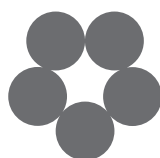


THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer 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 circular and the accompanying form of proxy to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its 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 circular.



星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

**VERY SUBSTANTIAL DISPOSAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company



KINGSTON CORPORATE FINANCE LTD.

A notice convening an extraordinary general meeting (“EGM”) of the Company to be held at Conference Room, 3rd Floor, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Tuesday, 30 October 2012 at 11:00 a.m. is set out on pages 60 to 61 of this circular. Whether or not you are able to attend the meeting in person, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

* *For identification purpose only*

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DEFINITIONS

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

“Agreed Standards”	the standards for preparation of the Cut-off Management Accounts shall be prepared on the basis of, among others, the following standards: <ul style="list-style-type: none">(a) compliance with Hong Kong Financial Reporting Standards;(b) has not been affected by any unusual, exceptional or non-recurring items; and(c) makes proper provision for all established liabilities and makes proper provision for all deferred or contingent liabilities (whether liquidated or unliquidated), bad or doubtful debts, and onerous contracts as on 30 June 2012
“Agreement”	the conditional sale and purchase agreement dated 29 June 2012 entered into between the Purchaser and the Company in relation to the sale and purchase of the Sale Shares
“Announcements”	the announcements of the Company dated 5 July 2012, 24 July 2012, and 21 September 2012 in relation to, inter alia, the Disposal and the transactions contemplated under the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Morning Star”	北京星晨旅遊有限公司 (Beijing Morning Star Travel Service Limited), a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of Target Company (B) as at the Latest Practicable Date
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company” or “Vendor”	Morning Star Resources Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange

DEFINITIONS

“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the seventh Business Day after the notification of fulfilment of the Conditions Precedent or waiver thereof (as the case may be)
“Conditions Precedent”	the conditions precedent to Completion under the Sale and Purchase Agreement as set out in the section headed “Conditions precedent” in this circular
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of HK\$138,000,010 (subject to adjustments) payable by the Purchaser in respect of the Disposal pursuant to the Sale and Purchase Agreement
“Cut-off Deduction”	any amount which shall be deducted from the Consideration in accordance with the terms of the Sale and Purchase Agreement and as summarised in the sub-section headed “Cut-off Deduction or Cut-off Payment” in this circular
“Cut-off Management Accounts”	the unaudited financial statements of the Target Group as at 30 June 2012 to be prepared according to the Agreed Standards and reviewed by the Purchaser’s Accountants
“Cut-off Payment”	any additional amount which shall be paid by the Purchaser to the Company in accordance with the terms of the Sale and Purchase Agreement and as summarised in the sub-section headed “Cut-off Deduction or Cut-off Payment” in this circular
“Deposit”	the cash sum of HK\$27,600,000 payable by the Purchaser to the Company within 7 Business Days of the date of the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loans as contemplated under the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder

DEFINITIONS

“Escrow Agent”	Tricor Tengis Limited or such other escrow agent as may be jointly appointed by the Company and the Purchaser
“Escrow Agreement”	the escrow agreement to be agreed and entered into among the Escrow Agent, the Company and the Purchaser
“Existing Group”	Morning Star Travel International and its subsidiaries as at the date of the Sale and Purchase Agreement
“First Supplemental Agreement”	the supplemental agreement dated 17 July 2012 entered into between the Purchaser and the Company to supplement or amend certain terms and conditions of the Agreement including, among others, specifying the rights in waiving certain Conditions Precedent; revising the Completion Date and the payment arrangement of the Consideration
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	9 October 2012, being the latest practicable date prior to printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the expiry of six (6) months after the date of the Sale and Purchase Agreement, or such other date as the Company and the Purchaser may agree in writing
“Material Adverse Change”	material adverse change on the business, turnover, profitability, financial, trading conditions or proposals, results of operations and assets of the Target Group taken as a whole, other than any changes in the ordinary course of business of the Target Group which are outside the control of any member of the Group
“Morning Star (Macau)”	Morning Star Travel Service (Macau) Limited, a limited liability company incorporated in Macau and a wholly-owned subsidiary of Target Company (B) as at the Latest Practicable Date


DEFINITIONS

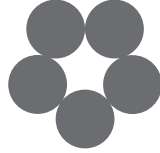
“Morning Star Plaza”	Morning Star Plaza Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Target Company (B) before the transfer as stated in the section “Structure of the Target Group” in this circular and Morning Star Travel International after such transfer and as at the Latest Practicable Date
“Morning Star Travel International”	Morning Star Travel International Limited, a limited liability company incorporated in the Cayman Islands and a wholly-owned subsidiary of the Company, being the immediate holding company of the Target Companies as at the Latest Practicable Date
“Other Loans”	any net loans owing by the relevant member(s) of the Remaining Group to Target Company (B) and outstanding as at 30 June 2012, amounted to approximately HK\$0.32 million
“Other Loans Waiver”	means the deed of waiver in respect of Other Loans to be executed by the relevant member(s) of the Remaining Group and the Target Company (B) on or before Completion
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Affluent Trade Ltd. (裕業有限公司), a company incorporated in the Cayman Islands with limited liability, the entire issued share capital of which are legally and beneficially owned by an independent third party of the Company
“Purchaser’s Accountants”	the accounting firm to be appointed by the Purchaser
“Purchaser’s Representatives”	up to two representatives to be appointed by the Purchaser
“Remaining Group”	the Group upon the Completion
“Sale and Purchase Agreement”	the Agreement, the First Supplemental Agreement and the Second Supplemental Agreement in relation to the sale and purchase of the Sale Shares and the Sale Loans
“Sale Loans”	any loans owing by the Target Group Companies to the Company or the Remaining Group as at Completion, excluding the Transition Repayment, and for indicative purpose, amounted to approximately HK\$24.9 million as at the date of the Second Supplemental Agreement

DEFINITIONS

“Sale Shares”	collectively the following: <ol style="list-style-type: none">1,050,000 shares of HK\$1.00 each, representing 100% of the issued share capital of Target Company (A);900,000 ordinary shares of HK\$100.00 each and 100,000 non-voting deferred shares of HK\$100.00 each, representing 100% of the issued share capital of Target Company (B); and2 shares of HK\$1.00 each, representing 100% of the issued share capital of Target Company (C)
“Second Supplemental Agreement”	the second supplemental agreement dated 21 September 2012 entered into between the Purchaser and the Company to supplement or amend certain terms and conditions of the Agreement (as supplemented by the First Supplemental Agreement) including, among others, reclassifying the Sale Loans and Other Loans
“Service Agreement”	the service agreement to be entered into between the Target Group Company and Mr. Sung Wai Man, Peter, an executive Director and the Chief Executive Officer of the Group, in the form and containing the terms to the satisfaction of the Purchaser
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Target Companies”	Target Company (A), Target Company (B) and Target Company (C) and “Target Company” means any of them
“Target Company (A)” or “Star Travel”	Star Travel Service Limited (星之旅有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Target Company (B)” or “Morning Star (HK)”	Morning Star Travel Service Limited (星晨旅遊有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Target Company (C)” or “Morning Star Traveller”	Morning Star Traveller Plus Limited (星晨旅遊五星會有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Target Group”	Target Companies and Morning Star (Macau) and “Target Group Company” means any of them
“Target Group Business”	the provision of package tours, airline ticketing, hotel reservation, travel and other related services carried on by the Target Group
“Transition Deduction”	the amount which the Purchaser shall have the right to deduct from or set off against the Consideration and the Cut-off Payment in accordance with the terms of the Sale and Purchase Agreement and as summarised in the subsection headed “Transition Deduction” in this circular
“Transition Repayment”	the amount advanced by the Company to the Target Group with the prior written approval of the Purchaser’s Representatives during the period commencing immediately after 30 June 2012 and ending on the Completion Date for settlement of the prepayments or liabilities related to tour and travel-related services to be rendered after 30 June 2012 or for such other purpose as the Company and the Purchaser’s Representatives may agree
“Travel Business Assets”	the assets, businesses and intellectual property rights of the relevant members in the Existing Group, which are, in the sole opinion of the Purchaser, necessary for the operations of the Target Group Business by the Target Companies and Morning Star (Macau) and/or to enable the Purchaser through the acquisition of the Target Group Companies to solely and exclusively own and use all trademarks, business names, logos and brand names relating to “Morning Star”, “星晨”, “  星晨旅遊”, “MST”, “Morning Star Travel”, “星晨旅遊” and “Luxeworld” globally and the platform to operate the Target Group Business thereunder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq.m.”	square metres
“%”	per cent.



星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

Executive Directors:

SUNG Wai Man, Peter
CHI Chi Hung, Kenneth
YEUNG Kwok Leung

Non-Executive Director:

TSO Shiu Kei, Vincent

Independent Non-Executive Directors:

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

Registered office:

Caledonian Trust (Cayman) Limited
Caledonian House
69 Dr. Roy's Drive
P.O. Box 1043
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

12 October 2012

To Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference are made to the Announcements in relation to, inter alia, the Disposal and the transactions contemplated under the Sale and Purchase Agreement.

Negotiation in respect of the Disposal between the Director(s) and the representative(s) of the Purchaser was commenced in or around mid May 2012.

* For identification purpose only

LETTER FROM THE BOARD

On 29 June 2012 (after trading hours), the Company and the Purchaser entered into the Agreement (supplemented on 17 July 2012 under the First Supplemental Agreement and 21 September 2012 under the Second Supplemental Agreement), pursuant to which the Purchaser conditionally agreed to purchase and the Company conditionally agreed to procure the sale of the Sale Shares, which represents 100% of the entire issued share capital of the Target Companies and the Sale Loans, for an aggregate consideration of HK\$138,000,010 (subject to adjustments).

The Target Group is principally engaged in the provision of package tours, airline ticketing, hotel reservation, travel and other related services. Upon Completion, the Target Group and Beijing Morning Star will cease to be subsidiaries of the Company and their results will not be consolidated into the consolidated financial statements of the Group after the Completion.

After Completion, the Company will cease to engage in the travel and travel related businesses. The Remaining Group shall be principally engaged in the property development and property management. The Directors intend to utilise the net proceeds from the Disposal for general working capital of the Group and as fund for property-related business development of the Group and other potential businesses when investment opportunities arise.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to approval by the Shareholders at the EGM.

The purpose of this circular is to provide you with, amongst other things, further information relating to the Disposal; and to seek approval from the Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder as set out in the notice of EGM included in this circular.

THE SALE AND PURCHASE AGREEMENT

Date : 29 June 2012 (and supplemented on 17 July 2012 under the First Supplemental Agreement and 21 September 2012 under the Second Supplemental Agreement, principal details of which are set out below)

Parties : (1) Vendor : Morning Star Resources Limited
(2) Purchaser : Affluent Trade Ltd. (裕業有限公司)

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

SUPPLEMENTAL AGREEMENTS

On 17 July 2012 and 21 September 2012, the Company and the Purchaser entered into the First Supplemental Agreement and the Second Supplemental Agreement respectively to supplement or amend certain terms and conditions of the Agreement including, among others,

LETTER FROM THE BOARD

specifying the rights in waiving certain Conditions Precedent; revising the Completion Date and the payment arrangement of the Consideration; and reclassifying the Sale Loans and Other Loans.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase and the Company conditionally agreed to procure the sale of (i) the Sale Shares, which represents the entire issued share capital of the Target Companies; and (ii) the Sale Loans, which includes any loans owing by the Target Group Companies to the Company or the Remaining Group as at Completion, excluding the Transition Repayment. In addition, it was also agreed that Other Loans, which means any net loans owing by the relevant member(s) of the Remaining Group to Target Company (B) outstanding as at 30 June 2012 and amounted to approximately HK\$0.32 million, will be waived and the Other Loans Waiver will be executed. For indicative purpose, Sale Loans amounted to approximately HK\$24.9 million as at the date of the Second Supplemental Agreement. The Directors expect that there will not be any material change in the amount of Sale Loans as at the Completion Date.

