66%	0.94%
April	372,410,000	19,600,526	0.81%	1.14%
May	325,920,000	17,153,684	0.71%	1.00%
June	1,712,275,432	107,017,215	4.43%	6.24%
July (note 2)	N/A	N/A	N/A	N/A
August	1,833,886,657	96,520,350	4.00%	5.63%
September	874,136,000	97,126,222	4.02%	5.66%
Maximum			4.43%	6.24%
Minimum			0.01%	0.02%
Average			1.04%	1.46%

Source: website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. The trading of the Shares was suspended in July 2010.

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As illustrated in the table above, from June 2009 up to the Last Trading Day, the monthly average daily trading volume of the Shares was in the range of approximately 0.01% to approximately 4.43% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.02% to approximately 6.24% of the number of Offer Shares as at the Latest Practicable Date. After publication of the Joint Announcement up to the Latest Practicable Date, the average daily trading volume of the Shares was approximately 4.01% and approximately 5.64% of the total number of issued Shares and number of Offer Shares as at the Latest Practicable Date, respectively.

As shown from the above table, liquidity of the Shares was generally low during the Review Period. Given the relatively thin average monthly trading liquidity of the Shares of approximately 1.04% of issued share capital of the Company and approximately 1.46% of the total number of Offer Shares during the Review Period, the Share Offer can be viewed as an opportunity for the Independent Shareholders to realise their investment in the Company at the Share Offer Price.

6. Comparable analysis

In order to assess the fairness and reasonableness of the Share Offer Price by comparing the valuation of the Company under the Share Offer Price with other peers engaging in similar business, we have considered adopting the price to earnings approach, price to book approach and dividend yield approach. However, as no dividend was distributed for the financial year ended 31 December 2009, we consider the comparable analysis using the dividend yield approach is not applicable.

We have compared the price to earnings multiple (the “P/E ratio”) and price to book multiple (the “P/B ratio”) of the Company under the Share Offer Price with (i) selected comparable companies, being all companies listed on the Stock Exchange principally engaged in the provision of travel and travel-related services; and (ii) all those transactions from 1 January 2010 of companies listed on the Stock Exchange involving acquisitions or disposals of companies principally engaged in travel and travel-related services (the “Comparables”).

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The table below illustrates the P/E ratio and P/B ratio of the Comparables:

Company name (Stock code)	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>	Earnings attributable to owners of the company for the latest financial year <i>(HK\$ million)</i>	P/E ratio <i>(times)</i>	Net asset value attributable to owners of the company for the latest financial year <i>(HK\$ million)</i>	P/B ratio <i>(times)</i>
Listed companies on the Stock Exchange:					
China Travel International Investment Hong Kong Limited (Stock code: 308)	10,536	28.1	375.0	11,567	0.9
Success Universe Group Limited (Stock code: 487)	719	N/A (loss)	N/A	628	1.1
Recent transaction by listed company on the Stock Exchange:					
Disposal of 90% interest in subsidiary by Rosedale Hotel Holdings Limited ("Rosedale") (formerly known as Wing On Travel (Holdings) Limited) (Stock code: 1189), details of which are set out in the circular of Rosedale dated 27 March 2010 (<i>Note 3</i>)	684	38.3 <i>(Note 1)</i>	17.9	N/A (net deficit)	N/A
Average			196.4		1.0
The Company	483 <i>(Note 2)</i>	2.6	185.8	224.6	2.2

Notes:

- Being the profit attributable to shareholders of approximately HK\$42.6 million multiplied by the 90% interest being disposed of.
- Based on the Share Offer Price of HK\$0.20 multiplied by 2,414,547,555 Shares in issue as at the Latest Practicable Date.
- Notwithstanding that the transaction involved the disposal of a non listed subsidiary by Rosedale, given that (i) such subsidiary is principally engaged in travel and travel-related services; and (ii) the consideration was made after arm's length negotiation with reference to P/E ratio of subject, we consider that it is appropriate to include the transaction as one of the Comparables.

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As set out in the table above, the P/E ratio of the Comparables ranges from 17.9 times to 375.0 times with an average P/E ratio of 196.4 times. As the range of P/E Ratio of the Comparables varies substantially based on the limited number of Comparables, the P/E ratio alone may not be appropriate to reflect the fairness and reasonableness of the Share Offer Price.

The P/B ratio of the Comparables ranges from 0.9 times to 1.1 times with an average P/B ratio of 1.0 times. The P/B ratio of 2.2 times implied by the Share Offer Price is significantly above the range and the average P/B ratio of the Comparables.

We wish to point out that the above comparison with the Comparables is for illustrative purpose only as each of the Comparables may not be entirely comparable to the Group in terms of the scale of operations, risk profile, and future prospects. Such factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Therefore, in forming our opinion, we have considered the results of the above comparison together with other factors stated in this letter as a whole.

7. Offeror's intentions in respect of the Company and the Group

Following the close of the Share Offer, the Offeror intends to continue the existing businesses of the Group. The Offeror will conduct a review on the financial position and operations of the Group and will formulate long-term business plans and strategy of the Group, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such disposals and/or acquisitions materialise, further announcement will be made in accordance with the Listing Rules.

As at the Latest Practicable Date, the Offeror had an intention to dispose of the shares in Malayan United Industries Berhad held by the Company through its wholly-owned subsidiary, Swift Progress Investments Limited, a company incorporated in the BVI, where such assets are of no interest to the Offeror. Tan Sri Dr. Khoo Kay Peng had considered to enter, through his personal company(ies) into certain agreements with the Company to facilitate such disposal. Although there were some preliminary discussions, as at the Latest Practicable Date, no agreement had been entered into, and such disposal might or might not occur. In the circumstance where such disposal does occur and is made to Tan Sri Dr. Khoo Kay Peng or to his personal company(ies), it will then constitute a connected transaction under the Listing Rules. In addition, the Company will comply with the requirements related to connected transactions under the Listing Rules.

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As at the Latest Practicable Date, the Board was made up of eight Directors, comprising one executive Director, four non-executive Directors, and three independent non-executive Directors. It is intended that all of the existing Directors shall resign following the close of the Share Offer. It was noted that the Offeror intended to appoint certain persons as Directors. Further announcement in respect of the appointment of Directors will be made in compliance with the requirements of the Listing Rules. Save as disclosed above, the Offeror does not intend that there will be any material changes to the existing management and employees of the Group following the close of the Share Offer.

The Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Share Offer. Each of the Company and the Offeror will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Share Offer to ensure that not less than 25% of the Shares will be held by the public.

V. RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, in particular:

- (i) the Group recorded a loss for the two of the three most recent financial years and generated a profit attributable to Shareholders of only approximately HK\$2.6 million for the year ended 31 December 2009;
- (ii) the Share Offer Price represents a significant premium of approximately 112.09% to the audited net asset value of the Company as at 31 December 2009 and 115.05% to the unaudited net asset value of the Company as at 30 June 2010;
- (iii) the P/B ratio implied by the Share Offer Price is above the average of the P/B ratio of the Comparables; and
- (iv) in view of the keen competition in the travel agent business and the various policies enacted by the PRC government to cool down the PRC property market, the Group would face challenges to significantly improve Shareholders' value based on its current travel and property businesses.

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We consider that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer.

Shareholders are advised that the decision to realise or to hold their investments in the Company is subject to individual circumstances and investment objectives. In the event that the market price of the Shares exceed the Share Offer Price during the period while the Share Offer is open and the sales proceeds, net of transactions costs, exceed the amount receivable under the Share Offer, the Independent Shareholders should consider not accepting the Share Offer and should seek to sell their Shares on the market if they are able to do so.

Shareholders who wish to accept the Share Offer are recommended to read carefully the procedures for accepting the Share Offer as detailed in the section headed “Further terms of the Share Offer” in Appendix I to the Composite Document, and also the accompanying Form of Acceptance and Transfer.

Yours faithfully,
For and on behalf of
Access Capital Limited
Ambrose Lam **Jimmy Chung**
Principal Director *Principal Director*

1. PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares, you must send the Form of Acceptance and Transfer duly completed together with the relevant original share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for all of your Shares or, if applicable, for not less than the number of Shares in respect of which you intend to accept the Share Offer to the Registrar, being Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event so as to reach the Registrar at the aforesaid address no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares, you must either:
- (i) lodge your original share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the Form of Acceptance and Transfer duly completed together with the relevant original share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for all of your Shares or, if applicable, for not less than the number of Shares in respect of which you intend to accept the Share Offer to the Registrar, being Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code; or
- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance and Transfer duly completed together with the relevant original share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for all of your Shares or, if applicable, for not less than the number of Shares in respect of which you intend to accept the Share Offer to the Registrar, being Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC to accept the Share Offer on your behalf on or before the deadline set by HKSCC. In order to meet the deadline set by HKSCC, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC. In order to meet the deadline set by HKSCC, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.
- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and Transfer and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to Kingston Corporate Finance, Ample Capital and/or the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance and Transfer.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and Transfer and deliver it to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (e) Acceptance of the Share Offer will be treated as effective and valid only if the completed Form of Acceptance and Transfer is received by the Registrar by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce as permitted under the Takeovers Code), the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph under this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance and Transfer is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt of any Form(s) of Acceptance and Transfer, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) In accordance with Rule 20.1 of the Takeovers Code, payment (less sellers' ad valorem stamp duty) will be posted to the accepting Independent Shareholders or, in the case of joint Shareholders, to the Shareholder whose name stands first in the register of the members of the Company, by ordinary post at their own risk as soon as possible but in any event within 10 days of the later of the date the Share Offer becomes or is declared unconditional and the date the Offeror acting through the Registrar receives a duly completed Form of Acceptance and Transfer. Relevant documents of title must be received by the Registrar to render each acceptance of the Share Offer complete and valid.
- (h) If the Share Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar

will be returned to the Independent Shareholders who have accepted the Share Offer by post, or such documents will be made available for collection, as soon as possible but in any event within 10 days after the Share Offer has lapsed.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Share Offer is made on 15 September 2010, the date of posting of this Composite Document, and is capable of acceptance on and from this date until the close of the Offer Period.
- (b) If the Share Offer is extended or revised, the announcement of such extension or revision will state the next closing date and the Share Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Independent Shareholders and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Share Offer, all Independent Shareholders, whether or not they have already accepted the Share Offer, will be entitled to accept the revised Share Offer under the revised terms. The revised Share Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (c) The Offeror may introduce new conditions to be attached to any revision to the terms of the Share Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised Share Offer and subject to the consent of the Executive.
- (d) If the First Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance and Transfer to the First Closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Share Offer as so extended.
- (e) If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a “black” rainstorm warning signal in force between 9:00 a.m. and 4:00 p.m. on the First Closing Date, the time and date of the closing date of the Share Offer will be adjourned to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve.

