星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

2009 FINAL RESULTS ANNOUNCEMENT

The Board of Directors 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 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	**2009** *HK$'000*	2008 *HK$'000*
TURNOVER	*3*	**507,040**	484,901
Cost of sales		**(447,225)**	(413,320)
Gross profit		**59,815**	71,581
Other income	*4*	**14,453**	9,715
Selling and promotional expenses		**(4,828)**	(8,768)
Administrative expenses		**(64,007)**	(71,742)
PROFIT FROM OPERATIONS		**5,433**	786
Finance costs	*5*	**(3)**	(173)
Non-recurring expenses		**-**	(27,318)
Share of loss of a jointly-controlled entity		**(14)**	(405)
PROFIT/ (LOSS) BEFORE TAX		**5,416**	(27,110)
Income tax expense	*6*	**(4,113)**	(3,830)
PROFIT/ (LOSS) FOR THE YEAR		**1,303**	(30,940)
Attributable to:			
Equity holders of the Company		**2,596**	(31,034)
Minority interests		**(1,293)**	94
		1,303	(30,940)
EARNINGS/ (LOSS) PER SHARE			
Basic	*7*	**0.1 cent**	(1.3 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**18,084**	19,270
Prepaid land lease payments		**2,931**	2,995
Property under development		**3,806**	3,806
Investment in a jointly-controlled entity		**–**	2,014
Investments in associates		**–**	–
Available-for-sale financial assets		**27,012**	9,466
Other assets		**8,255**	7,948
Pledged bank balances		**3,397**	4,093
Deferred tax assets		**12,023**	11,946
		75,508	61,538
CURRENT ASSETS			
Due from related companies		**7,888**	4,582
Due from associates		**915**	1,569
Properties held for sale		**73,012**	97,671
Properties held for sale under development		**65,599**	65,551
Financial assets at fair value through profit or loss		**–**	116
Inventories		**329**	483
Trade receivables	8	**22,387**	2,987
Other receivables		**22,300**	19,076
Client trust bank balances		**6,291**	8,444
Cash and cash equivalents		**134,610**	136,085
		333,331	336,564
CURRENT LIABILITIES			
Due to related companies		**1,921**	1,734
Due to associates		**129**	2,958
Tax payables		**5,148**	4,929
Advanced proceeds from sales of properties		**2,751**	529
Trade payables, other payables and accruals	9	**86,154**	72,327
Interest-bearing bank borrowings		**–**	7,238
Non-interest-bearing other borrowings		**16,710**	16,710
		112,813	106,425
NET CURRENT ASSETS		**220,518**	230,139
TOTAL ASSETS LESS CURRENT LIABILITIES		**296,026**	291,677
CAPITAL AND RESERVES			
Share capital		**482,910**	482,910
Reserves		**(255,226)**	(261,410)
Equity attributable to equity holders of the Company		**227,684**	221,500
Minority interests		**68,342**	70,177
TOTAL EQUITY		**296,026**	291,677

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

HKAS 1 (Revised) Presentation of Financial Statements

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. The change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 8 Operating Segments

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

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

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

1 *Effective for annual periods beginning on or after 1 July 2009*
2 *Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate*
3 *Effective for annual periods beginning on or after 1 January 2010*
4 *Effective for annual periods beginning on or after 1 February 2010*
5 *Effective for annual periods beginning on or after 1 January 2011*
6 *Effective for annual periods beginning on or after 1 July 2010*
7 *Effective for annual periods beginning on or after 1 January 2013*

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

3. TURNOVER

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

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

4. OTHER INCOME

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

5. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank overdrafts	**3**	173

6. INCOME TAX EXPENSE

The amount of tax in the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Current tax – overseas		
Provision for the year	**4,134**	3,836
Deferred tax	**(21)**	(6)
	4,113	3,830

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

7. EARNINGS/ (LOSS) PER SHARE

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

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

8. TRADE RECEIVABLES

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

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

9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	2009	2008
	HK$'000	*HK$'000*
Current	**43,514**	24,245
1 – 3 months	**2,598**	2,095
4 – 12 months	**1,411**	436
Over 1 year	**1,329**	209
	48,852	26,985

FINANCIAL RESULTS

The Group recorded a pre-tax profit of HK$5.4 million for the financial year ended 31 December 2009 (2008: HK$27.1 million loss).

The Group's consolidated net profit attributable to the equity shareholders for 2009 amounted to HK$2.6 million (2008: HK$31 million loss).

DIVIDEND

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

For the year under review, the Group recorded a profit from operating activities of HK$5.4 million as compared to a profit of HK$0.8 million for 2008. The profit attributable to equity holders of the Company for the year ended 31 December 2009 amounted to HK$2.6 million against a loss of HK$31 million for 2008.

For the year ended 31 December 2009, the Group's turnover grew 4.5% from HK$485 million in 2008 to HK$507 million in 2009. Despite the global economic downturn and challenging business environment in 2009, the main business divisions of the Group namely Travel and Tourism Division and Property Division were profitable.