Consideration

The Consideration for the sale and purchase of the Sale Shares and the Sale Loans in the aggregate sum of HK\$138,000,010 (subject to adjustments set out in the Sale and Purchase Agreement and summarised below) shall be satisfied by the Purchaser in the following manner:

- (i) HK\$27,600,000, being the Deposit, shall be payable in cash by the Purchaser to the Company within 7 Business Days of the date of the Sale and Purchase Agreement;
- (ii) HK\$82,800,010, subject to adjustment of the Cut-off Deduction or the Cut-off Payment (as the case may be) if the review of the Cut-off Management Accounts by the Purchaser's Accountants is completed before the Completion, shall be payable in cash by the Purchaser to the Company on the Completion Date; and
- (iii) the balance of HK\$27,600,000 shall be payable in cash by the Purchaser to the Escrow Agent on the Completion Date, which shall be held on escrow upon and subject to the Escrow Agreement, and which amount less the Transition Deduction (if any), shall be paid and released to the Company upon the expiry of six (6) months after Completion Date.

The Consideration was determined after arm's length negotiation between the Purchaser and the Company with reference to, among others, (i) the historical business performance of the Target Group; (ii) the public recognition of the trademarks, business names, logos and brand names relating to, among others, "Morning Star", "星晨", "星晨旅遊", "MST", "Morning Star Travel", "星晨旅遊" and "Luxeworld"; and (iii) the established market standing and operating platform of the Target Group.

LETTER FROM THE BOARD

Having considered the above and the factors described under the section headed “Reasons and benefits for the Disposal” below, the Directors (including the independent non-executive Directors) are of the opinion that the Consideration is fair and reasonable and on normal commercial terms and that the entering into the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Adjustments of Consideration

Pursuant to the terms of the Sale and Purchase Agreement, the Consideration for the Disposal is subject to the following adjustments:

1. *Cut-off Deduction or Cut-off Payment*

The Consideration for the Disposal shall be subject to adjustment of the Cut-off Payment or the Cut-off Deduction (as the case may be) based on the Cut-Off Management Accounts as at 30 June 2012 and determined in the following manner:

$$\text{Adjustment Sum} = A + B + C - D - E$$

Where:

Adjustment Sum	=	The amount of (where the sum is a positive figure) the Cut-off Payment or (where the sum is a negative figure) the Cut-off Deduction
A	=	Outstanding prepayment, inventory and other receivables (if any) made by the Target Group Companies as at 30 June 2012 in relation to tour and travel-related services to be rendered after 30 June 2012;
B	=	Trade receivable of the Target Group Companies as at 30 June 2012;
C	=	Cash and bank balances (less bank overdraft, if any) of the Target Group Companies as at 30 June 2012;
D	=	Trade payable and accruals of the Target Group Companies as at 30 June 2012; and
E	=	Outstanding customer deposits received by the Target Group Companies as at 30 June 2012 in relation to tour and travel-related services to be rendered after 30 June 2012

LETTER FROM THE BOARD

In the event that the above Adjustment Sum is a negative figure, being the Cut-off Deduction, such Adjustment Sum shall be deducted from the Consideration or otherwise paid by the Company and vice versa. There is no maximum or minimum amount of the Cut-off Deduction or the Cut-off Payment.

Depending on the time of completion of the review of the Cut-off Management Accounts by the Purchaser's Accountants, the Cut-off Payment or the Cut-off Deduction (as the case may be) will be settled on the Completion Date or within 7 Business Days after the completion of the review of the Cut-off Management Accounts by the Purchaser's Accountants. Pursuant to the Sale and Purchase Agreement, the Purchaser's Accountants shall complete such review of Cut-off Management Accounts within 3 months after all information reasonably required by the Purchaser's Accountants for such review having been provided by the Company.

As at the Latest Practicable Date, the Cut-off Management Accounts is still subject to the review by the Purchaser's Accountant. Based on the unaudited financial information of the Target Group for the six months ended 30 June 2012 set out in Appendix IIA to this circular, there would be a Cut-off Payment of approximately HK\$8.15 million. The Directors consider such amount is not material in the context of the Consideration.

2. *Transition Deduction*

The Consideration shall be subject to the Transition Deduction.

Pursuant to the terms of the Sale and Purchase Agreement, the Company shall pay to the Purchaser or the Purchaser shall deduct or set off against the Consideration and the Cut-Off Payment in respect of the following Transition Deduction:

- (a) any substantiated claim under the Sale and Purchase Agreement or the deed of indemnity in respect of any tax claim or payment of the Target Group;
- (b) any loss, liabilities, damages, costs and expenses suffered or incurred by the Target Group (save for any loss incurred in the ordinary course of the Business) as a result of any transactions entered into or actions taken by the Target Group without prior consultation with the Purchaser or the Purchaser's Representatives prior to the Completion; and
- (c) any trade receivable of the Target Group Companies as at 30 June 2012 but which remains outstanding and not actually received by the Target Group Companies within 6 months after the Completion Date (which for the avoidance of doubt shall not be subject to any maximum or minimum limitation of claims set out under the Sale and Purchase Agreement).

LETTER FROM THE BOARD

The Transition Deduction is not subject to a cap. Up to the Latest Practicable Date, approximately 99.93% of the accounts receivable as at 30 June 2012 were subsequently settled and received by the Group.

Having taken into consideration that (i) the Group will continue to hold the power for the daily operation of the Target Group, including the collection of trade receivables, until the Completion Date; and (ii) the amount of outstanding trade receivables, which amounted to approximately HK\$5.2 million as at 30 June 2012, is not material in the context of the Consideration, the Board considers that the terms relating to the Transition Deduction is fair and reasonable.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) the passing by the Shareholders at an extraordinary general meeting of the Company of all necessary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the requirement of the Listing Rules;
- (b) authorisations from the Registrar of Travel Agents in relation to the transactions contemplated under the Sale and Purchase Agreement in accordance with the Travel Agents Ordinance (Chapter 218 of the Laws of Hong Kong) having been obtained;
- (c) the Service Agreement having been executed;
- (d) no order or judgment (whether temporary, preliminary or permanent) of any authority having been issued or made prior to Completion which would have material adverse effect, and no legal or regulatory requirements remain to be satisfied, which has the effect of making unlawful or otherwise prohibiting or restricting the transfer of Sale Shares to the Purchaser, or any transactions contemplated under the Sale and Purchase Agreement;
- (e) there being no Material Adverse Change from the date of the Sale and Purchase Agreement and at all times up to and including the Completion Date;
- (f) there having been no breach by the Company of any of its obligations under the Sale and Purchase Agreement or any of the other transaction documents set out thereunder in any material respects; and
- (g) the warranties given by the Company are true and correct and not misleading in all material respect and no fact, event or circumstance having occurred which would make the warranties untrue or inaccurate in any respect, at all times up to and including the Completion Date.

Conditions (a), (b) and (d) above are not waivable under the Sale and Purchase Agreement.

LETTER FROM THE BOARD

If the conditions have not been fulfilled (or, as the case may be, waived) on or before the Long Stop Date and Completion does not take place, the Sale and Purchase Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. The Company shall release the Deposit (together with any interest accrued thereon) to the Purchaser and the Company shall and shall procure the Target Group Companies to repay the full amount of any advances made by the Purchaser to the Target Group Companies after 30 June 2012.

In the event that Condition (a), (b) and (d) are fulfilled, but the parties fail to proceed to Completion on or before the Long Stop Date, for reasons other than the default of the Purchaser, the Company shall:

- (i) within 7 Business Days after the originally scheduled Completion Date or the Long Stop Date (whichever is the earlier) return the Deposit and any interest accrued thereon to the Purchaser; and
- (ii) pay an additional amount of HK\$27,600,000 to the Purchaser within 7 Business Days after the originally scheduled Completion Date or the Long Stop Date (whichever is the earlier).

In the event that all of the Conditions Precedent are satisfied or waived by the Purchaser (as the case may be) but the Purchaser fails to proceed with Completion in accordance with the Sale and Purchase Agreement, the Company shall forfeit the entire Deposit.

Business review

The Purchaser shall be entitled to carry out a business review of the Existing Group on the business, legal, financial, commercial, intellectual property and tax aspects from the date of the Sale and Purchase Agreement to the earlier of the Completion Date, the Long Stop Date and the date of termination of the Sale and Purchase Agreement.

Completion

Completion shall take place on the Completion Date, being the seventh Business Day after the notification of fulfilment of the Conditions Precedent or waiver thereof (as the case may be).

The Company's undertakings

The Company undertakes or agrees, among others, that:

1. it shall procure that the winding-up and dissolution procedures relating to Beijing Morning Star shall be commenced as soon as possible and that such process shall be completed within 12 months from the Completion Date in accordance with applicable laws;

LETTER FROM THE BOARD

2. upon the Purchaser's request and at the sole cost of the Company, transfer to the Purchaser or the Target Companies the Travel Business Assets. If a transfer of such Travel Business Assets shall not be feasible for any reasons, the Company shall, after effecting necessary reorganisation to remove any assets which do not constitute Travel Business Assets, transfer or procure the transfer of such relevant members of the Existing Group holding the Travel Business Assets ("Travel Business Companies") to the Purchaser or the Target Companies as may be designated by the Purchaser. The transfer of any Travel Business Assets and/or Travel Business Companies shall be completed within 6 months from the date of request of the Purchaser or such later date as may be mutually agreed between the Company and the Purchaser;
3. it shall procure the transfer of Morning Star Plaza to any of the member of the Remaining Group at the Company's cost before Completion; and
4. it shall and shall procure each of the members of the Group other than the Target Group (save for certain assets/business/companies which are not related to the Target Group Business, including but not limited to Morning Star Villa and Morning Star Plaza, the mixed use properties of the Group located at Zhongshan, Guangdong, the PRC) to change their names in order to cease to use the intellectual property rights of the Target Group.

In respect of paragraph 1 above, the Board considers that Beijing Morning Star has been making loss for years and the probability of turnaround is remote. As shown in Appendix IIB to this circular, Beijing Morning Star has been making losses from 2009 to 2011 and the net asset value of Beijing Morning Star has been declining over the same periods. The Board believes that in spite of bearing the cost of winding up of Beijing Morning Star, the cessation of operation of Beijing Morning Star would be beneficial to the Company.

Despite the winding-up may take place after the Completion, Beijing Morning Star, being a subsidiary of Morning Star (HK) will leave the Group along with the Target Group upon Completion, and hence will cease to be a subsidiary of the Company upon Completion. The Company will receive any economic benefits arising from and bear the expenses associated with the winding-up exercise. After Completion, designated members from the Remaining Group will remain as the management of Beijing Morning Star to proceed with the winding-up and dissolution procedures. It is expected that a winding-up cost of Beijing Morning Star of approximately HK\$1 million.

INFORMATION ON THE COMPANY

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange.

The Group is principally engaged in travel and tourism and property development businesses.

