星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

2012 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Morning Star Resources Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**8,754**	33,522
Cost of sales		**(8,385)**	(25,240)
Gross profit		**369**	8,282
Other income	7	**–**	12,868
Gain on disposal of subsidiaries	7, 9, 15	**111,946**	–
Gain on disposal of available-for-sales financial assets	7	**12,176**	–
Gain on waiver of inter-company balances	7	**55,722**	–
Others	7	**12,740**	–
Selling expenses		**(463)**	(576)
Administrative expenses		**(51,706)**	(17,385)
PROFIT/(LOSS) FROM OPERATIONS		**140,784**	3,189
Finance costs		**–**	–
Share of loss of a jointly-controlled entity		**–**	–

	Note	2012 HK$'000	2011 HK$'000
PROFIT/(LOSS) BEFORE TAX		**140,784**	3,189
Income tax expense	8	**(2,554)**	(28)
Profit/(loss) for the year from continuing operations		**138,230**	3,161
DISCONTINUED OPERATION			
(Loss)/profit for the year from a discontinued operation	9	**(52,025)**	3,746
PROFIT/(LOSS) FOR THE YEAR		**86,205**	6,907
Attributable to:			
Owners of the Company		**94,927**	6,891
Non-controlling interests		**(8,722)**	16
		86,205	6,907
EARNINGS/(LOSS) PER SHARE	10		
Basic			
— For profit/(loss) for the year		**4.46 cent**	0.55 cent
— For profit/(loss) from continuing operations		**7.16 cent**	0.25 cent
Diluted			
— For profit/(loss) for the year		**–**	–
— For profit/(loss) from continuing operations		**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit/(loss) for the year	**86,206**	6,907
Other comprehensive income:		
Reclassification adjustments for gain on available-for-sale financial assets	**–**	(3,059)
Changes in fair value of available-for-sale financial assets	**15,728**	–
Exchange differences on translation of foreign operations	**(7,775)**	4,354
Other comprehensive income for the year	**7,953**	1,295
Total comprehensive income/(expense) for the year	**94,159**	8,202
Attributable to:		
Owners of the Company	**102,881**	8,186
Non-controlling interests	**(8,722)**	16
	94,159	8,202

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**22,344**	14,992
Property under development	10	**–**	3,806
Prepaid land lease payments		**2,983**	3,035
Investment in an associate		**–**	–
Available-for-sale financial assets		**21,379**	–
Other assets		**8,492**	7,979
Pledged bank balances		**2,362**	2,343
Deferred tax assets		**–**	3,391
		57,560	35,546
CURRENT ASSETS			
Properties held for sale under development		**66,816**	66,233
Properties held for sale		**27,820**	35,225
Inventories		**224**	101
Trade receivables	12	**50**	85
Prepayments, deposits and other receivables		**51,732**	16,136
Financial assets at fair value through profit or loss		**–**	–
Due from related companies		**–**	8,780
Due from associates		**–**	921
Cash and cash equivalents		**477,344**	391,918
		623,986	519,399
Assets of a disposal group classified as held for sale		**–**	86,910
TOTAL CURRENT ASSETS		**623,986**	606,309

	Note	2012 HK$'000	2011 HK$'000
CURRENT LIABILITIES			
Due to related companies		**2,279**	2,280
Due to associates		**182**	129
Tax payables		**6,595**	4,246
Trade payables, other payables and accruals	*13*	**43,705**	23,922
Non-interest bearing other borrowings		**16,710**	16,710
		69,471	47,287
Liabilities directly associated with the assets classified as held for sale		**–**	75,783
TOTAL CURRENT LIABILITIES		**69,471**	123,070
NET CURRENT ASSETS		**554,515**	483,239
NET ASSETS		**612,075**	518,785
CAPITAL AND RESERVES			
Share capital	*14*	**19,316**	19,316
Reserves		**543,286**	440,586
Equity attributable to owners of the Company		**562,602**	459,902
Non-controlling interests		**49,473**	58,883
TOTAL EQUITY		**612,075**	518,785

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

— Provisions of travel and travel-related services
— Provisions of financial services and securities broking
— Properties development

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention except for certain financial assets which have been measured at fair value. Disposal group held for sale is stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Note 9 and 15. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

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

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

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

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

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

The revised standard has no financial impact on the Group.