3. ANNOUNCEMENTS

- (a) As required by Rule 19 of the Takeovers Code, by 6:00 p.m. (or such later time as the Executive may in exceptional circumstances permit) on the First Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Share Offer. The Offeror must publish an announcement on the Stock Exchange’s website by 7:00 p.m. on the First Closing Date stating whether the Share Offer has been revised or extended, has expired or has become or been declared unconditional (whether as to acceptances or in all respects). Such announcement

must be published in accordance with the requirements set out below in accordance with the Takeovers Code. The announcement must state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Share Offer have been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or any persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold, and specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

In computing the total number of the Shares represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Registrar (as regards the Share Offer) no later than 4:00 p.m. on the First Closing Date shall be included.

- (b) As required under the Takeovers Code regarding the publication of documents, all announcements in relation to the Share Offer will be made in accordance with the requirements of the Listing Rules.

4. RIGHT OF WITHDRAWAL

Pursuant to Rule 17 of the Takeovers Code, an acceptor of the Share Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the Share Offer has not by then become unconditional as to acceptances. An acceptor of the Share Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar.

Such entitlement to withdraw shall be exercisable only until such time as the Share Offer becomes or is declared unconditional as to acceptances. Furthermore, Rule 19.2 of the Takeovers Code provides that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Share Offer as described under the paragraph headed “ANNOUNCEMENTS” above, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met. Save as aforesaid, acceptances of the Share Offer shall be irrevocable and not capable of being withdrawn.

If an accepting Independent Shareholder withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return, by ordinary post and at the risk of the Shareholder, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance and Transfer to the relevant Independent Shareholder.

5. GENERAL

- (a) All communications, notices, Form of Acceptance and Transfer, share certificates, transfer receipts, other documents of title or satisfactory indemnity or indemnities and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror, the Company, Kingston Corporate Finance, Ample Capital, the Registrar or any of their respective directors, associates, agents, or any other person involved in the Share Offer, accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (b) The provisions set out in the accompanying Form of Acceptance and Transfer form part of the terms and conditions of the Share Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance and Transfer or any of them to any person to whom the Share Offer is made will not invalidate the Share Offer in any way.
- (d) The Share Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance and Transfer by or on behalf of an Independent Shareholder will constitute such Independent Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Share Offer.
- (e) Due execution of the Form of Acceptance and Transfer will constitute an irrevocable authority to the Offeror and Kingston Securities (or such person or persons as the Offeror and Kingston Securities may direct) to complete and execute any document on behalf of the person accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror (or such person or persons as it may direct) the Shares in respect of which such person has accepted the Share Offer.
- (f) Acceptance of the Share Offer by any person will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Share Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights accruing or attaching thereto as at the date of this

Composite Document or subsequently becoming attached to them, including the right to receive all dividends and distributions, if any, declared, made or paid on or after the date of this Composite Document.

- (g) References to the Share Offer in this Composite Document and in the Form of Acceptance and Transfer shall include any extension and/or revision thereof and references to the Share Offer becoming unconditional shall include a reference to the Share Offer being declared unconditional.
- (h) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of (i) the market value of the Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Share Offer. The Offeror will pay the buyer's ad valorem stamp duty on its own behalf and the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders in respect of the Offer Shares accepted under the Share Offer.
- (i) Settlement of the consideration to which any Independent Shareholder is entitled under the Share Offer will be implemented in full (net of sellers' ad valorem stamp duty) in accordance with the terms of the Share Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.
- (j) The making of the Share Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of each Overseas Shareholder wishing to accept the Share Offer to satisfy himself or herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Any such Overseas Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable and the Offeror, the Company, Kingston Corporate Finance, Ample Capital and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such Overseas Shareholder for any such issue, transfer or other taxes as such person may be required to pay. Acceptances of the Share Offer by any such person will constitute a warranty by such person that such person has observed and is permitted under all applicable laws and regulations to receive and accept the Share Offer and any revision thereof, and that he/she/it has obtained any requisite governmental, exchange control or other consents, complied with all other necessary formalities or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her/it in connection with such acceptance in any territory, and that he/she/it has not taken or omitted to take any action which will or may result in the Offeror, the Company, Kingston Corporate Finance, Ample Capital or any other person acting in breach of the

legal or regulatory requirements of any jurisdiction in connection with the Share Offer and/or his/her/its acceptance thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

- (k) In making their decision, Independent Shareholders must rely on their own examination of the Offeror and the terms of the Share Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendations contained herein, and the Form of Acceptance and Transfer are not to be construed as legal or business advice. Independent Shareholders could consult with their own professional advisers for professional advice.
- (l) If the Share Offer lapses for any reason, it shall cease to be capable of further acceptances and the Offeror and Kingston Securities shall cease to be bound by any of the prior acceptances.
- (m) The Share Offer is being made by the issue and despatch of this Composite Document on 15 September 2010.
- (n) The Share Offer is made in accordance with the Takeovers Code.
- (o) The English text of this Composite Document and of the Form of Acceptance and Transfer shall prevail over the Chinese text for the purpose of interpretation.

1. SUMMARY FINANCIAL INFORMATION

Set out below is the financial information of the Group for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 as extracted from the Company's annual reports for the three years ended 31 December 2007, 2008 and 2009 and the Company's interim report for the six months ended 30 June 2010. The Company's auditor, Parker Randall CF (H.K.) CPA Limited, has not issued a qualified opinion on the Group's financial statements for each of the three years ended 31 December 2007, 2008 and 2009.

	For the year ended 31 December			For the six months ended	
	2007	2008	2009	2009	2010
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Turnover	<u>540,155</u>	<u>484,901</u>	<u>507,040</u>	<u>206,646</u>	<u>258,931</u>
Profit / (Loss) before tax	<u>(6,547)</u>	<u>(27,110)</u>	<u>5,416</u>	<u>1,160</u>	<u>3,775</u>
Income Tax Expenses	<u>(1,029)</u>	<u>(3,830)</u>	<u>(4,113)</u>	<u>(2,628)</u>	<u>–</u>
Profit / (Loss) after tax	<u>(7,576)</u>	<u>(30,940)</u>	<u>1,303</u>	<u>(1,468)</u>	<u>3,775</u>
Attributable to:					
Equity holders of the Company	(10,824)	(31,034)	2,596	(390)	4,923
Minority interests	<u>3,248</u>	<u>94</u>	<u>(1,293)</u>	<u>(1,078)</u>	<u>(1,148)</u>
	<u>(7,576)</u>	<u>(30,940)</u>	<u>1,303</u>	<u>(1,468)</u>	<u>3,775</u>
EARNINGS/(LOSS) PER SHARE					
Basic	(0.4 cents)	(1.3 cents)	0.1 cent	(0.02 cent)	0.2 cent
Diluted	–	–	–	–	–
DIVIDEND PER SHARE					
	–	–	–	–	–
Total assets	493,900	398,102	408,839	401,977	408,117
Total liabilities	<u>166,951</u>	<u>106,425</u>	<u>112,813</u>	<u>101,696</u>	<u>113,873</u>
NET ASSETS	<u>326,949</u>	<u>291,677</u>	<u>296,026</u>	<u>300,281</u>	<u>294,244</u>
REPRESENTED BY					
Equity attributable to shareholders of the Company	256,866	221,500	227,684	229,960	224,574
Minority interests	<u>70,083</u>	<u>70,177</u>	<u>68,342</u>	<u>70,321</u>	<u>69,670</u>
TOTAL EQUITY	<u>326,949</u>	<u>291,677</u>	<u>296,026</u>	<u>300,281</u>	<u>294,244</u>

2. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Set out below are the audited financial statements of the Group together with the accompanying notes as extracted from the Company's annual report for the year ended 31 December 2009.

Consolidated Income Statement

For the year ended 31 December 2009

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

Consolidated Statement of Comprehensive Income*For the year ended 31 December 2009*

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

Consolidated Statement of Financial Position*As at 31 December 2009*

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>16</i>	18,084	19,270
Prepaid land lease payments	<i>17</i>	2,931	2,995
Property under development	<i>18</i>	3,806	3,806
Investment in a jointly-controlled entity	<i>19, 41</i>	–	2,014
Investments in associates	<i>20</i>	–	–
Available-for-sale financial assets	<i>21, 40</i>	27,012	9,466
Other assets	<i>22</i>	8,255	7,948
Pledged bank balances	<i>23</i>	3,397	4,093
Deferred tax assets	<i>24</i>	<u>12,023</u>	<u>11,946</u>
		<u>75,508</u>	<u>61,538</u>
CURRENT ASSETS			
Due from related companies	<i>25</i>	7,888	4,582
Due from associates	<i>32</i>	915	1,569
Properties held for sale	<i>26</i>	73,012	97,671
Properties held for sale under development	<i>27</i>	65,599	65,551
Financial assets at fair value through profit or loss	<i>21</i>	–	116
Inventories	<i>28</i>	329	483
Trade receivables	<i>29</i>	22,387	2,987
Other receivables	<i>30</i>	22,300	19,076
Client trust bank balances		6,291	8,444
Cash and cash equivalents	<i>23</i>	<u>134,610</u>	<u>136,085</u>
		<u>333,331</u>	<u>336,564</u>