LETTER FROM THE BOARD

INFORMATION ON THE PURCHASER

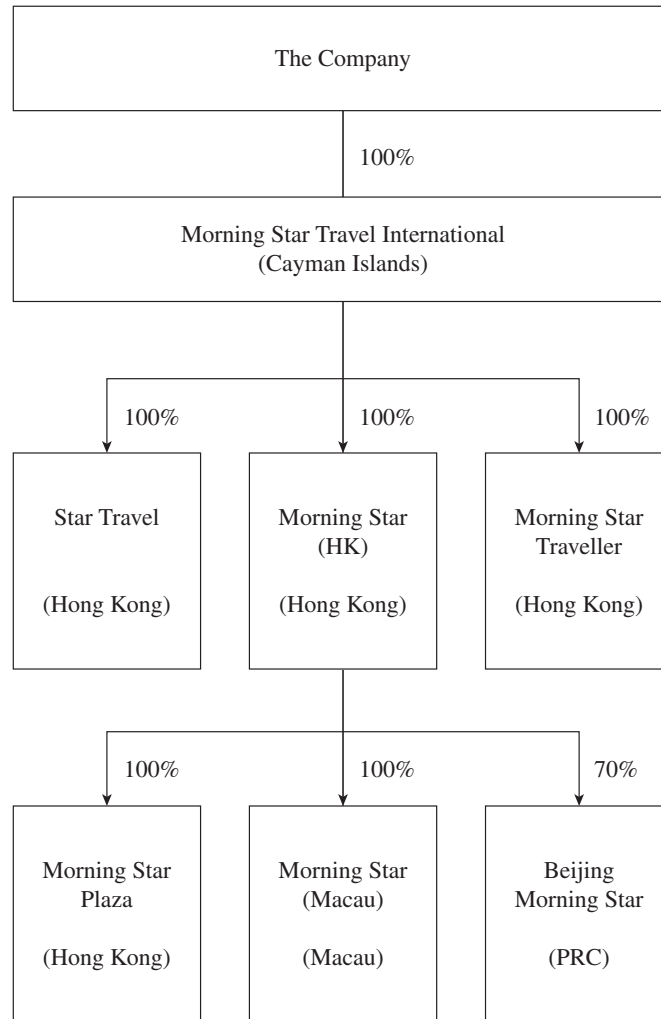
To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Purchaser is an investment holding company. The Purchaser and its ultimate beneficial owner are third parties independent of and not connected with (i) the Company and its connected persons; (ii) the ex-directors of the Company resigned on 7 October 2010; (iii) Bonham Industries Limited, Firstway International Investment Limited and their respective ultimate beneficial owners; and (iv) Tan Sri Dr. KHOO Kay Peng, the then Director and chairman of the Company prior to 7 October 2010. Both Bonham Industries Limited and Firstway International Investment Limited were the then substantial shareholders of the Company prior to 5 August 2010 and both companies were beneficially owned by Tan Sri Dr. KHOO Kay Peng. Before the Disposal, the Purchaser did not have any prior business or other relationship with the Company and its connected persons.

LETTER FROM THE BOARD

STRUCTURE OF THE TARGET GROUP

The following charts illustrate the structure of the Target Group (i) as at the Latest Practicable Date and before Completion and (ii) immediately after Completion:

As at the Latest Practicable Date and before Completion:



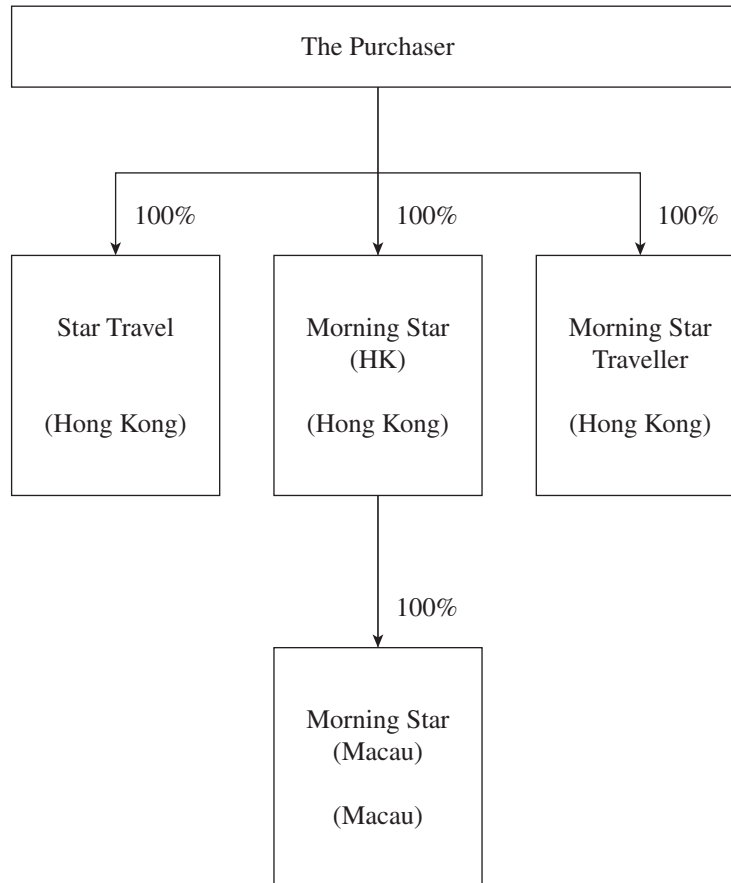
Notes:

- (1) Pursuant to the Sale and Purchase Agreement and as mentioned in the sectioned headed “The Company’s undertakings” in this circular:
 - (a) Morning Star Plaza (previously owned by Morning Star (HK)) shall be transferred to the Remaining Group at the Company’s cost before Completion; and
 - (b) Beijing Morning Star shall be wound up by the Company within 12 months from the Completion Date.
- (2) Despite the winding-up of Beijing Morning Star may take place after the Completion, Beijing Morning Star, being a subsidiary of Morning Star (HK), will leave the Group along with the Target Group upon Completion, and hence will cease to be a subsidiary of the Company upon Completion.

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As at the Latest Practicable Date, the transfer of the entire interest in Morning Star Plaza to the Remaining Group was completed.

Immediately after Completion:



INFORMATION ON THE TARGET GROUP

The Target Group consists of Star Travel, Morning Star Traveller, Morning Star (HK) and its subsidiary, i.e. Morning Star (Macau). The Target Group is principally engaged in the provision of package tours, airline ticketing, hotel reservation, travel and other related services and it currently has 14 branches in Hong Kong and Macau operating under the business names of “Morning Star Travel”, “星晨旅遊”, “MST” and “Luxeworld”.


Target Company (A) or Star Travel is a limited liability company incorporated in Hong Kong and it is principally engaged in provision of travel and travel-related services.

Target Company (B) or Morning Star (HK) is a limited liability company incorporated in Hong Kong and it is principally engaged in provision of travel and travel-related services.

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Target Company (C) or Morning Star Traveller is a limited liability company incorporated in Hong Kong and it is principally engaged in provision of travel and travel-related services.

Morning Star (Macau), a limited liability company incorporated in Macau and it is principally engaged in provision of travel and travel related services.

Morning Star (HK) is the registered owner of proprietary rights and interest in trademarks, business names, logos and brand names of “Morning Star”, “星晨”, “星晨旅遊”, “MST”, “Morning Star Travel”, “星晨旅遊” globally and has applied for registration of trademarks and logos relating to “Luxeworld” in Hong Kong.

Financial information of the Target Group

The combined financial information of the Target Group for the two years ended 31 December 2010 and 2011 and six months ended 30 June 2012 is set out as follows:

	For the year ended		For six
	31 December		months
	2010	2011	ended
	<i>HK\$'000</i>	<i>HK\$'000</i>	30 June
	(unaudited)	(unaudited)	2012
			<i>HK\$'000</i>
			(unaudited)
Turnover	423,590	476,547	256,441
Net profit/(loss) before tax	11,648	4,984	(53,416)
Net profit/(loss) after tax	9,715	4,984	(53,416)
	As at 31 December		As at
	2010	2011	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2012
			<i>HK\$'000</i>
Net assets/(liabilities) value	45,303	50,577	(4,107)

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Financial information of Beijing Morning Star

The financial information of Beijing Morning Star for the two years ended 31 December 2010 and 2011 and six months ended 30 June 2012 is set out as follows:

	For the year ended 31 December		For six months ended 30 June
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Turnover	114,016	91,539	42,920
Net (loss) before tax	(593)	(996)	(647)
Net (loss) after tax	(618)	(1,030)	(675)
			As at
			As at 31 December
	2010	2011	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net asset value	4,133	3,277	2,569

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in two main businesses, namely travel and tourism and property development. While the Group has been continuously operating its travel and tourism business, it also explored opportunities in property development business, which may bring stable return to the Group.

The Board has from time to time reviewed the business operations and financial position of the Group with a view of achieving the best interests of the Company and the Shareholders. In view of the growing trend of inflation around the world and the global economy has shown apparent minimal signs of recovery, the Group faces challenges in the increasing operating costs and limited expansion prospects in the travel and tourism segment.

The travel and tourism segment, by nature, is a labour intensive business, which is more vulnerable to the inflationary and unstable global economy. The Company believes that the travel and tourism segment requires more capital and management resources. The Board expects the results of the travel and tourism segment will be heavily affected by the rising operating costs, the flat demand and growing competition. As set out in the 2011 annual report of the Company, the travel and tourism segment recorded a decrease in profit from HK\$12.6 million in 2010 to HK\$3.6 million in 2011.

On the other hand, the Company is very optimistic and expects a high growth prospects in the property markets in Hong Kong and the PRC. Despite the regional economy has been facing various challenges from the European debt crisis, economic slowdown in the PRC and

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certain tightening measures imposed by the Hong Kong and the PRC governments, the Board takes an optimistic view on the potentials and opportunities in the property markets in Hong Kong and the PRC. In Hong Kong, both the residential and commercial property markets are exhibiting a strong recovering momentum after the government's restrictive measures having been gradually digested by the public. The expected continuation of a low interest rate environment and the close economic ties with the PRC are also considered bringing positive effects to the Hong Kong property market. On the other hand, the tightening measures in the PRC bring a cooling-down effect on the overheated demand and the stabilisation of the price levels which are considered to be beneficial to the development of a more sustainable and healthier property market in the PRC in the long run.

The Company has engaged in a number of property development projects since 1990's. According to past experience, property development was one of the profitable businesses of the Company with higher operating margin than that of the travel and tourism segment. Notwithstanding the Group's property development segment recorded a loss of approximately HK\$14.2 million and HK\$0.1 million for the financial years ended 31 December 2010 and 2011 respectively subsequent to the three consecutive years of positive returns from 2007 to 2009, the Board noted that the loss for the financial year ended 31 December 2010 was mainly attributable to a non-recurring write-off of approximately HK\$12.5 million and the Group managed to narrow down the segment loss in the following year. The Board believes the segment performance can be further improved with better cost control measures in place, such as (i) utilizing online social media platform which is considered as a cost effective marketing tool; (ii) revising incentive packages of the Group's sales team; (iii) streamlining operating workflows; and (iv) striking off certain dormant companies of the Remaining Group to save operating costs.

The estimated net proceeds receivable by the Group for the Disposal will amount to approximately HK\$136 million. The Directors intend to utilise the net proceeds from the Disposal for general working capital of the Group and as fund for property-related business development of the Group and other potential businesses when investment opportunities arise.