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

The Group has not applied the following new and revised.

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

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

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group identifies reportable segments, on the basis of the products and services, for internal reports about components of the Group that are regularly reviewed by the chief operation decision makers for the purpose of allocating resources to segments and assessing their performance. There are two reportable operating segments identified as follows:

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

(b) The corporate and other businesses segment includes general corporate expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment result represents the profit or loss earned before tax from continuing operations without allocation of interest income from bank deposits, unallocated expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the board of directors for the purposes of resources allocation and performance assessment.

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

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

Revenue reported above represents revenue generated from external customers.

Geographical information

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

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

6. REVENUE

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

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

7. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Other income		
Bank interest income	**5,298**	4,493
Other interest income	**1,093**	33
Recovery from a fully impaired available-for-sale financial asset	**3,978**	–
Others	**2,371**	2,016
	12,740	6,542
Gains		
Gain on disposal of subsidiaries	**111,946**	3,000
Gain on disposal of available-for-sale financial assets	**12,176**	3,326
Gain on waiver of inter-company balances	**55,722**	–
	179,844	6,326
	192,584	12,868

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2011: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

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

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

9. DISCONTINUED OPERATION

On 29 June 2012, the Company entered into a sale and purchase agreement (the "SPA") to dispose the entire issued shares (the "Disposal") in its indirectly held wholly-owned subsidiaries of the Travel Segment, namely Morning Star Travel Service Limited, Star Travel Service Limited, Morning Star Traveller Plus Limited and Morning Star Travel Service (Macau) Limited (the "Disposal Group"). Upon completion of the Disposal, the Disposal Group together with Beijing Morning Star Travel Service Limited, an indirectly held subsidiary of the Company, ceased to be the subsidiaries of the Company. The Disposal was completed on 6 November 2012.

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

	2012
	HK$'000
Revenue	**68,751**
Expenses	**120,747**
Loss before tax from the discontinued operation	**(51,996)**
Income tax expense	**(29)**
Loss for the year from the discontinued operation	**(52,025)**

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

	2012 *HK$'000*
Property, plant and equipment	**5,743**
Other assets	**2,157**
Trade receivables	**8,757**
Prepayments, deposits and other receivables	**48,535**
Deferred tax	**6,624**
Cash and cash equivalents	**42,062**
Trade payables, other payables and accruals	**(112,029)**
Net assets of the Disposal Group at the date of disposal	**1,849**

10. EARNINGS/(LOSS) PER SHARE

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

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

11. PROPERTY UNDER DEVELOPMENT

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

12. TRADE RECEIVABLES

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

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

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

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

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

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

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

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

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

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

14. SHARE CAPITAL

	2012	2011
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2011: 100,000,000,000) ordinary shares of HK$0.01 (2011: HK$0.01) each	**1,000,000**	1,000,000
Issued and fully paid:		
1,931,638,040 (2011: 1,931,638,040) ordinary shares of HK$0.01 (2011: HK$0.01) each	**19,316**	19,316

15. DISPOSAL OF SUBSIDIARIES

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

	2012
	HK$'000
Gain on disposal, represented by:	
Gross proceed from the Disposal	**145,342**
Less: Loss on waiver of amount due from the Disposal Group	**(24,914)**
Transaction costs of the Disposal	**(6,633)**
Net assets of the Disposal Group at the date of disposal *(Note 9)*	**(1,849)**
	111,946
Satisfied by:	
Cash	**145,342**

RESULTS AND DIVIDEND

The Group reported a profit from its continuing operations of HK$138.2 million for the year ended 31 December 2012 (2011: HK$3.2 million).

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

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

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

Property Development Segment

In the year of 2012, revenue from sales to external customers of Property Development Segment was HK$8.8 million compared to HK$33.5 million in 2011. The result of Property Development Segment recorded a loss of HK$18.8 million compared to a profit of HK$3.2 million in 2011.