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

		2009	2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT LIABILITIES			
Due to related companies	25	1,921	1,734
Due to associates	32	129	2,958
Tax payables		5,148	4,929
Advanced proceeds from sales of properties		2,751	529
Trade payables, other payables and accruals	31	86,154	72,327
Interest-bearing bank borrowings	33	–	7,238
Non-interest-bearing other borrowings	34	<u>16,710</u>	<u>16,710</u>
		<u>112,813</u>	<u>106,425</u>
NET CURRENT ASSETS		<u>220,518</u>	<u>230,139</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>296,026</u>	<u>291,677</u>
CAPITAL AND RESERVES			
Share capital	35	482,910	482,910
Reserves	37	<u>(255,226)</u>	<u>(261,410)</u>
Equity attributable to equity holders of the Company		227,684	221,500
Minority interests		<u>68,342</u>	<u>70,177</u>
TOTAL EQUITY		<u>296,026</u>	<u>291,677</u>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company								
	Share capital	Share premium account	Foreign currency translation reserve	Goodwill reserve	Financial assets reserve	Accumulated losses	Total	Minority interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	482,910	6,328	6,859	1,658	5,596	(246,485)	256,866	70,083	326,949
Translation differences	-	-	4,573	-	-	-	4,573	-	4,573
Loss arising from changes in fair value of available-for-sale financial assets	-	-	-	-	(8,905)	-	(8,905)	-	(8,905)
Net income/(expense) recognised directly in equity	-	-	4,573	-	(8,905)	-	(4,332)	-	(4,332)
Loss for the year	-	-	-	-	-	(31,034)	(31,034)	94	(30,940)
Total comprehensive income/(expense) for the year	-	-	4,573	-	(8,905)	(31,034)	(35,366)	94	(35,272)
At 31 December 2008	482,910	6,328	11,432	1,658	(3,309)	(277,519)	221,500	70,177	291,677
Acquisition of a subsidiary	-	-	-	(120)	-	-	(120)	-	(120)
Translation differences	-	-	(2,859)	-	-	-	(2,859)	-	(2,859)
Gain arising from changes in fair value of available-for-sale financial assets	-	-	-	-	6,567	-	6,567	-	6,567
Net income/(expense) recognised directly in equity	-	-	(2,859)	(120)	6,567	-	3,588	-	3,588
Profit for the year	-	-	-	-	-	2,596	2,596	(1,293)	1,303
Total comprehensive income/(expense) for the year	-	-	(2,859)	(120)	6,567	2,596	6,184	(1,293)	4,891
Acquisitions of a subsidiary from minority interests (net)	-	-	-	-	-	-	-	(542)	(542)
At 31 December 2009	482,910	6,328	8,573	1,538	3,258	(274,923)	227,684	68,342	296,026

Consolidated Cash Flow Statement*For the year ended 31 December 2009*

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

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. CORPORATE INFORMATION

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

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

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

In the opinion of the directors of the Company, as at 31 December 2009, KKP Holdings Sdn Bhd and Soo Lay Holdings Sdn Bhd, companies incorporated in Malaysia, are the ultimate parents of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments of Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and interpretations (hereinafter collectively referred to as “New HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective.

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

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

HKAS 1 (Revised) Presentation of Financial Statements

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part

of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. The change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 8 Operating Segments

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain properties and financial instruments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving critical judgment, and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

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

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interest of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Joint venture

A joint venture company is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. Investment in a jointly controlled entity is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

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

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

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

(d) Associates

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

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement. The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's

share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

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

(e) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets except for financial assets, deferred tax assets, properties held for sale, properties held for sale under development and inventories to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Freehold land	Nil
Buildings	2% to 5%
Office furniture, fixtures and equipment	20% to 33 $\frac{1}{3}$ %
Motor vehicles	20%

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

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

(g) Property under development

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

(h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of inventories, principally comprising foodstuffs, liquor and other consumables, comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting date less selling expenses, or by management estimates based on prevailing market condition.

(k) Financial assets

The financial assets include financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified as this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loan and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current market prices. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment, if any.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(l) *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, on the following bases:

- (i) income from tour services is recognised upon the departure date of each tour;
- (ii) income from sales of air tickets and hotel bookings is recognised when the related tickets are issued and hotel bookings confirmed, respectively;
- (iii) revenue from sales of properties is recognised when the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advanced proceeds from sales of properties under current liabilities;
- (iv) commission and visa income is recognised in the period in which the services are rendered;
- (v) rental income is recognised on the straight-line basis over the lease terms;
- (vi) interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (vii) dividends are recognised when the shareholders' right to receive payment has been established.

(r) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the reporting date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the financial assets reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(s) Employee benefits**(i) Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(u) **Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Related parties

A party is related to the Group if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(x) Segment reporting

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

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

4. CRITICAL JUDGMENTS AND KEY ESTIMATES

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Deferred tax assets

Recognition of deferred tax assets, which principally relate to tax losses and certain temporary difference, depends on the management's expectation of future taxable profit that will be available against which tax losses or temporary differences can be utilised. The outcome of their actual utilisation may be different.

5. FINANCIAL RISK MANAGEMENT

The Group's major financial assets and liabilities include bank balances and cash, equity investments, borrowing, trade and other receivables, trade and other payables, due from/to related companies. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency risk

The Group has certain foreign currency monetary assets and liabilities and was exposed to foreign exchange risk arising from various kinds of currency exposures, mainly comprising United States Dollars ("US\$"), Malaysian Ringgit ("MYR"), Philippine Peso ("PHP"), Australian Dollars ("AUD") and Renminbi ("RMB"). The Group monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 1% fluctuation in US\$ and a 5% fluctuation in other foreign currency exchange rates. As at 31 December 2009, the sensitivity analysis of a 1% and 5% decrease in HK\$ against US\$ and other foreign currencies would have a decrease of HK\$153,000 and an increase of HK\$4,804,000 in profit for the year and retained earnings (2008: a decrease of HK\$164,000 and increase of HK\$3,155,000) respectively.

(b) Price risk

The Group's financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value at each reporting date. Therefore, the Group is exposed to equity security price risk. The Directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

(c) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables and loan receivables. In order to minimise credit risk, management has certain monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables regularly at each reporting date to ensure that adequate impairment losses are adequately made for irrecoverable amounts. The credit risk on liquid funds is limited because the counterparties are commercial banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(e) Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank deposits and amount due from a related company. All the borrowings and deposits are on a floating rate basis. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group's net deposits (being bank deposits and amount due from a related company less interest-bearing financial liabilities) is closely monitored by management.

At 31 December 2009, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's profit/ (loss) before tax and accumulated losses by approximately HK\$1,447,000 (2008: HK\$1,417,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for the non-derivative financial liabilities in existence at that date. The 1% increase/ decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2008.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to support the Group's stability and growth.

The Group uses total equity as capital. The Group regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. The capital is managed on the same basis for 2008.

(g) Fair value estimation

The fair value of publicly traded derivatives and available-for-sale securities is based on quoted market prices at the reporting date. In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

6. SEGMENT INFORMATION

Application of HKFRS 8 Operating Segments

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

Principal activities are as follows:

- (a) The travel and travel-related services segment provides outbound tour services, booking of air tickets and hotel services and other travel-related services;
- (b) The property development segment comprises the development and sales of properties;
- (c) The financial services segment comprises the provision of financial services and securities broking; and
- (d) The corporate and other businesses segment includes interest income and general corporate expense items.

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

	Travel and travel-related services		Property development		Financial services		Corporate and other businesses		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	465,250	416,803	40,336	66,456	1,454	1,642	-	-	-	-	507,040	484,901
Intersegment sales	-	-	-	-	-	1,518	-	-	-	(1,518)	-	-
Other revenue	5,743	4,656	953	1,191	57	279	80	40	-	-	6,833	6,166
Total revenue	<u>470,993</u>	<u>421,459</u>	<u>41,289</u>	<u>67,647</u>	<u>1,511</u>	<u>3,439</u>	<u>80</u>	<u>40</u>	<u>-</u>	<u>(1,518)</u>	<u>513,873</u>	<u>491,067</u>
Segment results	<u>4,230</u>	<u>1,589</u>	<u>3,239</u>	<u>3,382</u>	<u>(192)</u>	<u>(207)</u>	<u>2,460</u>	<u>(1,438)</u>	<u>-</u>	<u>-</u>	<u>9,737</u>	<u>3,326</u>
Interest and dividend income											716	2,650
Unallocated expenses											(5,020)	(5,190)
Profit from operations											5,433	786
Finance costs											(3)	(173)
Non-recurring expenses											-	(27,318)
Share of loss of a jointly-controlled entity											(14)	(405)
Profit/(loss) before tax											5,416	(27,110)
Income tax expense											(4,113)	(3,830)
Profit/(loss) for the year											<u>1,303</u>	<u>(30,940)</u>

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

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

	Travel and travel-related services		Property development		Financial services		Corporate and other businesses		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	61,406	50,642	255,509	259,731	75,932	67,985	215,946	245,953	(226,966)	(237,805)	381,827	386,506
Investments in associates											-	-
Investment in a jointly-controlled entity											-	2,014
Available-for-sale financial assets											27,012	9,466
Financial Assets at fair value through profit or loss											-	116
Total assets											408,839	398,102
Segment liabilities	191,983	188,217	15,834	17,376	18,920	11,214	96,331	110,717	(226,965)	(237,809)	96,103	89,715
Non-interest-bearing other borrowings											16,710	16,710
Total liabilities											112,813	106,425

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

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

Geographical information

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

	Hong Kong		Elsewhere in the PRC		Australia		Other countries		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	342,982	407,512	164,058	77,389	-	-	-	-	-	-	507,040	484,901
Other revenue	5,681	4,850	1,152	1,316	-	-	-	-	-	-	6,833	6,166
Total revenue	348,663	412,362	165,210	78,705	-	-	-	-	-	-	513,873	491,067
Segment assets	185,592	173,711	272,306	262,003	887	9,457	17,456	16,538	(67,402)	(63,607)	408,839	398,102

7. TURNOVER

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

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

8. OTHER INCOME

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

9. FINANCE COSTS

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

10. NON-RECURRING EXPENSES

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

11. INCOME TAX EXPENSE

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

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

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the year (2008: Nil).