The Company intends to utilise part of the net proceeds for acquisition(s) of property(ies) as long term investments. The target properties under review are of commercial use, including shops and offices. Such target properties are located in Hong Kong and the PRC. The Directors consider that it is an appropriate strategy to expand its property investment portfolio in view of the current market outlook, and by acquiring properties with good commercial value will bring stable recurrent rental income to the Company. As at the Latest Practicable Date, no specific portion of the use of proceeds was decided by the Board.

Up to the Latest Practicable Date, the Company does not have any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any acquisition or joint venture or investments. The Board will continue to review investment opportunities to expand the Group's business.

The Directors consider that the Consideration represents a relatively high earnings multiple for and a premium over the net assets of the Target Group and the Disposal represents a good opportunity for the Group to realise its investment in the Target Group and to

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strengthen the financial position of the Group and will provide liquidity and opportunity for the Company for its expansion in property related segment and other investment opportunities to secure better returns for the Company and the Shareholders. Taking into account of the above, the Directors, including the independent non-executive Directors, consider that the terms of the Sale and Purchase Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

BUSINESS OF THE REMAINING GROUP

After Completion, the Company will cease to engage in the travel and travel-related businesses. As one of the Conditions Precedent, Mr. Sung Wai Man, Peter, an executive Director and the Chief Executive Officer of the Group, shall enter into the Service Agreement with the Target Group Company for the continuation of his service to the Target Group. As such, it is proposed that Mr. Sung will leave the Remaining Group and resign as an executive Director and the Chief Executive Officer of the Group upon Completion. The Board considers the resignation of Mr. Sung will not have any adverse effect on the continual operation of the Remaining Group as his main role during his tenure is to oversee the Group's travel and tourism business while the property development business, corporate and other business are principally managed by other senior management. Upon Mr. Sung's resignation, the role of the Chief Executive Officer of the Company will be performed by Mr. Chi Chi Hung, Kenneth, an executive Director of the Company. Save for the mentioned above, as at the Latest Practicable Date, the Directors have no plan to change the board composition of the Company upon completion of the Disposal.

The Remaining Group shall be principally engaged in the property development and property management business.

For indicative purpose, with regards to the six months ended 30 June 2012, the Group recorded an average monthly cash outflow for general and administrative expenses of (i) approximately HK\$520,000 for the Group's property development segment; and (ii) approximately HK\$630,000 for the Remaining Group's businesses other than property development segment.

In addition, for ease of reference, breakdown of the major assets of the Remaining Group as at 31 December 2011 based on the 2011 annual report of the Company is as follows:

		<i>HK\$</i>
Non-current assets	:	36 million
Property held for sale	:	35 million
Property held for sale under development	:	66 million
Inventory and trade and other receivables	:	21 million
Cash and cash equivalents	:	396 million

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As set out in the 2011 annual report, the Company had properties held for sale under development and completed residential and commercial properties held for sale at Morning Star Villa and Morning Star Plaza, of approximately 167,333 sq.m., together, amount to HK\$101,458,000 at cost. The Company intends to continue to focus on the sale of the unsold completed properties for immediate future and proposes to utilise the Group's land bank in the PRC of approximately 159,000 sq.m. for future development and expansion when it considers appropriate for long-term purpose. As at the Latest Practicable Date, the Company had no specific plan or expected cost for development of the Group's land bank in the PRC.

The Company is optimistic about the prospect of property related business and property market in the future and intends to engage in other property development projects which are similar to Morning Star Villa and Morning Star Plaza. The Company intends to further develop the Zhongshan market, to explore opportunities in the PRC property market of the first tier and second tier cities and to expand property development business in the future. In addition to property related business, the Company will also look for investment opportunities with a view to enhancing the Group's asset portfolio and maximising Shareholder's benefit.

Up to the Latest Practicable Date, save for the Disposal and the transactions contemplated under the Sales and Purchase Agreement, the Board has no present intention, negotiation (concluded or otherwise), understanding, arrangement or agreement about any disposal or termination or scaling-down of the Company's major remaining businesses or assets.

FINANCIAL EFFECT OF THE DISPOSAL

With regard to the unaudited combined net asset of the Target Group as at 30 June 2012 and the Consideration from the Disposal, it is expected that the Disposal will yield to the Company an estimated gain of approximately HK\$112.7 million. The estimated gain has been calculated with reference to (a) the Consideration of HK\$138 million (subject to adjustments) and the estimated transaction costs of the Disposal of approximately HK\$2 million; (b) the unaudited combined net liabilities of the Target Group of approximately HK\$4.1 million as at 30 June 2012; (c) the Target Company B's equity interest in Beijing Morning Star of 70% of its unaudited net assets of approximately HK\$1.8 million as at 30 June 2012 and the estimated winding-up cost of Beijing Morning Star of approximately HK\$1 million arisen from the Company's undertaking in winding-up the same; (d) the estimated gain of approximately HK\$0.3 million resulting from the Other Loans Waiver; and (e) the estimated loss of approximately HK\$24.9 million to be incurred by the Remaining Group arisen from the Sale Loans. However, it should be noted that the actual gain to be derived from the Disposal will ultimately depend on, among other things, the net assets of the Target Group and Beijing Morning Star, the actual transaction costs of the Disposal and the actual winding up cost as at the relevant time.

Apart from the estimated gain on the Disposal, the Board expects that there will be an overall enhancement of the Group's financial position should the Disposal proceed to Completion with reference to the unaudited net assets/liabilities value of the Target Group and Beijing Morning Star as at 30 June 2012 and the unaudited gain on Disposal.

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Upon Completion, the Target Group and Beijing Morning Star will cease to be subsidiaries of the Company and their results will not be consolidated into the consolidated financial statements of the Group after the Completion.

According to the unaudited pro forma consolidated income statement of the Remaining Group as set out in Appendix III to this circular, the profit of the Group will increase from a loss of approximately HK\$0.4 million to a profit of approximately HK\$166.4 million, as if the Disposal had taken place on 1 January 2012. According to the unaudited pro forma consolidated balance sheet of the Remaining Group as set out in Appendix III to this circular, the total assets of the Group will increase from approximately HK\$654.1 million to approximately HK\$684.5 million whilst the total liabilities of the Group will decrease from approximately HK\$123.8 million to approximately HK\$41.3 million, as if the Disposal had taken place on 30 June 2012.

IMPLICATIONS OF THE LISTING RULES

As the relevant percentage ratio of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to the announcement and Shareholders' approval at the EGM under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal as at the Latest Practicable Date. Accordingly, no Shareholder is required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

Completion is subject to the fulfilment or, where relevant, waiver of Conditions Precedent including, amongst others, the obtaining of the approval of the Shareholders, and therefore, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

EGM

An EGM will be held at Conference Room, 3rd Floor, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Tuesday, 30 October 2012 at 11:00 a.m. for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A notice of the EGM is set out on pages 60 to 61 of this circular. Voting at the EGM on the resolution will be taken by poll.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are advised to read the notice and complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before

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the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

RECOMMENDATION

Having considered the factors set out in the section headed “Reasons for and benefits of the Disposal” in respect of the Disposal, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular and the notice of the EGM.

By order of the Board
Morning Star Resources Limited
CHI Chi Hung, Kenneth
Executive Director

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 December 2009, 2010 and 2011 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2012 are disclosed in the 2009 (pages 27 to 73), 2010 (pages 25 to 85) and 2011 (pages 22 to 74) annual reports and 2012 interim report (pages 3 to 17) of the Company respectively, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.msr.com.hk).

2. INDEBTEDNESS STATEMENT

Borrowings

As at 31 August 2012, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate non-interest bearing other borrowings, of approximately HK\$16.7 million, which is unsecured.

Disclaimers

Save as disclosed above, and apart from intra-group liabilities as at 31 August 2012, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities as at 31 August 2012.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that taking into account (i) the Group's present financial resources; (ii) the proceeds from the Disposal; and (iii) other internal resources generated by the Group's future operations and in the absence of unforeseen circumstances, which refer to force majeure events like war and natural disaster, etc, the Group will have sufficient working capital for a period of 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Upon the completion of the Disposal, the Remaining Group will cease to engage in the travel and travel-related businesses and will continue to engage in the property development and property management businesses.

As set out in the 2011 annual report, the Company had properties held for sale under development and completed residential and commercial properties held for sale at Morning Star Villa and Morning Star Plaza, of approximately 167,333 sq.m., together, amount to HK\$101,458,000 at cost. The Company intends to continue to focus on the sale of the unsold completed properties for immediate future and proposes to utilise the Group's land bank in the PRC of approximately 159,000 sq.m. for future development and expansion when it considers appropriate for long-term purpose.

The Company is very optimistic and expects a high growth prospects in the property market in Hong Kong and the PRC. According to past records, the Company has experiences in engaging in property development business, which yielded a relatively high profit margin to the Company. The Board believes that as the property markets in Hong Kong and the PRC show steady trends, it is an appropriate strategy to expand its property investment portfolio in view of the current market outlook, and by acquiring properties with good commercial value will bring stable recurrent rental income to the Company.

The Company intends to utilise part of the net proceeds from the Disposal for acquisition(s) of property(ies) as long term investments. The target properties under review are of commercial use and include shops and offices located in Hong Kong and the PRC. In addition to property related business, the Company will also look for other investment opportunities with a view to enhancing the Group's asset portfolio and maximising Shareholder's benefit.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The Remaining Group is principally engaged in the property development business, and has been continuously exploring opportunities which include property development and management businesses.

Set out below is the management discussion and analysis on the Remaining Group:

(i) For the six months ended 30 June 2012

Business Review

For the six months ended 30 June 2012, turnover of the Remaining Group was approximately HK\$1.8 million and the profit before tax of the Remaining Group was approximately HK\$53.6 million, which was mainly attributable to a gain of HK\$55.4 million arising from the waiver of amount due to the Target Group.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2012, the Remaining Group's non-interest-bearing other borrowings was HK\$16.7 million. The Remaining Group's available banking facilities not utilised was nil.

The Remaining Group's gearing ratio as at 30 June 2012 was 3.1%. The gearing ratio was based on total borrowings over the total equity of the Remaining Group.

Capital Commitments

As at 30 June 2012, the Remaining Group had no capital commitment.

Significant Investment, Material Acquisition and Disposal

On 29 June 2012, the Company entered in to an agreement to sell its entire shares in wholly-owned subsidiaries, namely Morning Star Travel Service Limited, Star Travel Service Limited, and Morning Star Traveller Plus Limited which carry out tour and travel-related operations of the Group. The disposal is under process at the time of this Circular.

During the period under review, the Remaining Group acquired 35,000,000 shares of a stock listed in Hong Kong at a cost of HK\$9.9 million. The stock was classified as available-for-sales financial asset. As at 30 June 2012, market value of the shares was HK\$23.1 million.

In addition, the Remaining Group lent a loan (the “Loan”) amounted to HK\$50 million (“Principal Amount”) to an independent borrower. The Principal Amount of the Loan was fully repaid in June 2012.

Employees and Remuneration Policies

The total number of staff employed by the Remaining Group as at 30 June 2012 was 90. As part of the Remaining Group’s human resources policy, employees are rewarded on a performance-related basis within the general framework of the Remaining Group’s salary and bonus scale. Currently, the Remaining Group has a share option scheme for its employees. The Remaining Group continues to implement its overall human resources training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

Pledge of Assets

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

Treasury Policy

As part of treasury management, the Remaining Group centralised funding for all of its operations. For the six months ended 30 June 2012, the Remaining Group’s foreign currency exposure related mainly to Chinese Renminbi, which was derived from its sale of property units in Zhongshan, PRC.