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

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

Discontinued Operation

On 29 June 2012, the Company entered into a sale and purchase agreement (the "SPA") to dispose the entire issued shares (the "Disposal") in its indirectly held wholly-owned subsidiaries of the Travel Segment, namely Morning Star Travel Service Limited, Star Travel Service Limited, Morning Star Traveller Plus Limited and Morning Star Travel Service (Macau) Limited (the "Target Group"), which were responsible for the entire travel and travel-related businesses of the Group. Upon completion of the Disposal, the Disposal Group together with Beijing Morning Star Travel Service Limited, an indirectly held subsidiary of the Company, would cease to be subsidiaries of the Company. The Disposal was completed on 6 November 2012. Gain on the Disposal of HK$111.9 million was recorded. The Board has been exploring profitable investment opportunities to secure better returns for the company and shareholders.

Geographical Segments

The revenue for Hong Kong SAR mainly relates to travel and travel-related services, and the revenue for elsewhere in the PRC relates principally to property development.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of continuous operations as at 31 December 2012, consisting mainly of property, plant and equipment, property under development, available-for-sale financial assets, and pledged bank balances, amounted to HK$57.6 million as compared to HK$35.5 million at 31 December 2011. Current assets of continuous operations as at 31 December 2012 was totalled HK$624.0 million against HK$519.4 million at 31 December 2011. Current liabilities of continuous operations at 31 December 2012 was totalled HK$61.0 million, compared to HK$47.3 million at 31 December 2011.

Capital Structure, Liquidity and Financial Resources

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

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

The Group's gearing ratio as at 31 December 2012 was 2.7%, compared to 3.2% for 2011. The gearing ratio was based on total borrowings over the total equity of the Group.

As part of treasury management, the Group centralises funding for all of its operations at the Group level. The Group's foreign currency exposure relates mainly to Chinese Renminbi, which is derived from its sales of property units in Zhongshan, PRC.

Lease Commitments

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

Contingent Liabilities

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

Charges on Group Assets

As at 31 December 2012, non-current bank balances amounting to HK$2.4 million (2011: HK$2.3 million) were pledged to certain banks to secure mortgage loan facilities to purchasers of properties developed by MSV and MSP in Zhongshan, PRC.

STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2012 was 59 compared to 361 as at 31 December 2011. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group has a share option scheme for its employees. The Group continues to implement its overall human resource training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code and the Revised Code. The Company was in compliance with the applicable code provisions of each of the Code ("Code Provision") and the Revised Code ("Revised Code Provision") for the year ended 31 December 2012, except for certain deviations which are summarised below:

Code Provision and Revised Code Provision A.2.1 to A.2.9

Both the Code Provision and Revised Code Provision A.2.1 stipulate that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Revised Code Provision A.2.2 to A.2.9 further stipulate the roles and responsibilities of the chairman.

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

Code provision and Revised Code Provision A.4.1

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

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

All the Independent Non-Executive Directors were appointed for a specific term of 1 year which shall continue until 31 December 2013 but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

Revised Code Provision A.6.7

Revised Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

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

Code Provision and Revised Code Provision E.1.2

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

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

Revised Code Provision F.1.1

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

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

The Company Secretary has been appointed on 5 February 2013. She is currently an employee of the Company and has day-to-day knowledge of the Company's affairs.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry to the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code during year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2012. The Audit Committee constituted three Independent Non-Executive Directors.

DISCLOSURE OF INFORMATION OF THE STOCK EXCHANGE'S WEBSITE

The annual report of the Group for the year ended 31 December 2012 containing the relevant information required by the Listing Rules will subsequently be published on the Stock Exchange's website in due course.

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

Hong Kong, 5 February 2013

As at the date of this announcement, the Board comprises Mr. CHI Chi Hung, Kenneth, Mr. HO Tak Pong, Matthew, Mr. YEUNG Kwok Leung and Mr. LEE Kuang Yeu being the Executive Directors; and Ms. CHAN Hoi Ling, Ms. SO Wai Lam and Mr. SUNG Yat Chun being the Independent Non-Executive Directors.

* *For identification purposes only*