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

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

12. PROFIT/(LOSS) FOR THE YEAR

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

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

13. DIRECTORS' REMUNERATION

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees:		
Executive Director	5	5
Non-Executive Directors	<u>45</u>	<u>47</u>
	<u><u>50</u></u>	<u><u>52</u></u>

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

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

2009

Name of Director	Directors' fees <i>HK\$'000</i>	Basic salaries, housing, other allowances and benefits in kind <i>HK\$'000</i>	Retirement benefits scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Director				
WONG Nyen Faat	5	983	12	1,000
Non-executive Directors				
Tan Sri Dr. KHOO Kay Peng	5	—	—	5
KHET Kok Yin	5	—	—	5
CHAN Choung Yau	5	—	—	5
Independent Non-executive Directors				
WONG Kim Ling	10	—	—	10
OOI Boon Leong @ LAW Weng Leun	10	—	—	10
OH Hong Choon	10	—	—	10
	<u>50</u>	<u>983</u>	<u>12</u>	<u>1,045</u>

2008

Name of Director	Directors' fees <i>HK\$'000</i>	Basic salaries, housing, other allowances and benefits in kind <i>HK\$'000</i>	Retirement benefits scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Director				
WONG Nyen Faat	5	919	12	936
Non-executive Directors				
Tan Sri Dr. KHOO Kay Peng	5	–	–	5
CHEANG Yoon Hoong	2	–	–	2
KHET Kok Yin	5	–	–	5
CHAN Choung Yau	5	–	–	5
Independent Non-executive Directors				
WONG Kim Ling	10	–	–	10
OOI Boon Leong @ LAW Weng Leun	10	–	–	10
OH Hong Choon	10	–	–	10
	<u>52</u>	<u>919</u>	<u>12</u>	<u>983</u>

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

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

14. FIVE HIGHEST PAID EMPLOYEES

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

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

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. EARNINGS/(LOSS) PER SHARE

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Office furniture, fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost				
At 1 January 2008	32,743	26,047	2,034	60,824
Additions	–	226	–	226
Disposals	(3,568)	(4,364)	(847)	(8,779)
Exchange difference	(431)	(174)	94	(511)
At 31 December 2008 and 1 January 2009	28,744	21,735	1,281	51,760
Additions from acquisition of a subsidiary	–	206	311	517
Additions	–	219	–	219
Disposals	–	(52)	–	(52)
Exchange difference	3	11	1	15
At 31 December 2009	<u>28,747</u>	<u>22,119</u>	<u>1,593</u>	<u>52,459</u>
Accumulated depreciation and impairment				
At 1 January 2008	12,672	23,278	1,639	37,589
Charge for the year	555	1,424	100	2,079
Disposals	(1,671)	(4,360)	(847)	(6,878)
Exchange difference	(218)	(174)	92	(300)
At 31 December 2008 and 1 January 2009	11,338	20,168	984	32,490
Charge from acquisition of a subsidiary	–	159	69	228
Charge for the year	536	1,037	123	1,696
Disposals	–	(52)	–	(52)
Exchange difference	–	12	1	13
At 31 December 2009	<u>11,874</u>	<u>21,324</u>	<u>1,177</u>	<u>34,375</u>
Carrying amount				
At 31 December 2009	<u>16,873</u>	<u>795</u>	<u>416</u>	<u>18,084</u>
At 31 December 2008	<u>17,406</u>	<u>1,567</u>	<u>297</u>	<u>19,270</u>

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term leases, PRC	<u>28,747</u>	<u>28,744</u>

17. PREPAID LAND LEASE PAYMENTS

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

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

18. PROPERTY UNDER DEVELOPMENT

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

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments		
Share of net assets	<u><u>–</u></u>	<u><u>2,014</u></u>

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

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

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

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

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

20. INVESTMENTS IN ASSOCIATES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Unlisted investments		
Share of net assets	<u><u>–</u></u>	<u><u>–</u></u>

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

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

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

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

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

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

21. INVESTMENTS

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

22. OTHER ASSETS

	2009 HK\$'000	2008 HK\$'000
Loans to Land Traders Properties and Development Company, Inc. (“Land Traders”) (<i>Note</i>)	7,564	7,348
Deposit with The Stock Exchange of Hong Kong Limited	300	300
Admission fees paid to Hong Kong Securities Clearing Company Limited	150	150
Contributions to Hong Kong Securities Clearing Company Limited		
Guarantee Fund	150	150
Guarantee deposits	91	–
	<u>8,255</u>	<u>7,948</u>

Note: The loans were used by Land Traders to acquire a piece of land on which the Enrico Hotel, a hotel owned by Mansara Holding Company, Inc., a 61%-owned subsidiary of the Group, is built. These loans are secured by promissory notes with no fixed repayment terms. The Directors consider that the carrying value of loan receivables approximate to their fair value.

23. PLEDGED BANK BALANCES AND CASH AND CASH EQUIVALENTS

The non-current pledged bank balances are mainly pledged to certain banks to secure mortgage loan facilities granted to purchasers of properties of MSV and MSP.

As at 31 December 2009, the bank and cash balances of the Group denominated in RMB amounted to HK\$54,293,000 (2008: HK\$36,402,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. DEFERRED TAX ASSETS

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

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

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

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

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

As at 31 December 2009, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK\$876,000 (2008: HK\$9,312,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

25. BALANCES WITH RELATED COMPANIES

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment, except for a balance due from Morning Star Villa Management Limited ("MVM") which bears interest at 2% above the Hong Kong dollar prime rate of The Hong Kong and Shanghai Banking Corporation Limited ("HSBC") per annum. Further details of the transactions with related companies are included in Note 40 to the financial statements.

26. PROPERTIES HELD FOR SALE

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

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

27. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

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

The properties under development are located in the PRC.

28. INVENTORIES

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

29. TRADE RECEIVABLES

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

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

30. OTHER RECEIVABLES

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

Note: The interest-bearing loan receivable is due from a shareholder of the Company. This loan is secured by listed securities, bears interest at the Hong Kong dollar prime rate of HSBC plus 1% per annum and is repayable within one year.

31. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

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

32. BALANCES WITH ASSOCIATES

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

33. INTEREST-BEARING BANK BORROWINGS

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

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

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

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

34. NON-INTEREST-BEARING OTHER BORROWINGS

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

35. SHARE CAPITAL

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Authorised:		
5,000,000,000 ordinary shares of HK\$0.20 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
2,414,547,555 ordinary shares of HK\$0.20 each	<u>482,910</u>	<u>482,910</u>

36. FINANCIAL POSITION OF THE COMPANY

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

37. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

(b) Company

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

38. LEASE COMMITMENTS

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

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

39. CONTINGENT LIABILITIES

As at 31 December 2009, the Group had contingent liabilities amounting to HK\$50,577,000 (2008: HK\$44,252,000). The contingent liabilities were in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by Zhongshan Morning Star Villa Housing and Real Estate Development Limited and Zhongshan Morning Star Plaza Housing and Real Estate Development Limited.

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

40. MATERIAL RELATED PARTY TRANSACTIONS

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

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

Note:

- (i) MVM is engaged in the property management of MSV. Certain directors of the Company and its subsidiaries are also the directors of MVM. Interest at 2% above the Hong Kong dollar prime rate per annum is charged on balances with MVM.

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

41. ACQUISITION OF A SUBSIDIARY

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

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

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

42. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2009 are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company		Class of shares held	Principal activities
			Direct	Indirect		
Bright Profit Investments Limited	British Virgin Islands/The People's Republic of China	US\$50,000	–	55	Ordinary	Property development
Beijing Morning Star – New Ark International Travel Service Co., Ltd.	The People's Republic of China	RMB5,000,000	–	70	Registered capital	Provision of travel services
Consing Investment Limited	Hong Kong	HK\$2	–	100	Ordinary	Investment holding
Jubilation Properties Limited	British Virgin Islands/The People's Republic of China	US\$50,000	–	55	Ordinary	Property development
Mansara Holding Company, Inc.	Philippines	Peso30,000,000	–	61	Ordinary	Hotel investment
Mansara International Limited	British Virgin Islands/ Philippines	US\$100	–	61	Ordinary	Investment holding
Morning Star Finance Limited	Cayman Islands	HK\$200	100	–	Ordinary	Investment holding
Morning Star Financial Services Limited	Hong Kong	HK\$42,924,000	100	–	Ordinary	Investment holding
Morning Star Holdings (Thailand) Limited	Thailand	Baht25,000	100	–	Ordinary	Investment holding
Morning Star Hotel International Limited	Cayman Islands	HK\$200	100	–	Ordinary	Investment holding
Morning Star Hotel Investments Limited	Cayman Islands	HK\$200	100	–	Ordinary	Investment holding
Morning Star Investment Management Limited	Hong Kong	HK\$5,000,000	–	100	Ordinary	Provision of investment advisory services
Morning Star Properties Limited	British Virgin Islands	US\$2	100	–	Ordinary	Investment holding
Morning Star Securities Limited	Hong Kong	HK\$150,000,000	–	100	Ordinary	Securities broking
Morning Star Travel International Limited	Cayman Islands	HK\$200	100	–	Ordinary	Investment holding
Morning Star Travel Service Limited	Hong Kong	HK\$90,000,000 HK\$10,000,000	– –	100 100	Ordinary Non-voting deferred	Provision of travel services
Morning Star Travel Service Ltd.	British Columbia, Canada	C\$81,000	–	100	Ordinary	Provision of travel services

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company		Class of shares held	Principal activities
			Direct	Indirect		
Morning Star Travel Service (Macau) Limited	Macau	MOP1,000,000	–	100	Ordinary	Provision of travel services
Morning Star Traveller Plus Limited	Hong Kong	HK\$2	–	100	Ordinary	Provision of travel-related services
Speed Gainer Limited	Hong Kong	HK\$1	–	100	Ordinary	Investment holding
Star Building (Holdings) Limited	Thailand	Baht1,000,000	–	50.8	Ordinary	Property holding
Star Travel Service Limited	Hong Kong	HK\$1,050,000	–	100	Ordinary	Provision of travel services
Swift Progress Investments Limited	British Virgin Islands	US\$1	–	100	Ordinary	Investment holding
Vista International Hotels Limited	Hong Kong	HK\$10 HK\$300,000	– –	100 100	Ordinary Non-voting deferred	Investment holding
Zhongsan Morning Star Plaza Housing and Real Estate Development Limited	The People's Republic of China	US\$2,100,000	–	55	Registered capital	Property development
Zhongsan Morning Star Villa Club Co., Ltd.	The People's Republic of China	US\$1,400,000	–	55	Registered capital	Operation of clubhouses in Morning Star Villa
Zhongsan Morning Star Villa Housing and Real Estate Development Limited	The People's Republic of China	US\$4,600,000	–	55	Registered capital	Property development

The above table lists the subsidiaries of the Company as at 31 December 2009 which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

43. COMPARATIVE FIGURES

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

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 April 2010.

3. FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Set out below are the unaudited financial statements of the Group together with the accompanying notes as extracted from the Company's interim report for the six months ended 30 June 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
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><u>3,775</u></u>	<u><u>(1,468)</u></u>
Attributable to:			
Equity holders of the Company		4,923	(390)
Minority interests		<u>(1,148)</u>	<u>(1,078)</u>
		<u><u>3,775</u></u>	<u><u>(1,468)</u></u>
EARNINGS/(LOSS) PER SHARE			
– Basic	8	<u><u>0.2 cent</u></u>	<u><u>(0.02 cent)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net Profit/(Loss)	3,775	(1,468)
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><u>(4,258)</u></u>	<u><u>7,382</u></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><u>(4,258)</u></u>	<u><u>7,382</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2010 (Unaudited)	31 December 2009 (Audited)
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</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	<u>12,024</u>	<u>12,023</u>
	<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	<i>10</i> 19,911	22,387
Other receivables	21,264	22,300
Client trust bank balances	8,643	6,291
Cash and cash equivalents	<u>148,589</u>	<u>134,610</u>
	<u>339,479</u>	<u>333,331</u>

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	<i>Note</i>		
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	<i>11</i>	88,076	86,154
Non-interest-bearing other borrowings		<u>16,710</u>	<u>16,710</u>
		<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><u>294,244</u></u>	<u><u>296,026</u></u>
CAPITAL AND RESERVES			
Share capital		482,910	482,910
Reserves		<u>(258,336)</u>	<u>(255,226)</u>
Equity attributable to equity holders of the Company		224,574	227,684
Minority interests		<u>69,670</u>	<u>68,342</u>
TOTAL EQUITY		<u><u>294,244</u></u>	<u><u>296,026</u></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><u>148,589</u></u>	<u><u>113,439</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	148,589	113,439
Bank overdrafts	<u>—</u>	<u>—</u>
	<u><u>148,589</u></u>	<u><u>113,439</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital	Share premium account	Foreign currency translation reserve	Goodwill reserve	Financial assets reserve	Accumulated losses	Total	Minority interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKFRS 1 and HKAS 27 (Amendments)	<i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 (Amendments)	<i>Vesting Conditions and Cancellations</i>
HKFRS 7 (Amendments)	<i>Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	<i>Embedded Derivatives</i>
HK(IFRIC) – INT 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC) – INT 15	<i>Agreements for the Construction of Real Estate</i>
HKFRSs (Amendments)	<i>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</i>
HKFRSs (Amendments)	<i>Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39</i>

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	<i>Financial Instruments</i> ³
HK(IFRIC) – INT 14 (Amendments)	<i>Prepayments of a Minimum Funding Requirement</i> ¹
HK(IFRIC) – INT 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> 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	<u>258,931</u>	<u>–</u>	<u>5,313</u>	<u>264,244</u>
	For the six months ended 30 June 2009			
	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	190,444	–	2,247	192,691
Property development	15,474	–	3,012	18,486
Financial services	728	700	369	1,797
Corporate and other businesses	–	–	509	509
	206,646	700	6,137	213,483
Eliminations	–	(700)	–	(700)
Consolidated	<u>206,646</u>	<u>–</u>	<u>6,137</u>	<u>212,783</u>

(b) Results

	For the six months ended 30 June	
	2010 Total (Unaudited) HK\$'000	2009 Total (Unaudited) HK\$'000
Travel and travel-related services	8,954	504
Property development	(2,355)	2,652
Financial services	(276)	(49)
Corporate and other businesses	(34)	(225)
	6,289	2,882
Interest income and dividend income	177	559
Unallocated expenses	(2,691)	(2,263)
Profit from operating activities	<u>3,775</u>	<u>1,178</u>

(ii) Geographical 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
The People's Republic of China ("PRC")				
Hong Kong	201,849	–	4,869	206,718
Elsewhere	57,082	–	491	57,573
Other countries	–	–	(47)	(47)
	258,931	–	5,313	264,244
Eliminations	–	–	–	–
Consolidated	<u>258,931</u>	<u>–</u>	<u>5,313</u>	<u>264,244</u>

	For the six months ended 30 June 2009			
	Sales to external customers (Unaudited) HK\$'000	Intersegment sales (Unaudited) HK\$'000	Other revenue (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
PRC				
Hong Kong	155,253	–	3,215	158,468
Elsewhere	51,393	–	3,094	54,487
Other countries	–	–	(172)	(172)
	206,646	–	6,137	212,783
Eliminations	–	–	–	–
Consolidated	<u>206,646</u>	<u>–</u>	<u>6,137</u>	<u>212,783</u>

(b) Results

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

4. OTHER INCOME

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

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:

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

6. FINANCE COSTS

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

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:

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

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><u>19,911</u></u>	<u><u>22,387</u></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>
	40,117	48,852
	<u><u>40,117</u></u>	<u><u>48,852</u></u>

12. MATERIAL RELATED PARTY TRANSACTIONS

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

	<i>Note</i>	30 June 2010 (Unaudited) HK\$'000	30 June 2009 (Unaudited) HK\$'000
Interest income from Morning Star Villa Management Limited ("MVM")	<i>(i)</i>	15	15
Property management fees paid to MVM	<i>(ii)</i>	50	79
Acquisition of available-for-sale financial assets	<i>(iii)</i>	<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 Malayan 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 (Unaudited) <i>HK\$’000</i>	2009 (Unaudited) <i>HK\$’000</i>
Short-term employee benefits	1,561	1,479
Post-employment benefits	<u>44</u>	<u>33</u>
	<u><u>1,605</u></u>	<u><u>1,512</u></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.

4. INDEBTEDNESS

As at 31 July 2010, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, the Group did not have any interest-bearing bank borrowings while non-interest-bearing other borrowings and contingent liabilities of the Group were HK\$16,710,000 and HK\$27,537,584 respectively. 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 Plaza Housing and Real Estate Development Limited (中山星晨廣場房地產發展有限公司) and Zhongshan Morning Star Villa Housing and Real Estate Development Limited (中山星晨花園房地產發展有限公司), each an indirect subsidiary of the Company. As at 31 July 2010, non-current bank balances amounting to HK\$2,637,867 were pledged to certain banks to secure mortgage loan facilities with outstanding loan balances amounting to HK\$27,537,584 granted to purchasers of properties of Zhongshan Morning Star Plaza Housing and Real Estate Development Limited (中山星晨廣場房地產發展有限公司) and Zhongshan Morning Star Villa Housing and Real Estate Development Limited (中山星晨花園房地產發展有限公司).

Save as disclosed above, as at 31 July 2010, the Group did not have any outstanding bank loan, mortgages, charges, debentures, or other loan capital or bank overdrafts, term loans, guarantees, debt securities issued and outstanding, and authorised or otherwise created but unissued or other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, other material commitment or any other material contingent liabilities.

5. MATERIAL CHANGES

Save for the decrease in market value for available-for-sale financial assets from approximately HK\$27.0 million as at 31 December 2009 to approximately HK\$21.5 million as at 30 June 2010 as disclosed in the interim report of the Company for the six months ended 30 June 2010, the Directors confirmed that there is no material change in the Group's financial or trading position or outlook since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

6. OTHER INFORMATION

Save as disclosed in this Composite Document, the Directors confirm that there are no items which are exceptional because of size, nature or incidence and no amount are absorbed by dividends as at the Latest Practicable Date.

APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Ascent Partners Transaction Service Ltd., an independent valuer, in connection with its valuation as at 31 August 2010 of the property interests held by Morning Star Resources Limited and its subsidiaries.



6 B&C Sincere Insurance Building,
4-6 Hennessy Road, Wanchai
Hong Kong.
Tel: 3101-7988
Fax: 3101-7987

15 September 2010

The Board of Directors
Morning Star Resources Limited
Unit 1803, 18/F., Tower 1, Enterprise Square,
9 Sheung Yuet Road, Kowloon Bay,
Kowloon, Hong Kong

Dear Sirs,

INSTRUCTIONS

We were instructed by Morning Star Resources Limited (referred to as the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) to value the property interests held by the Group located in the People’s Republic of the China (referred to as the “PRC”), Macau and Philippines. We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 August 2010 (referred to as the “Valuation Date”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents their market values which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

PROPERTY INTERESTS CATEGORISATION

The property interests are categorised as follows:

- Group I – Property interests held by the Group for sale in the PRC
- Group II – Property interests to be acquired and held by the Group for sale in the PRC
- Group III – Property interests held by the Group for future development in the PRC
- Group IV – Property interests held by the Group for sale in Macau
- Group V – Property interests held by the Group for future development in Philippines

VALUATION METHODOLOGY

We have valued the property interests on market basis on the vacant possession and the direct comparison method is adopted where comparison based on prices realised on actual sales and/or asking price of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, Rule 11 of the Code on Takeovers and Mergers and Share Repurchase issued by the Securities and Futures Commission and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

No allowance has been made in our report for any outstanding or additional land premium, charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificates attached herewith.

TAX LIABILITY

There may be potential tax liability which would arise if the property interests were to be sold. Should disposal of the property interests located in the PRC under Groups I, II and III in our report be conducted, as advised by the Company, the potential tax liabilities arising may include business tax (5% on the transaction amount), riverbank protection tax (0.1% on the transaction amount), corporate income tax (25% on net profit upon disposal); stamp duty (0.05% on the transaction amount) and land appreciation tax (For land, the applicable rate is ranging from 30% to 60% on the net appreciated amount less deductibles. For property other than land, the applicable rate is 5% on the transaction amount.) Should disposal of the property interests located in Macau under Group IV and Philippines under Group V in our report be conducted, as advised by the Company, there is no potential tax liabilities for the disposal of the property interests located in Macau whilst the potential tax liabilities arising for the disposal of the property interests located in Philippines may include capital asset tax (6%) on whichever is the higher of valuation, zonal value of the property or selling price. Yet, unless and until completion of disposal of the property interest, the amount of the tax liabilities would not be quantifiable or crystallized. The Company has further confirmed that the Company has intention to dispose of the property interests of Groups I, II and IV whilst has neither immediate plan nor intention to dispose of the remaining properties. The potential tax liability attributable to the Group which would arise on disposal of the properties of Group I, II and IV is estimated to be approximately HKD15,701,000 based on our valuations at the Valuations Date. The amount estimated is for indicative purpose and based on the prevailing rules and information available.