Currency and Interest Rate Structure

The Remaining Group had certain foreign currency monetary assets and liabilities which were denominated in United States Dollars, Malaysian Ringgit, Philippine Peso, Australian Dollars and Renminbi. The Remaining Group monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. As at 30 June 2012, the Remaining Group did not enter into any agreement to hedge against the foreign exchange risk.

The Remaining Group's interest rate risk arose primarily from the Remaining Group's bank deposits and amount due from a related company. All the borrowings and deposits were on a floating rate basis.

The Remaining Group did not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Remaining Group's net deposits (being bank deposits and amount due from a related company less interest-bearing financial liabilities) was closely monitored by management.

Contingent Liability

As at 30 June 2012, the Remaining Group had contingent liabilities amounted to HK\$2.7 million. The contingent liabilities were mainly in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by MSV and MSP. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

(ii) For the twelve months ended 31 December 2011*Business Review*

For the twelve months ended 31 December 2011, the turnover of the Remaining Group was approximately HK\$33.5 million and the profit after tax of the Remaining Group was approximately HK\$3.2 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, the Remaining Group's non-interest-bearing other borrowings was HK\$16.7 million. The Remaining Group's available banking facilities not utilised was nil.

The Remaining Group's gearing ratio as at 31 December 2011 was 3.6%. The gearing ratio was based on total borrowings over the total equity of the Remaining Group.

Capital Commitments

As at 31 December 2011, the Remaining Group had no capital commitment.

Significant Investment, Material Acquisition and Disposal

During the year, the Remaining Group disposed a wholly-owned subsidiary, Morning Star Securities Limited (the “MSSL”) which carried out almost all of the Remaining Group’s financial service operations. The disposal was completed on 28 February 2011. Save for the above, the Remaining Group did not have any significant investment, material acquisition or disposal during the twelve months ended 31 December 2011.

Employees and Remuneration Policies

The total number of staff employed by the Remaining Group as at 31 December 2011 was 89. As part of the Remaining Group’s human resources policy, employees are rewarded on a performance-related basis within the general framework of the Remaining Group’s salary and bonus scale. The Remaining Group had a share option scheme for its employees. The Remaining Group continued to implement its overall human resources training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

Pledge of Assets

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

Treasury Policy

As part of treasury management, the Remaining Group centralised funding for all of its operations. For the twelve months ended 31 December 2011, the Remaining Group’s foreign currency exposure related mainly to Chinese Renminbi, which was derived from its sale of property units in Zhongshan, PRC.

Currency and Interest Rate Structure

The Remaining Group had certain foreign currency monetary assets and liabilities which were denominated in United States Dollars, Malaysian Ringgit, Philippine Peso, Australian Dollars and Renminbi. The Remaining Group monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. As at 31 December 2011, the Remaining Group did not enter into any agreement to hedge against the foreign exchange risk.

The Remaining Group’s interest rate risk arose primarily from the Remaining Group’s bank deposits and amount due from a related company. All the borrowings and deposits were on a floating rate basis.

The Remaining Group did not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Remaining Group's net deposits (being bank deposits and amount due from a related company less interest-bearing financial liabilities) was closely monitored by management.

Contingent Liability

As at 31 December 2011, the Remaining Group had contingent liabilities amounted to HK\$3.0 million. The contingent liabilities were mainly in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by MSV and MSP. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

(iii) For the twelve months ended 31 December, 2010

Business Review

For the twelve months ended 31 December 2010, the turnover of the Remaining Group was approximately HK\$22.1 million and the loss after tax of the Remaining Group was approximately HK\$31.7 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2010, the Remaining Group's non-interest-bearing other borrowings was HK\$16.7 million. The Remaining Group's available banking facilities not utilised was nil.

The Remaining Group's gearing ratio as at 31 December 2010 was 7.2%. The gearing ratio was based on total borrowings over the total equity of the Remaining Group.

Capital Commitments

As at 31 December 2010, the Remaining Group had capital commitment amounted to HK\$1.3 million.

Significant Investment, Material Acquisition and Disposal

The Remaining Group did not have any significant investment, material acquisition or disposal during the twelve months ended 31 December 2010.

Employees and Remuneration Policies

The total number of staff employed by the Remaining Group as at 31 December 2010 was 94. As part of the Remaining Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Remaining Group's salary and bonus scale. The Remaining Group did not have a share option scheme for its employees. The Remaining Group continued to

implement its overall human resources training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

Pledge of Assets

As at 31 December 2010, non-current bank balances amounting to HK\$2.4 million were pledged to certain banks to secure mortgage loan facilities to the purchasers of properties developed by MSV and MSP in Zhongshan, PRC.

Treasury Policy

As part of treasury management, the Remaining Group centralises funding for all of its operations. For the twelve months ended 31 December 2010, the Remaining Group's foreign currency exposure related mainly to Chinese Renminbi, which was derived from its sale of property units in Zhongshan, PRC.

Currency and Interest Rate Structure

The Remaining Group had certain foreign currency monetary assets and liabilities which were denominated in United States Dollars, Malaysian Ringgit, Philippine Peso, Australian Dollars and Renminbi. The Remaining Group monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. As at 31 December 2010, the Remaining Group did not enter into any agreement to hedge against the foreign exchange risk.

The Remaining Group's interest rate risk arose primarily from the Remaining Group's bank deposits and amount due from a related company. All the borrowings and deposits were on a floating rate basis.

The Remaining Group did not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Remaining Group's net deposits (being bank deposits and amount due from a related company less interest-bearing financial liabilities) was closely monitored by management.

Contingent Liability

As at 31 December 2010, the Remaining Group had contingent liabilities amounted to HK\$27.1 million. The contingent liabilities were mainly in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by MSV and MSP. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

(iv) For the twelve months ended 31 December 2009*Business Review*

For the twelve months ended 31 December 2009, the turnover of the Remaining Group was approximately HK\$40.3 million and the loss after tax of the Remaining Group was approximately HK\$1.0 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2009, the Remaining Group's non-interest-bearing other borrowings was HK\$16.7 million. The Remaining Group's available banking facilities not utilised was nil.

The Remaining Group's gearing ratio as at 31 December 2009 was 6.4%. The gearing ratio was based on total borrowings over the total equity of the Remaining Group.

Capital Commitments

As at 31 December 2009, the Remaining Group had no capital commitment.

Significant Investment, Material Acquisition and Disposal

On 29 October 2008, the Remaining Group entered into a transfer of equity interest agreement to acquire an additional 21% equity interest in Beijing Morning Star, a sino-foreign joint venture company incorporated in PRC. Prior to the said agreement, the Remaining Group held 49% equity interest in the Beijing Morning Star. In March 2009, the said acquisition was completed and accordingly Beijing Morning Star with 70% equity interest held by the Remaining Group, has since been recognised as a subsidiary of the Remaining Group.

During the year, the Remaining Group had also acquired an aggregate of 27.2 million ordinary shares of Malayan United Industries Berhad ("MUI") at a total consideration (inclusive of brokerage fees, contract stamp duties and clearing fees) of approximately HK\$11.2 million, representing approximately 1.4% of the entire issued share capital of MUI.

Employees and Remuneration Policies

The total number of staff employed by the Remaining Group as at 31 December 2009 was 100. As part of the Remaining Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Remaining Group's salary and bonus scale. The Remaining Group did not have a share option scheme for its employees. The Remaining Group continued to implement its overall human resources training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

Pledge of Assets

As at 31 December 2009, non-current bank balances amounting to HK\$3.4 million were pledged to certain banks to secure mortgage loan facilities to the purchasers of properties developed by MSV and MSP in Zhongshan, PRC.

Treasury Policy

As part of treasury management, the Remaining Group centralised funding for all of its operations. For the twelve months ended 31 December 2009, the Remaining Group's foreign currency exposure related mainly to Chinese Renminbi, which was derived from its sale of property units in Zhongshan, PRC.

Currency and Interest Rate Structure

The Remaining Group had certain foreign currency monetary assets and liabilities which were denominated in United States Dollars, Malaysian Ringgit, Philippine Peso, Australian Dollars and Renminbi. The Remaining Group monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. As at 31 December 2009, the Remaining Group did not enter into any agreement to hedge against the foreign exchange risk.

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

Contingent Liability

As at 31 December 2009, the Remaining Group had contingent liability amounted to HK\$50.6 million. The contingent liabilities were mainly in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by MSV and MSP. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

APPENDIX IIA FINANCIAL INFORMATION ON THE TARGET GROUP
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Set out below are the unaudited combined balance sheets of the Target Group as at 31 December 2009, 2010 and 2011 and 30 June 2012 and the related unaudited combined income statements, statements of changes in equity and cash flow statements for each of the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012, and certain explanatory notes, which have been reviewed by the auditor of the Company, Parker Randall CF (H.K.) CPA Limited, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. There was no qualification and modification in the review report issued by the auditors.

UNAUDITED COMBINED INCOME STATEMENTS

For the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012

	31 December 2009 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>	30 June 2011 <i>HK\$'000</i>	30 June 2012 <i>HK\$'000</i>
TURNOVER	349,625	423,590	476,547	231,691	256,441
Cost of sales	<u>(303,392)</u>	<u>(367,038)</u>	<u>(415,334)</u>	<u>(202,582)</u>	<u>(220,697)</u>
GROSS PROFIT	46,233	56,552	61,213	29,109	35,744
Other income	5,961	5,442	7,505	3,564	3,787
Selling and promotional expenses	(4,241)	(5,618)	(7,868)	(3,281)	(2,976)
Administrative expenses	<u>(45,253)</u>	<u>(44,728)</u>	<u>(55,866)</u>	<u>(27,399)</u>	<u>(89,971)</u>
PROFIT/(LOSS) FROM OPERATION	2,700	11,648	4,984	1,993	(53,416)
Finance costs	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
PROFIT/(LOSS) BEFORE TAX	2,697	11,648	4,984	1,993	(53,416)
Income tax expense	<u>—</u>	<u>(1,933)</u>	<u>—</u>	<u>—</u>	<u>—</u>
PROFIT/(LOSS) FOR THE YEAR	<u><u>2,697</u></u>	<u><u>9,715</u></u>	<u><u>4,984</u></u>	<u><u>1,993</u></u>	<u><u>(53,416)</u></u>