Travel and Tourism Division

Total turnover for the Group's Travel and Tourism Division for the year ended 31 December 2009 amounted to HK$465 million, an increase of 11.5% compared to HK$417 million in 2008. The growth in turnover was mainly attributable to the inclusion of turnover from a newly acquired subsidiary in the People's Republic of China ("PRC"), Beijing Morning Star-New Ark International Travel Service Co., Ltd. ("Beijing MST"), formerly a jointly-controlled entity of the Group.

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

Moving forward, the management will continue to strengthen its positioning in the quality conscious market segment and strive to enhance the customer service quality of its staff as well as introduce more affordable and quality thematic travel products to satisfy the discerning needs of our customers. Riding on the goodwill of the "Morning Star Travel" brand built in the past 38 years and guided by its corporate value of "Trustworthiness, Quality and Innovation", MST will continue to explore new market segments in the travel and travel related industry.

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

Property Division

The Group's property businesses are in Zhongshan, Guangdong Province, PRC. For the year ended 31 December 2009, total turnover of the Group's Property Division amounted to HK$40.3 million compared to HK$66.4 million for 2008 with a corresponding profit of HK$3.2 million against a profit of HK$3.4 million for 2008.

In 2009, the management focused on the sale of unsold completed residential units in Morning Star Villa ("MSV") and Morning Star Plaza ("MSP") resulting in over HK$37.7 million worth of stocks on hand being sold during the year. In line with the normal approach adopted in the recognition of sales, the revenue and profits arising from 19 units sold with an accumulated sales value of HK$7.5 million have not been recognized in the Group's profit and loss account.

The profit margin for the residential units in MSV sold in 2009 was marginally better than that for the units sold in 2008. To-date, approximately 99% of all residential units completed under Phase I to Phase VIII of MSV have been sold.

As for MSP, approximately 73.8% of all residential and commercial units completed under Phase I to Phase IV have been sold.

Financial Services Division

Total turnover for the Group's Financial Services Division, mainly derived from its retail securities broking, for the year ended 31 December 2009 amounted to HK$1.5 million with a corresponding loss of HK$0.2 million as compared to a turnover of HK$1.6 million with a loss of HK$0.2 million for 2008.

Geographical Segments

The revenue for Hong Kong SAR mainly relates to (i) travel and travel-related services and (ii) financial services while the revenue for elsewhere in the PRC relates principally to (i) property development and (ii) travel and travel-related services. The revenue for other countries relates to travel and travel-related services conducted outside of Hong Kong.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets as at 31 December 2009, consisting mainly of property, plant and equipment, property under development, available-for-sale financial assets, pledged bank balances and deferred tax assets, amounted to HK$75.5 million, an increase of HK$14.0 million, compared to HK$61.5 million as at 31 December 2008. Current assets as at 31 December 2009 totalled HK$333.3 million against HK$336.6 million as at 31 December 2008. Current liabilities as at 31 December 2009 amounted to HK$112.8 million, compared to HK$106.4 million as at 31 December 2008.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2009, the Group's total borrowings was HK$16.7 million (2008: HK$23.9 million) comprising non-interest-bearing other borrowings. As at 31 December 2009, the Group's available banking facilities not utilised is Nil (2008: HK$8.3 million).

The Group's total equity as at 31 December 2009 was HK$296.0 million (2008: HK$291.7 million).

The Group's gearing ratio as at 31 December 2009 was 5.6% compared to 8.2% for 2008. 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.

Capital Commitments

The Group had no capital commitments as at 31 December 2009 (2008: Nil).

Contingent Liabilities

As at 31 December 2009, the Group had contingent liabilities amounting to HK$50.6 million (2008: HK$44.3 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 Morning Star Villa and Morning Star Plaza. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

Charges on Group Assets

As at 31 December 2009, non-current bank balances amounting to HK$3.4 million (2008: HK$4.1 million) were pledged to certain banks to secure mortgage loan facilities to purchasers of properties developed by Morning Star Villa and Morning Star Plaza in Zhongshan, PRC.

STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2009 was 374 compared to 439 as at 31 December 2008. 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 does not have a share option scheme for its employees. The Group continues to implement its overall human resource training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

NEW BUSINESS AND MATERIAL ACQUISITION

On 29 October 2008, the Group entered into a transfer of equity interests agreement to acquire an additional 21% equity interests in Beijing MST, a sino-foreign joint venture company incorporated in PRC. Prior to the said agreement, the Group held 49% equity interests in the Beijing MST.

In March 2009, the said acquisition was completed and accordingly Beijing MST with 70% equity interests held by the Group, has since been recognized as a subsidiary of the Group.

During the year, the Group had also acquired an aggregate of 27,240,000 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$11,181,000, representing approximately 1.4% of the entire issued share capital of MUI.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2009 save for the deviation as follows:

Under code of provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing Non-Executive Directors of the Company is appointed for a specific term but all directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 2009. The Audit Committee constituted three Independent Non-Executive Directors and a Non-Executive Director of the Company.

DISCLOSURE OF INFORMATION OF THE STOCK EXCHANGE'S WEBSITE

The annual report of the Group for the year ended 31 December 2009 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
HO Kuan Lai
Executive Director

Hong Kong, 21 April 2010

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

*For identification purpose only