TITLE INVESTIGATION

We have been, in some instances, shown copies of various title documents and other documents relating to the property interests and have made relevant enquiries. We also caused searches to be made at the Conservatoria do Registo Predial of Macau (Macau Land Registry) in respect of the Macau property and have made relevant enquiries. We have not examined the original documents to verify the existing title to the property interests and any material encumbrances that might be attached to the property interests or any lease amendments. However, we have relied considerably on the information given by the Company's PRC legal adviser, 廣東正日律師事務所 (Guangdong Zheng Ri Law Firm)*, and the Company's Philippines legal adviser, Caguioa & Gatmaytan, concerning the validity of the Group's title to the property interests located in the PRC and the Philippines respectively.

All legal documents provided by the Group have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation report.

(*English translation for identification only)

LIMITING CONDITIONS

We have inspected the exterior, and wherever possible, the interior of the properties but no structural survey had been made. We have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We do not make any allowance for contamination or pollution of the land, if any, which may have been caused by past usage.

In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties is free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

EXCHANGE RATE

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollar (HKD). Where appropriate, the exchange rates we have adopted is 1 Renminbi (RMB) to approximately 1.14 HKD, 1 Macau Pataca (MOP) to approximately 0.971 HKD and 1 Philippines Peso (PHP) to approximately 0.172 HKD which were the prevailing exchange rates as at the Valuation Date.

APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

Our summary of values and valuation certificates are herewith attached.

Yours faithfully,
For and on behalf of
Ascent Partners Transaction Service Ltd.

Ian K. F. Ng

MBA BSc(EstMan) BSc MHKIS MRICS RPS(GP)

Associate Director

Mr. Ian K. F. Ng is a Registered Professional Surveyor with over 7 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors as well as a chartered surveyor of The Royal Institution of Chartered Surveyors.

APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

SUMMARY OF VALUES

Property	Market Value in existing state as at 31 August 2010 <i>HKD</i>	Interest Attributable to the Group <i>(%)</i>	Value Attributable to the Group as at 31 August 2010 <i>HKD</i>
Group I – Property Interests Held by the Group for Sale in the PRC			
1. Various Completed Properties located in Morning Star Villa, Gangkou Town, Zhongshan City, Guangdong Province, the People’s Republic of China	12,500,000	55	6,875,000
2. Various Completed Properties located in Morning Star Plaza, Xiqu, Zhongshan City, Guangdong Province, the People’s Republic of China	114,000,000	55	62,700,000
	<hr/>		<hr/>
Sub-total:	<hr/> 126,500,000		<hr/> 69,575,000
Group II – Property Interests to be Acquired and Held by the Group for Sale in the PRC			
3. Various Completed Properties located in Morning Star Villa, Gangkou Town, Zhongshan City, Guangdong Province, the People’s Republic of China	No Commercial Value	55	No Commercial Value
	<hr/>		<hr/>
Sub-total:	<hr/> No Commercial Value		<hr/> No Commercial Value

APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

Property	Market Value in existing state as at 31 August 2010 <i>HKD</i>	Interest Attributable to the Group <i>(%)</i>	Value Attributable to the Group as at 31 August 2010 <i>HKD</i>
Group III – Property Interests Held by the Group for Future Development in the PRC			
4. Land Parcels located at Shequ Jumin Committee Nanjiupian, Xijie, Gangkou Town, Zhongshan City, Guangdong Province, the People’s Republic of China	243,000,000	55	133,650,000
5. Land Parcel located at Jumin Committee, Houshan Cunmin Committee, Xiqu, Zhongshan City, Guangdong Province, the People’s Republic of China	No Commercial Value	55	No Commercial Value
Sub-total:	<u>243,000,000</u>		<u>133,650,000</u>
Group IV – Property Interests Held by the Group for Sale in Macau			
6. Shop AL on Ground Floor International Plaza I Avenida Do Dr. Rodrigo Rodrigues Macau	1,300,000	100	1,300,000
Sub-total:	<u>1,300,000</u>		<u>1,300,000</u>
Group V – Property Interests Held by the Group for Future Development in Philippines			
7. A Development Site located at Corner of Leon Guinto and Padre Faura Streets, District of Ermita, Manila, Philippines	16,300,000	14.24	2,321,000
Sub-total:	<u>16,300,000</u>		<u>2,321,000</u>
Grand Total:	<u><u>387,100,000</u></u>		<u><u>206,846,000</u></u>

VALUATION CERTIFICATE

Group I – Property Interests Held by the Group for Sale in the PRC

Property	Description and tenure	Particular of Occupancy	Market Value in existing state as at 31 August 2010 HKD																		
1. Various Completed Properties located in Morning Star Villa, Gangkou Town, Zhongshan City, Guangdong Province, the People's Republic of China	<p>The property comprises seven residential units of Phase 1, three residential units of Phase 2, a residential unit of Phase 4, four residential units of Phase 5, five residential units of Phase 6, two residential units of Phase 7 and ten residential units of Phase 8 of Morning Star Villa (星晨花園) which were completed in various stages between 1994 and 2004.</p> <p>The total gross floor area of property is approximately 3,545.2 sq.m. with breakdown as follows:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Phase</th> <th style="text-align: right;">Gross Floor Area (Approximate) (sq.m.)</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">1</td><td style="text-align: right;">646.6</td></tr> <tr><td style="text-align: center;">2</td><td style="text-align: right;">491.4</td></tr> <tr><td style="text-align: center;">4</td><td style="text-align: right;">52.7</td></tr> <tr><td style="text-align: center;">5</td><td style="text-align: right;">377.6</td></tr> <tr><td style="text-align: center;">6</td><td style="text-align: right;">389.1</td></tr> <tr><td style="text-align: center;">7</td><td style="text-align: right;">234.4</td></tr> <tr><td style="text-align: center;">8</td><td style="text-align: right;"><u>1,353.4</u></td></tr> <tr><td style="text-align: center;">Total:</td><td style="text-align: right;"><u><u>3,545.2</u></u></td></tr> </tbody> </table>	Phase	Gross Floor Area (Approximate) (sq.m.)	1	646.6	2	491.4	4	52.7	5	377.6	6	389.1	7	234.4	8	<u>1,353.4</u>	Total:	<u><u>3,545.2</u></u>	The property is currently vacant.	<p>12,500,000</p> <p>(Hong Kong Dollars Twelve Million Five Hundred Thousand Only)</p> <p><i>(55% Interest Attributable to the Group: HKD6,875,000)</i></p>
Phase	Gross Floor Area (Approximate) (sq.m.)																				
1	646.6																				
2	491.4																				
4	52.7																				
5	377.6																				
6	389.1																				
7	234.4																				
8	<u>1,353.4</u>																				
Total:	<u><u>3,545.2</u></u>																				

Notes:

1. As advised, the ownership of 2 residential units with a total gross floor area of approximately 425.1sq.m. is not clear. We have attributed no commercial value to these units in the course of our valuation. For reference purpose, we are of an opinion that the market value of these units on the assumptions that 中山星晨花園房地產發展有限公司 (Zhongshan Morning Star Villa Housing and Real Estate Development Limited) is entitled to freely dispose of the property should be HKD3,370,000 (55% Interest attributable to the Group: HKD1,853,500).
2. 中山星晨花園房地產發展有限公司 is a 55%-interest indirectly owned subsidiary of the Company.

APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:
 - (i) 中山星晨花園房地產發展有限公司 legally owns the property except 2 residential units and is entitled to freely lease, transfer, mortgage and dispose of the property;
 - (ii) the ownership of 2 residential units is not clear and the Company is required to provide details to prove its ownership on these units; and
 - (iii) the property is not subject to mortgage and other encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particular of Occupancy	Market Value in existing state as at 31 August 2010 <i>HKD</i>
2. Various Completed Properties located in Morning Star Plaza, Xiqu, Zhongshan City, Guangdong Province, the People's Republic of China	<p>The property comprises 8 residential units, 114 commercial units, 22 carparking spaces, 126 motorcycle parking spaces and 188 bicycle parking spaces of Morning Star Plaza (星晨廣場) completed in various stages between 2004 and 2008.</p> <p>The total gross floor areas of the residential and commercial spaces are approximately 787.51 sq.m. and 8,132.74 sq.m. respectively.</p> <p>The land use rights of the property were granted for a term expiring on 27 April 2065 for commercial and residential uses.</p>	<p>Portions of commercial space with a total gross floor area of approximately 419.22sq.m. are currently subject to various tenancies with the latest expiry on 30 June 2011 at a total monthly rental of RMB8,281. The remaining portions of the property are currently vacant.</p>	<p>114,000,000</p> <p>(Hong Kong Dollars One Hundred Fourteen Million Only)</p> <p><i>(55% Interest Attributable to the Group: HKD62,700,000)</i></p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2002) Zhi No.203132 issued by the Bureau of Land and Resources of Zhongshan City dated 29 March 2002, the land use rights of a parcel of land with an area of approximately 58,783.64 square metres, among which the property forms portions, were granted to 中山星晨廣場房地產發展有限公司 (Zhongshan Morning Star Plaza Housing and Real Estate Development Limited) for a term expiring on 27 April 2065 for commercial and residential uses.
2. As advised, the ownership of 7 commercial units with a total gross floor area of approximately 323.63sq.m. is not clear. We have attributed no commercial value to these units in the course of our valuation. For reference purpose, we are of an opinion that the market value of these units on the assumptions that 中山星晨廣場房地產發展有限公司 is entitled to freely dispose of the property should be HKD4,800,000 (55% Interest attributable to the Group: HKD2,640,000).
3. 中山星晨廣場房地產發展有限公司 is a 55%-interest indirectly owned subsidiary of the Company.
4. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:
 - (i) 中山星晨廣場房地產發展有限公司 legally owns the property except of 7 commercial units and is entitled to freely lease, transfer, mortgage and dispose of the property;
 - (ii) the ownership of 7 commercial units is not clear and the Company is required to provide details to prove its ownership on these units; and
 - (iii) the property is not subject to mortgage and other encumbrances.