APPENDIX IIA FINANCIAL INFORMATION ON THE TARGET GROUP

UNAUDITED COMBINED BALANCE SHEETS

At 31 December 2009, 2010, and 2011 and 30 June 2011 and 2012

	31 December 2009 HK\$'000	31 December 2010 HK\$'000	31 December 2011 HK\$'000	30 June 2011 HK\$'000	30 June 2012 HK\$'000
NON-CURRENT ASSET					
Property, plant and equipment	585	376	5,869	3,366	6,030
Investment in a subsidiary	3,500	3,500	3,500	3,500	—
Deferred tax assets	<u>8,542</u>	<u>6,624</u>	<u>6,624</u>	<u>6,624</u>	<u>6,624</u>
	<u>12,627</u>	<u>10,500</u>	<u>15,993</u>	<u>13,490</u>	<u>12,654</u>
CURRENT ASSETS					
Due from an ultimate holding company	8,720	8,778	4,102	9,351	—
Due from an immediate holding company	49,070	52,255	51,954	51,623	—
Due from fellow subsidiaries	182	366	351	361	—
Due from a subsidiary	140	—	—	—	—
Due from a related company	214	11	8	19	—
Inventory	227	265	652	309	534
Property held for sale	600	600	—	—	—
Trade receivables	527	562	2,131	3,228	5,246
Other receivables, prepayments and deposits paid	16,874	22,243	29,123	25,106	22,060
Bank and cash balances	<u>10,242</u>	<u>17,097</u>	<u>33,809</u>	<u>32,068</u>	<u>54,402</u>
	<u>86,796</u>	<u>102,177</u>	<u>122,130</u>	<u>122,065</u>	<u>82,242</u>
CURRENT LIABILITIES					
Amount due to group companies	14,542	17,823	17,188	16,927	24,914
Trade payables, other payables and accruals	49,293	49,537	70,358	71,027	74,089
Provision for taxation	<u>—</u>	<u>14</u>	<u>—</u>	<u>15</u>	<u>—</u>
	<u>63,835</u>	<u>67,374</u>	<u>87,546</u>	<u>87,969</u>	<u>99,003</u>
NET CURRENT ASSETS/ (LIABILITIES)	<u>22,961</u>	<u>34,803</u>	<u>34,584</u>	<u>34,096</u>	<u>(16,761)</u>
NET ASSETS/(LIABILITIES)	<u>35,588</u>	<u>45,303</u>	<u>50,577</u>	<u>47,586</u>	<u>(4,107)</u>
CAPITAL AND RESERVES					
Share capital	102,021	102,021	102,312	102,312	101,050
Exchange Reserve	(1)	(1)	(2)	(2)	(8)
Accumulated losses	<u>(66,432)</u>	<u>(56,717)</u>	<u>(51,733)</u>	<u>(54,724)</u>	<u>(105,149)</u>
TOTAL EQUITY	<u>35,588</u>	<u>45,303</u>	<u>50,577</u>	<u>47,586</u>	<u>(4,107)</u>

APPENDIX IIA	FINANCIAL INFORMATION ON THE TARGET GROUP
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UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012

	Issued share capital <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2009	102,021	(1)	(69,129)	32,891
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>2,697</u>	<u>2,697</u>
Balance at 31 December 2009	102,021	(1)	(66,432)	35,588
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>9,715</u>	<u>9,715</u>
Balance at 31 December 2010	102,021	(1)	(56,717)	45,303
Issuance of new shares	291	—	—	291
Total comprehensive income for the year	<u>—</u>	<u>(1)</u>	<u>4,984</u>	<u>4,983</u>
Balance at 31 December 2011	<u>102,312</u>	<u>(2)</u>	<u>(51,733)</u>	<u>50,577</u>
Balance at 31 December 2010	102,021	(1)	(56,717)	45,303
Issuance of new shares	291	—	—	291
Total comprehensive income for the period	<u>—</u>	<u>(1)</u>	<u>1,993</u>	<u>1,992</u>
Balance at 30 June 2011	<u>102,312</u>	<u>(2)</u>	<u>(54,724)</u>	<u>47,586</u>
Balance at 31 December 2011	102,312	(2)	(51,733)	50,577
Restructuring of Target Group	(1,262)	—	—	(1,262)
Total comprehensive income for the period	<u>—</u>	<u>(6)</u>	<u>(53,416)</u>	<u>(53,422)</u>
Balance at 30 June 2012	<u>101,050</u>	<u>(8)</u>	<u>(105,149)</u>	<u>(4,107)</u>

APPENDIX IIA	FINANCIAL INFORMATION ON THE TARGET GROUP
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UNAUDITED COMBINED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012

	31 December 2009 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>	30 June 2011 <i>HK\$'000</i>	30 June 2012 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax	2,697	11,648	4,983	1,993	(53,416)
Adjustments for:					
Depreciation	849	558	1,557	518	1,483
Finance costs	4	—	—	—	—
Provision for impairment of cost of investment in a subsidiary	—	—	—	—	3,500
Written off of property, plant and equipment	—	1	1	—	19
Loss on disposal of property, plant and equipment	1,521	—	—	—	—
Waiver of inter-company balances	—	—	—	—	55,397
Interest income	(262)	(235)	(210)	(104)	(63)
	<u>4,809</u>	<u>11,972</u>	<u>6,331</u>	<u>2,407</u>	<u>6,920</u>
Operating profit before working capital changes	4,809	11,972	6,331	2,407	6,920
Decrease/(Increase) in amount due from group companies	12,531	(3,287)	4,993	72	(252)
Decrease/(Increase) in amount due from related companies	(174)	203	3	(17)	8
Increase in trade receivables	(204)	(35)	(1,569)	(2,666)	(3,115)
Decrease/(Increase) in other receivables, prepayments and deposits paid	(3,610)	(5,369)	(6,880)	(2,863)	7,063
Decrease/(Increase) in inventories	(29)	(38)	(387)	(43)	118
Decrease in property held for sale	—	—	600	600	—
(Decrease)/Increase in amount due to group companies	(574)	3,281	(635)	(896)	7,726
Increase in trade payables, other payables and accruals	1,120	244	20,821	21,490	3,731
	<u>13,869</u>	<u>6,971</u>	<u>23,277</u>	<u>18,084</u>	<u>22,199</u>
Net cash generated from operating activities	13,869	6,971	23,277	18,084	22,199
Tax paid	—	—	(14)	—	—
Interest paid	(4)	—	—	—	—
	<u>13,865</u>	<u>6,971</u>	<u>23,263</u>	<u>18,084</u>	<u>22,199</u>
Net cash generated from operating activities	13,865	6,971	23,263	18,084	22,199

APPENDIX IIA	FINANCIAL INFORMATION ON THE TARGET GROUP
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	31 December 2009 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>	30 June 2011 <i>HK\$'000</i>	30 June 2012 <i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(162)	(351)	(7,051)	(3,508)	(1,663)
Acquisition of a subsidiary	(1,188)	—	—	—	—
Interest received	262	235	210	104	63
Net cash used in investing activities	(1,088)	(116)	(6,841)	(3,404)	(1,600)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase of share capital	—	—	291	291	—
Net cash inflow from financing activities	—	—	291	291	—
NET INCREASE IN CASH AND CASH EQUIVALENTS					
	12,777	6,855	16,713	14,971	20,599
CASH AND CASH EQUIVALENTS AT 1 JANUARY					
	(2,535)	10,242	17,097	17,097	33,809
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET					
	—	—	(1)	—	(6)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER/30 JUNE	<u>10,242</u>	<u>17,097</u>	<u>33,809</u>	<u>32,068</u>	<u>54,402</u>

NOTES TO THE FINANCIAL INFORMATION OF THE TARGET GROUP

For the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012

1. GENERAL

On 29 June 2012 (after trading hours), the Company and the Purchaser entered into the Agreement (supplemented on 17 July 2012 under the First Supplemental Agreement and 21 September 2012 under the Second Supplemental Agreement), pursuant to which the Purchaser conditionally agreed to purchase and the Company conditionally agreed to procure the sale of the Sale Shares, which represents 100% of the entire issued share capital of the Target Companies and the Sale Loans, for an aggregate consideration of HK\$138,000,010 (subject to adjustments).

Upon the completion of the Disposal, the Target Group will cease to be subsidiaries of the Company.

2. BASIS OF PREPARATION

The unaudited financial information of the Target Group for each of the three years ended 31 December 2011 and the six months ended 30 June 2011 and 2012 have been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal.

The unaudited financial information has been prepared in accordance with the relevant accounting policies adopted by the Company for the relevant years or periods in the preparation of the unaudited financial statements of the Company. The unaudited financial information does not contain sufficient explanatory notes to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 “Interim Financial Report” issued by the Hong Kong Institute of Certified Public Accountants.

APPENDIX IIB FINANCIAL INFORMATION ON BEIJING MORNING STAR

Set out below are the unaudited balance sheets of Beijing Morning Star as at 31 December 2009, 2010 and 2011 and 30 June 2011 and 2012 and the related unaudited income statements, statements of changes in equity and cash flow statements for each of the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012, and certain explanatory notes, which have been reviewed by the auditor of the Company, Parker Randall CF (H.K.) CPA Limited, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. There was no qualification and modification in the review report issued by the auditors.

UNAUDITED INCOME STATEMENT

For the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012

	31 December 2009 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>	30 June 2011 <i>HK\$'000</i>	30 June 2012 <i>HK\$'000</i>
TURNOVER	116,920	114,016	91,539	39,587	42,920
Cost of sales	<u>(115,209)</u>	<u>(112,379)</u>	<u>(90,151)</u>	<u>(39,124)</u>	<u>(42,393)</u>
GROSS PROFIT	1,711	1,637	1,388	463	527
Other income	9	106	149	3	116
Administrative expenses	<u>(2,113)</u>	<u>(2,336)</u>	<u>(2,533)</u>	<u>(1,148)</u>	<u>(1,290)</u>
PROFIT/(LOSS) FROM OPERATION	<u>(393)</u>	<u>(593)</u>	<u>(996)</u>	<u>(682)</u>	<u>(647)</u>
Income tax expense	<u>(15)</u>	<u>(25)</u>	<u>(34)</u>	<u>—</u>	<u>(28)</u>
PROFIT/(LOSS) FOR THE YEAR	<u><u>(408)</u></u>	<u><u>(618)</u></u>	<u><u>(1,030)</u></u>	<u><u>(682)</u></u>	<u><u>(675)</u></u>

APPENDIX IIB FINANCIAL INFORMATION ON BEIJING MORNING STAR

UNAUDITED BALANCE SHEET

At 31 December 2009, 2010, and 2011, and 30 June 2011 and 2012

	31 December 2009 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>	30 June 2011 <i>HK\$'000</i>	30 June 2012 <i>HK\$'000</i>
NON-CURRENT ASSET					
Property, plant and equipment	258	236	217	232	226
Other assets	91	95	247	241	244
Deferred tax assets	81	60	28	61	—
	<u>430</u>	<u>391</u>	<u>492</u>	<u>534</u>	<u>470</u>
CURRENT ASSETS					
Trade receivables	10,505	7,787	3,680	7,534	5,970
Other receivables, prepayments and deposits paid	745	588	611	576	635
Bank and cash balances	3,215	2,307	3,920	1,033	3,616
	<u>14,465</u>	<u>10,682</u>	<u>8,211</u>	<u>9,143</u>	<u>10,221</u>
CURRENT LIABILITIES					
Trade payables, other payables and accruals	10,300	6,926	5,415	6,146	8,117
Provision for taxation	36	14	11	10	5
	<u>10,336</u>	<u>6,940</u>	<u>5,426</u>	<u>6,156</u>	<u>8,122</u>
NET CURRENT ASSETS/ (LIABILITIES)	<u>4,129</u>	<u>3,742</u>	<u>2,785</u>	<u>2,987</u>	<u>2,099</u>
NET ASSETS/(LIABILITIES)	<u>4,559</u>	<u>4,133</u>	<u>3,277</u>	<u>3,521</u>	<u>2,569</u>
CAPITAL AND RESERVES					
Share capital	4,719	4,719	4,719	4,719	4,719
Exchange Reserve	1,232	1,424	1,598	1,494	1,565
Accumulated losses	(1,392)	(2,010)	(3,040)	(2,692)	(3,715)
TOTAL EQUITY	<u>4,559</u>	<u>4,133</u>	<u>3,277</u>	<u>3,521</u>	<u>2,569</u>

APPENDIX IIB FINANCIAL INFORMATION ON BEIJING MORNING STAR

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012

	Issued share capital <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2009	4,719	1,220	(984)	4,955
Total comprehensive income for the year	<u>—</u>	<u>12</u>	<u>(408)</u>	<u>(396)</u>
Balance at 31 December 2009	4,719	1,232	(1,392)	4,559
Total comprehensive income for the year	<u>—</u>	<u>192</u>	<u>(618)</u>	<u>(426)</u>
Balance at 31 December 2010	4,719	1,424	(2,010)	4,133
Total comprehensive income for the year	<u>—</u>	<u>174</u>	<u>(1,030)</u>	<u>(856)</u>
Balance at 31 December 2011	<u>4,719</u>	<u>1,598</u>	<u>(3,040)</u>	<u>3,277</u>
Balance at 31 December 2010	4,719	1,424	(2,010)	4,133
Total comprehensive income for the period	<u>—</u>	<u>70</u>	<u>(682)</u>	<u>(612)</u>
Balance at 30 June 2011	<u>4,719</u>	<u>1,494</u>	<u>(2,692)</u>	<u>3,521</u>
Balance at 31 December 2011	4,719	1,598	(3,040)	3,277
Total comprehensive income for the period	<u>—</u>	<u>(33)</u>	<u>(675)</u>	<u>(708)</u>
Balance at 30 June 2012	<u>4,719</u>	<u>1,565</u>	<u>(3,715)</u>	<u>2,569</u>

APPENDIX IIB FINANCIAL INFORMATION ON BEIJING MORNING STAR

UNAUDITED STATEMENT OF CASH FLOWS

For the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012

	31 December 2009 HK\$'000	31 December 2010 HK\$'000	31 December 2011 HK\$'000	30 June 2011 HK\$'000	30 June 2012 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax	(393)	(593)	(996)	(683)	(647)
Adjustments for:					
Depreciation	31	42	43	22	21
Written off of property, plant and equipment	—	—	—	—	66
Interest income	(9)	(6)	(12)	(3)	(4)
	<u>(371)</u>	<u>(557)</u>	<u>(965)</u>	<u>(664)</u>	<u>(564)</u>
Operating loss before working capital changes	(371)	(557)	(965)	(664)	(564)
Decrease/(Increase) in trade receivables	2,179	3,158	4,437	386	(2,327)
Decrease/(Increase) in other receivables, other assets, prepayments and deposits paid	654	189	(146)	(123)	(30)
Increase/(Decrease) in trade payables, other payables and accruals	(1,316)	(3,807)	(1,805)	(898)	2,757
	<u>(1,316)</u>	<u>(3,807)</u>	<u>(1,805)</u>	<u>(898)</u>	<u>2,757</u>
Net cash (used in)/generated from operating activities	1,146	(1,017)	1,521	(1,299)	(164)
Tax paid	(10)	(23)	(4)	(4)	(6)
	<u>(10)</u>	<u>(23)</u>	<u>(4)</u>	<u>(4)</u>	<u>(6)</u>
Net cash (used in)/generated from operating activities	1,136	(1,040)	1,517	(1,303)	(170)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	—	(9)	(14)	(13)	(98)
Interest received	9	6	12	3	4
	<u>9</u>	<u>6</u>	<u>12</u>	<u>3</u>	<u>4</u>
Net cash (used in)/generated from investing activities	9	(3)	(2)	(10)	(94)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,145	(1,043)	1,515	(1,313)	(264)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,070	3,215	2,307	2,307	3,920
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	—	135	98	39	(40)
	<u>—</u>	<u>135</u>	<u>98</u>	<u>39</u>	<u>(40)</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER/30 JUNE	<u>3,215</u>	<u>2,307</u>	<u>3,920</u>	<u>1,033</u>	<u>3,616</u>

NOTES TO THE FINANCIAL INFORMATION OF BEIJING MORNING STAR

For the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012

1. GENERAL

On 29 June 2012, the Company and the Purchaser entered into the Agreement (supplemented on 17 July 2012 under the First Supplemental Agreement and 21 September 2012 under the Second Supplemental Agreement), pursuant to which the Purchaser conditionally agreed to purchase and the Company conditionally agreed to procure the sale of the Sale Shares, which represents 100% of the entire issued share capital of the Target Companies and the Sale Loans, for an aggregate consideration of HK\$138,000,010 (subject to adjustments). Pursuant to the Sale and Purchase Agreement, the Company undertakes to procure the winding up of Beijing Morning Star, a subsidiary of Morning Star (HK).

Upon the completion of the Disposal, the Target Group together with Beijing Morning Star will cease to be subsidiaries of the Company.

2. BASIS OF PREPARATION

The unaudited financial information of the Beijing Morning Star for each of the three years ended 31 December 2011 and the six months ended 30 June 2011 and 2012 have been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal. The unaudited financial information has been prepared in accordance with the relevant accounting policies adopted by the Beijing Morning Star for the relevant years or periods in the preparation of the unaudited financial statements of the Company. The unaudited financial information does not contain sufficient explanatory notes to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 “Interim Financial Report” issued by the Hong Kong Institute of Certified Public Accountants.

A. INTRODUCTION TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma consolidated income statement, unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated cash flow statement of the Remaining Group have been prepared to illustrate the effect of the Disposal as if it had taken place on 30 June 2012 for the unaudited pro forma consolidated balance sheet and on 1 January 2012 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement.

The preparation of the unaudited pro forma consolidated balance sheet of the Remaining Group is based on the unaudited consolidated balance sheet of the Group as at 30 June 2012, which has been extracted from the unaudited consolidated financial statements of the Group for the period ended 30 June 2012. The preparation of the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Remaining Group for the period ended 30 June 2012 is based on the unaudited consolidated income statement and the unaudited consolidated cash flow statement of the Group for the period ended 30 June 2012, respectively.

Narrative descriptions of the unaudited pro forma adjustments in respect of the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Remaining Group are (i) directly attributable to the Disposal concerned and not relating to future events or decisions; (ii) expected to have no continuing effect on the Remaining Group; and (iii) factually supportable.

As the unaudited pro forma financial information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Remaining Group had the Disposal been taken place as at 1 January 2012 or 30 June 2012 or any future dates.

UNAUDITED PROFORMA CONSOLIDATED INCOME STATEMENT OF THE
REMAINING GROUP

For the period ended 30 June 2012

	The Group <i>HK\$'000</i> <i>(Note 1)</i>	Proforma adjustment of disposal of the Target Group <i>HK\$'000</i> <i>(Note 2)</i>	Remaining Group before ceasing operation of Beijing Morning Star <i>HK\$'000</i>	Proforma adjustment of ceasing operation of Beijing Morning Star <i>HK\$'000</i> <i>(Note 3)</i>	Proforma adjustment <i>HK\$'000</i> <i>(Note 4)</i>	Proforma adjustment <i>HK\$'000</i> <i>(Note 5)</i>	Remaining Group after ceasing operation of Beijing Morning Star <i>HK\$'000</i>
Turnover	300,380	(256,441)	43,939	(42,920)	815	—	1,834
Cost of Sales	<u>(263,388)</u>	<u>220,697</u>	<u>(42,691)</u>	<u>42,393</u>	<u>(815)</u>	<u>—</u>	<u>(1,113)</u>
Gross profit	36,992	(35,744)	1,248	(527)	—	—	721
Other Revenue	9,188	(3,787)	5,401	(116)	—	—	5,285
Selling and Promotional Expenses	(3,811)	2,976	(835)	—	—	—	(835)
Administrative Expenses	(42,747)	34,574	(8,173)	1,290	—	—	(6,883)
Waiver of inter-company balances	—	55,397	55,397	—	—	—	55,397
Gain on disposal	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>112,717</u>	<u>112,717</u>
Profit/(Loss) from operating activities	(378)	53,416	53,038	647	—	112,717	166,402
Taxation	<u>(28)</u>	<u>—</u>	<u>(28)</u>	<u>28</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit/(Loss) after taxation	<u>(406)</u>	<u>53,416</u>	<u>53,010</u>	<u>675</u>	<u>—</u>	<u>112,717</u>	<u>166,402</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE REMAINING GROUP**
**UNAUDITED PROFORMA CONSOLIDATED BALANCE SHEET OF THE
REMAINING GROUP**
At 30 June 2012

	The Group <i>HK\$'000</i> <i>(Note 1)</i>	Proforma adjustment of disposal of the Target Group <i>HK\$'000</i> <i>(Note 6)</i>	Remaining Group before ceasing operation of Beijing Morning Star <i>HK\$'000</i>	Proforma adjustment of ceasing operation of Beijing Morning Star <i>HK\$'000</i> <i>(Note 7)</i>	Proforma adjustment <i>HK\$'000</i> <i>(Note 8 and 11)</i>	Remaining Group after ceasing operation of Beijing Morning Star <i>HK\$'000</i>
NON-CURRENT ASSETS						
Property, plant and equipment	20,905	(6,030)	14,875	(226)	—	14,649
Prepaid lease payment on land use right	2,967	—	2,967	—	—	2,967
Properties under development	3,806	—	3,806	—	—	3,806
Investments in associates	—	—	—	—	—	—
Other assets	8,569	—	8,569	(244)	—	8,325
Available-for-sales financial assets	23,100	—	23,100	—	—	23,100
Pledged bank balances and time deposits	2,322	—	2,322	—	—	2,322
Deferred tax assets	10,014	(6,624)	3,390	—	—	3,390
	71,683	(12,654)	59,029	(470)	—	58,559
CURRENT ASSETS						
Properties held for sale	34,041	—	34,041	—	—	34,041
Properties held for sale under development	66,651	—	66,651	—	—	66,651
Financial assets at fair value through profit and loss	—	—	—	—	—	—
Inventories	697	(534)	163	—	—	163
Trade receivables	11,286	(5,246)	6,040	(5,970)	—	70
Other receivables	38,905	(22,060)	16,845	(635)	—	16,210
Amount due from related companies	8,585	—	8,585	—	—	8,585
Amount due from associates	449	—	449	—	—	449
Cash and cash equivalents	421,801	(54,402)	367,399	(3,616)	136,000	499,783
	582,415	(82,242)	500,173	(10,221)	136,000	625,952
TOTAL ASSETS	654,098	(94,896)	559,202	(10,691)	136,000	684,511

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE REMAINING GROUP**

	The Group <i>HK\$'000</i> <i>(Note 1)</i>	Proforma adjustment of disposal of the Target Group <i>HK\$'000</i> <i>(Note 6)</i>	Remaining Group before ceasing operation of Beijing Morning Star <i>HK\$'000</i>	Proforma adjustment of ceasing operation of Beijing Morning Star <i>HK\$'000</i> <i>(Note 7)</i>	Proforma adjustment <i>HK\$'000</i> <i>(Note 8 and 11)</i>	Remaining Group after ceasing operation of Beijing Morning Star <i>HK\$'000</i>
CURRENT LIABILITIES						
Tax payable	3,910	—	3,910	(5)	—	3,905
Trade payables, other payables and accruals	100,805	(74,089)	26,716	(8,117)	(322)	18,277
Amount due to related companies/group companies	2,279	—	2,279	—	—	2,279
Amount due to associates	129	—	129	—	—	129
Amount due to group companies	—	(24,914)	(24,914)	—	24,914	—
Non-interest-bearing other borrowings	16,710	—	16,710	—	—	16,710
TOTAL LIABILITIES	123,833	(99,003)	24,830	(8,122)	24,592	41,300
NET ASSETS	530,265	4,107	534,372	(2,569)	111,408	643,211
CAPITAL AND RESERVE						
Share Capital	19,316	—	19,316	—	—	19,316
Reserves	510,949	4,107	515,056	(2,569)	111,408	623,895
TOTAL EQUITY	530,265	4,107	534,372	(2,569)	111,408	643,211