VALUATION CERTIFICATE

Group II – Property Interests to be Acquired and Held by the Group for Sale in the PRC

Property	Description and tenure	Particular of Occupancy	Market Value in existing state as at 31 August 2010 <i>HKD</i>
3.	<p>Various Completed Properties located in Morning Star Villa, Gangkou Town, Zhongshan City, Guangdong Province, the People's Republic of China</p> <p>The property comprises four residential units of Phase 1, two residential units of Phase 2, two residential units of Phase 3, three residential units of Phase 5, ten residential units of Phase 6, seven residential units of Phase 7 and two residential units of Phase 8 of Morning Star Villa (星晨花園) which were completed in various stages between 1994 and 2004.</p> <p>The total gross floor area of the property is approximately 2,465 sq.m.</p>	<p>The property is currently vacant.</p>	<p>No Commercial Value</p> <p>(55% Interest Attributable to the Group: No Commercial Value)</p>

Notes:

1. As advised, 26 residential units with a total gross floor area of approximately 2,158sq.m. have been bought back from the respective owners through public auction, however, the Group has not yet obtained the title certificates. Therefore, we have attributed no commercial value to these units.
2. As advised, the remaining 4 residential units with a total gross floor area of approximately 307sq.m. is to be bought back from the respective owners through public auction. As the Group has not yet obtained the title certificates, we have attributed no commercial value to these units.
3. For reference purpose, we are of an opinion that the market value of the property assuming the Group has obtained the title certificates and is entitled to freely dispose of the property in the market should be HKD9,700,000 (55% Interest attributable to the Group: HKD5,335,000).
4. 中山星晨花園房地產發展有限公司 (Zhongshan Morning Star Villa Housing and Real Estate Development Limited) is a 55%-interest indirectly owned subsidiary of the Company.
5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:
 - (i) 中山星晨花園房地產發展有限公司 is not entitled to dispose of the property in the market;
 - (ii) 中山星晨花園房地產發展有限公司 has bought back 26 residential units and is entitled to dispose of these units after it obtains the title certificates;
 - (iii) 中山星晨花園房地產發展有限公司 is permitted by legal proceeding of recovering debt to buy back the remaining 4 residential units through public auction of these units.

APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

VALUATION CERTIFICATE

Group III – Property Interests Held by the Group for Future Development in the PRC

Property	Description and tenure	Particular of Occupancy	Market Value in existing state as at 31 August 2010 <i>HKD</i>
4.	Land Parcels located at Shequ Jumin Committee Nanjiupian, Xijie, Gangkou Town, Zhongshan City, Guangdong Province, the People's Republic of China	The property comprises eight parcels of contiguous land with a total area of approximately 157,531.6 square metres. The subject property forms portions of the development known as Phase Nos.8 and 9 of Morning Star Villa (星晨花園) (the "Development") which has a total site area of approximately 188,061.6 square metres. The land use rights of the property were granted for various terms with the latest expiring on 20 September 2070 for commercial and residential uses.	243,000,000 (Hong Kong Dollars Two Hundred Forty Three Million Only) <i>(55% Interest Attributable to the Group: HKD133,650,000)</i>

Notes:

- Pursuant to eight State-owned Land Use Rights Certificates issued by the Bureau of Land and Resources of Zhongshan City, the land use rights of the Development with a total site area of 188,061.6 sq.m. were granted to 中山星晨花園房地產發展有限公司 (Zhongshan Morning Star Villa Housing and Real Estate Development Limited) for commercial and residential uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area Approximately <i>(sq.m.)</i>	Expiry of the Term
Zhong Fu Guo Yong (2002) Zhi No.110763	14 June 2002	32,755.5	7 June 2064
Zhong Fu Guo Yong (2002) Zhi No.110764	14 June 2002	32,221.3	7 April 2064
Zhong Fu Guo Yong (2002) Zhi No.110765	14 June 2002	30,172.9	29 June 2066
Zhong Fu Guo Yong (2002) Zhi No.110766	14 June 2002	2,804	20 September 2070
Zhong Fu Guo Yong (2002) Zhi No.110767	14 June 2002	32,205	29 June 2066

APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

Land Use Rights Certificate No.	Date of Issue	Site Area Approximately (sq.m.)	Expiry of the Term
Zhong Fu Guo Yong (2002) Zhi No.110768	14 June 2002	33,247.5	7 May 2064
Zhong Fu Guo Yong (2002) Zhi No.110938	September 2002	26,709.4	8 June 2064
Zhong Fu Guo Yong (2002) Zhi No.110940	6 September 2002	31,926.7	15 November 2067

2. As advised by the Company, the development plan of the property has not been finalized and also advised that the maximum plot ratio permitted for the development of the property is 1.5. We have taken into account the maximum plot ratio of 1.5 in the course of our valuation.
3. 中山星晨花園房地產發展有限公司 is a 55%-interest indirectly owned subsidiary of the Company.
4. We have valued the property based on assumptions as follows:
 - (i) 中山星晨花園房地產發展有限公司 has no legal impediment to obtain all prerequisite approvals and permits for the development of the property; and
 - (ii) we have not taken into account the risk of repossession of the property by the government.
5. The major certificates and relevant approvals of the property are summarized as follows:
 - (i) State-owned Land Use Rights Certificate Yes
6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:
 - (i) 中山星晨花園房地產發展有限公司 legally owns the land use rights of the property and is entitled to freely lease, transfer, mortgage and dispose of the property;
 - (ii) as the property has not commenced development for a long time, the property is subject to a risk of repossession by the government; and
 - (iii) the property is not subject to mortgage or any other encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particular of Occupancy	Market Value in existing state as at 31 August 2010 HKD
5. Land Parcel located at Jumin Committee, Houshan Cunmin Committee, Xiqu, Zhongshan City, Guangdong Province, the People's Republic of China	<p>The property comprises a parcel of land with an area of approximately 7,344 square metres.</p> <p>The subject property forms a portion of the development known as Morning Star Plaza (星晨廣場).</p> <p>The land use rights of the property were granted for a term expiring on 27 April 2065 for commercial and residential uses.</p>	The property is currently a vacant site.	<p>No Commercial Value</p> <p>(55% Interest Attributable to the Group: No Commercial Value)</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2002) Zhi No.203132 issued by the Bureau of Land and Resources of Zhongshan City dated 29 March 2002, the land use rights of a parcel of land with an area of approximately 58,783.64 square metres, among which the property forms a portion, were granted to 中山星晨廣場房地產發展有限公司 (Zhongshan Morning Star Plaza Housing and Real Estate Development Limited) for a term expiring on 27 April 2065 for commercial and residential uses.
2. As advised by the Company, the development plan of the property has not been finalized and the property is not permitted to develop unless extra land premium has been settled. Therefore, we have attributed no commercial value to the property. For reference purpose, we are of an opinion that the market value of the property as at the Valuation Date is HKD16,300,000 (55% Interest attributable to the Group: HKD8,965,000) based on the following assumption that:
 - (i) the land premium has been paid in full; and
 - (ii) 中山星晨廣場房地產發展有限公司 has no legal impediment to obtain all prerequisite approvals and permits for the development of the property with the maximum plot ratio of 1.5 is permitted;
3. 中山星晨廣場房地產發展有限公司 is a 55%-interest indirectly owned subsidiary of the Company.
4. The major certificates and relevant approvals of the property are summarized as follows:
 - (i) State-owned Land Use Rights Certificate Yes
5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:
 - (i) 中山星晨廣場房地產發展有限公司 legally owns the land use rights of the property and is entitled to lease, transfer, mortgage and dispose of the property;
 - (ii) the property is not subject to mortgage or any other encumbrances.

APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

VALUATION CERTIFICATE**Group IV – Property Interests Held by the Group for Sale in Macau**

Property	Description and tenure	Particular of Occupancy	Market Value in existing state as at 31 August 2010 HKD
6. Shop AL on Ground Floor International Plaza I Avenida Do Dr. Rodrigo Rodrigues Macau	<p>The property comprises a retail unit on ground floor of a 13-storey composite building completed in about 1992.</p> <p>The saleable area of the property is approximately 48.41 square meters.</p> <p>The property is held under 政府租賃批地 CONCESSÃO POR ARRENDAMENTO for a term of 10 years commencing on 20 March 2006.</p>	The property is current vacant.	1,300,000 (Hong Kong Dollars One Million Three Hundred Thousand Only) (100% Interest Attributable to the Group: HKD1,300,000)

Notes:

1. The registered owner of the property is Morning Star Travel Service Limited.
2. Morning Star Travel Service Limited is a wholly owned subsidiary of the Company.

VALUATION CERTIFICATE

Group V – Property Interests Held by the Group for Future Development in Philippines

Property	Description and tenure	Particular of Occupancy	Market Value in existing state as at 31 August 2010 HKD
7.	A Development site located at Corner of Leon Guinto and Padre Faura Streets, District of Ermita, Manila, Philippines	The property comprises four parcels of contiguous land with a total area of approximately 2,370.5 square metres on which a structure designed for hotel use was erected.	The property is currently vacant. 16,300,000 (Hong Kong Dollars Sixteen Million Three Hundred Thousand Only) <i>(14.24% Interest Attributable to the Group: HKD2,321,000)</i>

Notes:

1. In the course of our valuation, we have based on the valuation by a qualified local Licensed Real Estate Appraiser JOSE G. MENDOZA in Philippines.
2. Land Traders Properties and Development Company, Inc. (“Land Traders”) is an independent third party. The Company indirectly holds 61% interest in Mansara Holding Company, Inc. (“Mansara”).
3. 14.24% interest of the property is attributable to the Group.
4. Land Traders borrowed from Mansara a loan of PHP45,000,000 for the acquisition of the property. Upon disposal of the property, Land Traders will fully repay the loan.
5. We have been provided with a legal opinion regarding the property interests by the Company’s Philippines legal adviser, which contains, inter alia, the following:
 - (i) the registered owner of the subject land parcels, which are covered by Transfer Certificates of Title Nos. 189440, 189441 and 190644, is Land Traders;
 - (ii) Mansara is the owner of the structure erected on the property;
 - (iii) the property is subject to ejectment proceedings and adverse claims proceedings; and
 - (iv) the owners are entitled to dispose of the property in the market and the buyer will be bound by the final outcome of the proceedings as mentioned in (iii).