UNAUDITED PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited Proforma Consolidated Statement of Cash Flows of the Remaining Group
For the period ended 30 June 2012

	The Group <i>HK\$'000</i> <i>(Note 1)</i>	Proforma adjustment of disposal of the Target Group <i>HK\$'000</i> <i>(Note 9)</i>	Remaining Group before ceasing operation of Beijing Morning Star <i>HK\$'000</i>	Proforma adjustment of ceasing operation of Beijing Morning Star <i>HK\$'000</i> <i>(Note 10)</i>	Proforma adjustment <i>HK\$'000</i> <i>(Note 8)</i>	Proforma adjustment <i>HK\$'000</i> <i>(Note 11)</i>	Remaining Group after ceasing operation of Beijing Morning Star <i>HK\$'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,117	(22,199)	(21,082)	170	—	—	(20,912)
Net loss on waiver	—	—	—	—	(24,592)	—	(24,592)
Decrease in amount due from group companies	—	—	—	—	24,914	—	24,914
Decrease in trade payables, other payables and accruals	—	—	—	—	(322)	—	(322)
	1,117	(22,199)	(21,082)	170	—	—	(20,912)
NET CASH (USED IN)/ GENERATED FROM INVESTING ACTIVITIES	(7,773)	1,600	(6,173)	94	—	—	(6,079)
Net proceeds from disposal	—	—	—	—	—	136,000	136,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,656)	(20,599)	(27,255)	264	—	136,000	109,009
CASH AND CASH EQUIVALENTS AT 1 JANUARY	429,647	(33,809)	395,838	(3,920)	—	—	391,918
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(1,190)	6	(1,184)	40	—	—	(1,144)
CASH AND CASH EQUIVALENTS AT 30 JUNE	421,801	(54,402)	367,399	(3,616)	—	136,000	499,783
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENT	421,801	(54,402)	367,399	(3,616)	—	136,000	499,783

UNAUDITED FINANCIAL INFORMATION OF REMAINING GROUP

Notes:

Note 1: The amounts are extracted from the published interim report of the Group for the period ended 30 June 2012.

Note 2: The adjustments reflect the exclusion of the results of Target Group for the period ended 30 June 2012 assuming the disposal were completed on 30 June 2012. The amounts are extracted from the Unaudited Financial Information of the Target Group for the period ended 30 June 2012 as set out in Appendix IIA to this circular except for below amount:

	HK\$'000	HK\$'000
Administrative expenses per Appendix IIA, which comprises:		89,971
(1) Administrative expenses per Proforma Consolidated Income Statement	34,574	
(2) Loss on waiver of amount due from the Remaining Group*	<u>55,397</u>	

* *The amount was included in administrative expenses in Appendix IIA. However, for illustrative purpose, waiver of the inter-company balances had been separately disclosed in Proforma Consolidated Income Statement.*

This pro forma adjustment will have no continuing effect on the Remaining Group.

Note 3: The adjustments reflect the exclusion of the results of Beijing Morning Star for the period ended 30 June 2012 assuming the disposal were completed on 30 June 2012. The amounts are extracted from the Unaudited Financial Information of Beijing Morning Star for the period ended 30 June 2012 as set out in Appendix IIB to this circular.

This pro forma adjustment will have no continuing effect on the Remaining Group.

Note 4: The adjustments represent the elimination of transactions between Beijing Morning Star and Morning Star (HK).

This pro forma adjustment will have no continuing effect on the Remaining Group.

Note 5: Gain on disposal would be calculated as:

	HK\$'000
Consideration (subject to adjustments)	138,000
Less: Estimated transaction costs of disposal	(2,000)
Add: Net (Liabilities) of the Target Group as at 30 June 2012	4,107
Less: Net Asset of Beijing Morning Star (70% interest held by Morning Star (HK)) as at 30 June 2012	(1,798)
Less: Estimated winding up cost of Beijing Morning Star	(1,000)
Add: Gain on waiver of amount due to the Target Group on or before the Completion (<i>see Note 8</i>)	322
Less: Loss on Sale Loans on or after the Completion (<i>see Note 8</i>)	<u>(24,914)</u>
	<u><u>112,717</u></u>

This pro forma adjustment will have no continuing effect on the Remaining Group.

Note 6: The adjustments reflect the exclusion of assets and liabilities of Target Group assuming the disposal were completed on 30 June 2012. The amounts are extracted from the Unaudited Financial Information of the Target Group for the period ended 30 June 2012 as set out in Appendix IIA to this circular.

Note 7: The adjustments reflect the exclusion of assets and liabilities of Beijing Morning Star assuming the disposal were completed on 30 June 2012. The amounts are extracted from the Unaudited Financial Information of the Target Group for the period ended 30 June 2012 as set out in Appendix IIB to this circular.

Note 8: The adjustments represent:

	<i>HK\$'000</i>
Waiver of amount due to the Target Group on or before the Completion (<i>see Note 5</i>)	322
Sale Loans on or after the Completion (<i>see Note 5</i>)	<u>(24,914)</u>
	<u><u>(24,592)</u></u>

This pro forma adjustment, in respect of the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows, will have no continuing effect on the Remaining Group.

Note 9: The adjustments reflect the exclusion of cash flows of Target Group assuming the disposal were completed on 30 June 2012. The amounts are extracted from the Unaudited Financial Information of the Target Group for the period ended 30 June 2012 as set out in Appendix IIA to this circular.

This pro forma adjustment will have no continuing effect on the Remaining Group.

Note 10: The adjustments reflect the exclusion of cash flows of Beijing Morning Star assuming the disposal were completed on 30 June 2012. The amounts are extracted from the Unaudited Financial Information of the Target Group for the period ended 30 June 2012 as set out in Appendix IIB to this circular.

This pro forma adjustment will have no continuing effect on the Remaining Group.

Note 11: Net proceeds from Disposal represents the total consideration (subject to adjustments) after deducting estimated transaction costs of the Disposal.

This pro forma adjustment, in respect of the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows, will have no continuing effect on the Remaining Group.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the full text of a report received from the independent auditor Parker Randall CF (H.K.) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.



The Directors
Morning Star Resources Limited
Unit 1803, 18th Floor
Tower 1, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay, Hong Kong

Dear Sirs,

Morning Star Resources Limited (the “Company”)

We report on the unaudited pro forma financial information of the Remaining Group (“the Pro Forma Financial Information”) set out in Appendix III to the circular dated 12 October 2012 (“the Circular”), which has been prepared by the directors to the Company solely for illustrative purposes to provide information about how the Disposal might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in Appendix III to the Circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2012 or any future date; or
- the results of the Group for the six months ended 30 June 2012 or any future periods.

Opinion

In our opinion:

- (a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

Parker Randall CF (H.K.) CPA Limited

Certified Public Accountants

Seto Man Fai

Practising Certificate No.: P05229

Hong Kong

12 October 2012

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors was a director or an employee of a company which 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.

Substantial Shareholders

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by any Directors or the chief executive of the Company, the following persons had an interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, deemed to be 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 Company and the amount of each of such persons' interests in such securities, together with particulars of any options in respect of such capital were as follows:

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

Notes:

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

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executives of the Company) who had interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, 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 the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with the Company which was not determinable within 1 year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as is known to the Directors, none of the Directors or their respective associates had any business or interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by member(s) of the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) the underwriting agreement dated 19 November 2010 (as supplemented by a supplemental agreement dated 7 April 2011) in relation to an open offer and a bonus issue by the Company entered into between the Company and Kingston Securities Limited;
- (b) the sale and purchase agreement dated 3 December 2010 entered into between Morning Star Financial Services Limited and Pool Heng Nominees Limited as the vendors and VMS Investment Group Limited as the purchaser in relation to the disposal of the entire issued share capital of Morning Star Securities Limited by the vendors to the purchaser at a consideration of HK\$13,528,311;
- (c) the loan agreement dated 21 March 2012 entered into between Morning Star Foreign Exchange Limited as lender and STI Wealth Management (Cayman) Limited as borrower in relation to the provision of a loan of HK\$50,000,000; and
- (d) the Sale and Purchase Agreement dated 29 June 2012, the First Supplemental Agreement dated 17 July 2012 and the Second Supplemental Agreement dated 21 September 2012.

9. QUALIFICATION OF EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualifications
Parker Randall CF (H.K.) CPA Limited	Certified Public Accountants

The report from Parker Randall CF (H.K.) CPA Limited is given as of the date of this circular for incorporation in this circular.

10. CONSENT

Parker Randall CF (H.K.) CPA Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report (if any) and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Parker Randall CF (H.K.) CPA Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Parker Randall CF (H.K.) CPA Limited did not have any direct or indirect interest in any assets which have been, since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) from the date of this circular up to and including the date of the EGM:

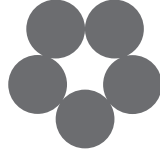
- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2010 and 2011;
- (c) the report from Parker Randall CF (H.K.) CPA Limited on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- (d) the consent letter from Parker Randall CF (H.K.) CPA Limited referred to in the paragraph headed "Consent" in this Appendix;

- (e) the material contracts as referred to in the section headed “Material Contracts” in this appendix; and
- (f) this circular.

12. GENERAL

- (a) 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.
- (b) The registered office of the Company is Caledonian Trust (Cayman) Limited at Caledonian House, 69 Dr. Roy’s Drive, P.O. Box 1043, Grand Cayman KY1-1102, Cayman Islands.
- (c) 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.
- (d) The company secretary of the Company is Ms. Leung Lai Seung, Candy *F.C.I.S.*.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Morning Star Resources Limited (“Company”) will be held at Conference Room, 3rd Floor, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Tuesday, 30 October 2012 at 11:00 a.m. (“EGM”) for the purpose of considering and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (A) the sale and purchase agreement dated 29 June 2012 (as supplemented by the supplemental agreements dated 17 July 2012 and 21 September 2012) (collectively the “Sale and Purchase Agreement”) entered into between the Company as the vendor and Affluent Trade Ltd. as the purchaser (a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to, among other matters, the sale and purchase of the entire issued share capital of Star Travel Service Limited, Morning Star Travel Service Limited and Morning Star Traveller Plus Limited (the “Target Companies”) and the loans owing by the Target Group Companies to the Company and/or its subsidiaries as at completion and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (B) the directors of the Company (the “Directors”) be and are hereby authorised to execute such all other documents, do all other acts and things and take such action as may in the opinion of the Directors be necessary, desirable or expedient to implement and give effect to the Sale and Purchase Agreement and any other transactions contemplated under the Sale and Purchase Agreement.”

By order of the Board
Morning Star Resources Limited
Leung Lai Seung, Candy
Company Secretary

Hong Kong, 12 October 2012

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

*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

Registered Office:

Caledonian Trust (Cayman) Limited
Caledonian House
69 Dr. Roy's Drive
P.O. Box 1043
Grand Cayman KY1-1102
Cayman Islands

Notes:

1. A member of the Company entitled to attend and vote at the Meeting convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order for such appointment to be valid, the form of proxy, and, if required, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority must be deposited at the Company's Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.