1. RESPONSIBILITY STATEMENT

The sole director of the Offeror accepts full responsibility for the accuracy of information contained in this Composite Document (other than information in relation to the Group, the Vendors and parties acting in concert with any of them), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The Directors, save and except for Mr. Khet Kok Yin who is excluded from the responsibility statement to the Composite Document pursuant to Rule 9.4 of the Takeovers Code, jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information in relation to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Offeror, the parties acting in concert with it and their respective professional advisers), have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

<i>Authorised</i>	<i>HK\$</i>
<u>5,000,000,000</u> Shares	<u>1,000,000,000</u>
<i>Issued and credited as fully paid</i>	
<u>2,414,547,555</u> Shares	<u>482,909,511</u>

The Company did not have any outstanding warrants, options, derivatives or securities convertible into Shares as at the Latest Practicable Date.

3. MARKET PRICES

- (a) During the Relevant Period, the highest and lowest daily closing prices of the Shares as quoted on the Stock Exchange were HK\$0.30 on 7 June 2010 and HK\$0.066 on 5 and 8 February 2010 respectively.

- (b) The table below sets out the closing price per Share as quoted on the Stock Exchange on (i) the last trading day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share <i>HK\$</i>
31 December 2009	0.075
29 January 2010	0.069
26 February 2010	0.072
31 March 2010	0.121
30 April 2010	0.146
31 May 2010	0.152
23 June 2010 (the Last Trading Day)	0.285
30 June 2010	Suspended
30 July 2010	Suspended
31 August 2010	0.167
13 September 2010 (the Latest Practicable Date)	0.242

4. DISCLOSURE OF INTERESTS IN THE COMPANY

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors had or was deemed to have any interests and short positions in any shares or underlying shares or 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 for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in the Listing Rules.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of them SFO, or who were, directly or indirectly, interested in 10% 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:

Long positions in Shares

Name	Capacity	Number of Shares held as at the Latest Practicable Date	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Mr. Fong ⁽¹⁾	Interest in controlled corporation	700,000,000	28.99
Star Advance International Limited	Beneficial owner	700,000,000	28.99
Si Rong Bin (司榮彬) ⁽²⁾	Interest in controlled corporation	143,320,000	5.94
Sino Finance International Investment Group Limited	Beneficial owner	143,320,000	5.94

Notes:

1. 700,000,000 Shares are held by Star Advance International Limited (being the Offeror), which is wholly-owned by Mr Fong.
2. 143,320,000 Shares are held by Sino Finance International Investment Group Limited which is wholly-owned by Mr Si Rong Bin (司榮彬).

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no persons (other than a Director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were,

directly or indirectly interested in 10% 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 or who had any options in respect of such capital.

5. DISCLOSURE OF SHAREHOLDING IN THE COMPANY AND THE OFFEROR

As at the Latest Practicable Date:

- (i) save for 700,000,000 Shares (which have been deposited with Kingston Securities as collateral for the Loan Facility), representing approximately 28.99% of the voting rights of the Company, owned by the Offeror, none of the Offeror, its directors nor any party acting in concert with them owned or controlled any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (ii) the Company did not hold any interest in the securities, convertible securities, warrants, options and derivatives in respect of the shares of the Offeror;
- (iii) the Directors did not hold any interest in the securities, convertible securities, warrants, options and derivatives in respect of the shares of the Company and the Offeror;
- (iv) no subsidiary of the Company or any pension fund of the Company or of any member of the Group owned or controlled any Shares, convertible securities, warrants, options and derivatives in respect of Shares;
- (v) none of the professional advisers named under the section headed “Experts and consents” in this appendix or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (vi) no Shares, convertible securities, warrants, options and derivatives in respect of the Shares were managed on a discretionary basis by fund managers connected with the Company;
- (vii) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with it;
- (viii) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code;
- (ix) none of the Offeror nor any parties acting in concert with it, prior to the posting of this Composite Document, had received any irrevocable commitment to or not to accept the Share Offer;

- (x) no person who owned or controlled Shares, prior to the posting of this Composite Document had irrevocably committed to accepting or rejecting the Share Offer;
- (xi) none of the Offeror or any parties acting in concert with it had borrowed or lent any Shares; and
- (xii) none of the Company or any Directors had borrowed or lent any Shares.

6. DEALING IN SECURITIES

During the Relevant Period,

- (i) save for the Offeror's acquisition of 700,000,000 Shares under the Placing (which have been deposited with Kingston Securities as collateral for the Loan Facility), none of the Offeror, the directors of the Offeror or any parties acting in concert with it dealt for value in any securities, convertible securities, warrants, options and derivatives in respect of the Shares;
- (ii) save for the Vendors' disposal of the 1,530,223,657 Shares under the Placing, neither the Company nor any of the Directors dealt in any securities, convertible securities, warrants, options and derivatives of the Offeror or the Company;
- (iii) no subsidiary of the Company, nor any pension fund of the Company or any of its subsidiaries, nor any of the professional advisers named under the section headed "Experts and consents" in this appendix nor any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code had dealt for value in any securities, convertible securities, warrants, options and derivatives in respect of the Shares;
- (iv) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code had dealt for value in any securities of the Company;
- (v) no fund managers who managed funds on a discretionary basis and is connected with the Company had dealt in for value in any securities of the Company; and
- (vi) no person who had an arrangement of the kind referred to Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with it had dealt for value in any securities, convertible securities, warrants, options and derivatives in respect of the Shares.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts between the Directors and the Company or any of its subsidiaries or associated companies in force which:

- (i) (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; or
- (ii) were continuous contracts with a notice period of 12 months or more; or
- (iii) were fixed term contracts with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business carried on or intended to be carried on by the Group, were entered into by the Group within two years immediately preceding 23 June 2010 which are or may be material:

- i. an agreement for the sale and purchase of shares pursuant to which the Company acquired 0.45% interest in the capital of Morning Star Financial Services Limited from Firstway International Investment Limited at a consideration of HK\$231,000 dated 3 November 2009;
- ii. an agreement for the sale and purchase of shares pursuant to which the Company acquired 2.56% interest in the capital of Morning Star Financial Services Limited from Knight Partners Limited at a consideration of HK\$1,320,000 dated 15 October 2009; and
- iii. an agreement on the transfer of equity interests in Beijing Morning Star-New Ark International Travel Service Co., Ltd. (北京星晨方舟國際旅行社有限公司) which was entered into between Beijing New Ark International Travel Co., Ltd. (北京方舟國際旅遊有限公司), Morning Star Travel Service Limited and BTG International Travel & Tours Co., Ltd. (北京神舟國際旅行社集團有限公司) at a consideration of RMB1,050,000 dated 29 October 2008.

Save as disclosed above, none of the members of the Group had entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two years prior to the commencement of the Offer Period and up to the Latest Practicable Date.

10. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained or referred to in this Composite Document:

Name	Qualification
Kingston Securities	a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the SFO
Access Capital	a corporation licensed to carry on types 1, 4, 6 and 9 (dealing in securities, advising on securities, advising on corporate finance and asset management) regulated activities under the SFO
Ascent Partners Transaction Service Ltd.	Independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter, report and/or the references to its name in the form and context in which it appears.

11. GENERAL

- (i) The joint company secretaries of the Company are Ms. Ho Kuan Lai, an associate member of the Singapore Institute of Chartered Secretaries and Administrators, and Mr. Mok Ho Ming, an associate member of the Hong Kong Institute of Certified Public Accountants;
- (ii) the Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong;
- (iii) the head office and principal place of business of the Company in Hong Kong is at Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong;
- (iv) the registered office of the Offeror is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror and Mr. Fong is 44/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong;
- (v) the address of Kingston Securities and Kingston Corporate Finance is Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong;
- (vi) the address of Ample Capital is Unit A, 14th Floor, Two Chinachem Plaza, 135 Des Voeux Road Central, Hong Kong;

- (vii) the address of Access Capital is Suite 606, 6th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong;
- (viii) as at the Latest Practicable Date, there was no agreement or arrangement to which any of the Directors would be compensated for loss of office or otherwise in connection with the Share Offer;
- (ix) as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) that existed between the Offeror or any person acting in concert with it on the one hand, and any Directors, recent Directors, Shareholders or recent Shareholders on the other, having any connection with or dependence upon the Share Offer;
- (x) as at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other person which was conditional on or dependent upon the outcome of the Share Offer or otherwise connected with the Share Offer;
- (xi) save that the Offer Shares acquired under the Share Offer are to be deposited with Kingston Securities as collateral for the Loan Facility, as at the Latest Practicable Date, the Offeror and parties acting in concert with it had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Share Offer to any other persons;
- (xii) as at the Latest Practicable Date, there was no material contract to which the Offeror is a party in which any Director had a material personal interest; and
- (xiii) the English text of this Composite Document and the Form of Acceptance and Transfer shall prevail over the Chinese text in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours at the Company's principal place of business in Hong Kong at Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong; and (ii) on the Securities and Futures Commission's website at <http://www.sfc.hk/> and the Company's website at <http://www.msr.com.hk/>, while the Share Offer remains open for acceptance:

- (i) the memorandum and articles of association of the Company;
- (ii) the memorandum and articles of association of the Offeror;
- (iii) the letters of consent referred to in the section headed "Experts and consents" of this appendix;
- (iv) the audited financial statements of the Company for each of the three years ended 31 December 2009 and the unaudited financial statements of the Company for the six months ended 30 June 2010;

- (v) the material contracts referred to in the section headed “Material contracts” of this appendix;
- (vi) the letter from Kingston Securities set out on pages 6 to 13 of this Composite Document;
- (vii) the letter from the Board as set out on pages 14 to 20 of this Composite Document;
- (viii) the letter from the Independent Board Committee as set out on pages 21 to 22 of this Composite Document;
- (ix) the letter from Access Capital as set out on pages 23 to 41 of this Composite Document;
- (x) the valuation certificate and valuation report from the independent property valuer, the text of which is set out in Appendix III to this Composite Document; and
- (xi) a copy of this Composite Document.