



星晨集團有限公司

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

INTERIM REPORT 2009

UNAUDITED INTERIM RESULTS

The Board of Directors of Morning Star Resources Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
TURNOVER	3	206,646	277,049
Cost of sales		(177,842)	(234,510)
Gross profit		28,804	42,539
Other income	4	6,696	4,501
Selling and promotional expenses		(2,169)	(4,534)
Administrative expenses		(32,153)	(36,264)
PROFIT FROM OPERATING ACTIVITIES	5	1,178	6,242
Finance costs	6	(4)	(66)
Share of loss of a jointly-controlled entity		(14)	(69)
PROFIT BEFORE TAX		1,160	6,107
Income tax expense	7	(2,628)	(3,043)
(LOSS)/PROFIT FOR THE PERIOD		(1,468)	3,064
Attributable to:			
Equity holders of the Company		(390)	1,327
Minority interests		(1,078)	1,737
		(1,468)	3,064
(LOSS)/EARNINGS PER SHARE			
– Basic	8	(0.02 cent)	0.05 cent

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	18,782	19,270
Prepaid land lease payments	2,960	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	32,986	9,466
Other assets	8,063	7,948
Pledged bank balances	4,097	4,093
Deferred tax assets	12,008	11,946
	82,702	61,538
CURRENT ASSETS		
Due from related companies	7,919	4,582
Due from associates	1,583	1,569
Properties held for sale	89,361	97,671
Properties held for sale under development	65,586	65,551
Financial assets at fair value through profit or loss	164	116
Inventories	363	483
Trade receivables	17,782	2,987
Other receivables	18,140	19,076
Client trust bank balances	4,938	8,444
Cash and cash equivalents	113,439	136,085
	319,275	336,564
CURRENT LIABILITIES		
Due to related companies	2,306	1,734
Due to associates	3,015	2,958
Tax payables	4,553	4,929
Advanced proceeds from sales of properties	1,450	529
Trade payables, other payables and accruals	73,662	72,327
Interest-bearing bank borrowings	–	7,238
Non-interest-bearing other borrowings	16,710	16,710
	101,696	106,425
NET CURRENT ASSETS	217,579	230,139
TOTAL ASSETS LESS CURRENT LIABILITIES	300,281	291,677
CAPITAL AND RESERVES		
Share capital	482,910	482,910
Reserves	(252,950)	(261,410)
Equity attributable to equity holders of the Company	229,960	221,500
Minority interests	70,321	70,177
TOTAL EQUITY	300,281	291,677

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(4,343)	(10,077)
NET CASH USED IN INVESTING ACTIVITIES	<u>(7,394)</u>	<u>(3,922)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,737)	(13,999)
Cash and cash equivalents at the beginning of period	128,847	168,209
Effect of foreign exchange rate changes, net	<u>(3,671)</u>	<u>5,142</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>113,439</u>	<u>159,352</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	113,439	161,273
Bank overdrafts	<u>–</u>	<u>(1,921)</u>
	<u>113,439</u>	<u>159,352</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Goodwill reserve (Unaudited) HK\$'000	Financial assets reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2009	482,910	6,328	11,432	1,658	(3,309)	(277,519)	221,500	70,177	291,677
Translation differences	-	-	(3,219)	-	-	-	(3,219)	-	(3,219)
Gain arising from changes in fair value of available-for-sale financial assets	-	-	-	-	12,403	-	12,403	-	12,403
Goodwill arising on acquisition of a subsidiary	-	-	-	(334)	-	-	(334)	-	(334)
Acquisition of a subsidiary	-	-	-	-	-	-	-	1,222	1,222
Net income recognised directly in equity	-	-	(3,219)	(334)	12,403	-	8,850	1,222	10,072
Loss for the period	-	-	-	-	-	(390)	(390)	(1,078)	(1,468)
Total recognised income and expense for the period	-	-	(3,219)	(334)	12,403	(390)	8,460	144	8,604
At 30 June 2009	<u>482,910</u>	<u>6,328</u>	<u>8,213</u>	<u>1,324</u>	<u>9,094</u>	<u>(277,909)</u>	<u>229,960</u>	<u>70,321</u>	<u>300,281</u>
At 1 January 2008	482,910	6,328	6,859	1,658	5,596	(246,485)	256,866	70,083	326,949
Translation differences	-	-	5,364	-	-	-	5,364	-	5,364
Loss arising from changes in fair value of available-for-sale financial assets	-	-	-	-	(3,951)	-	(3,951)	-	(3,951)
Net income recognised directly in equity	-	-	5,364	-	(3,951)	-	1,413	-	1,413
Profit for the period	-	-	-	-	-	1,327	1,327	1,737	3,064
Total recognised income and expense for the period	-	-	5,364	-	(3,951)	1,327	2,740	1,737	4,477
At 30 June 2008	<u>482,910</u>	<u>6,328</u>	<u>12,223</u>	<u>1,658</u>	<u>1,645</u>	<u>(245,158)</u>	<u>259,606</u>	<u>71,820</u>	<u>331,426</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2009

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

The accounting policies adopted in preparing these interim results are consistent with those used in the Group's annual audited consolidated financial statements for the year ended 31 December 2008. The interim results are unaudited but have been reviewed by the Group's audit committee.

The Group has adopted the following standards that have been issued and effective for the periods beginning on or after 1 January 2009. The adoption of such standards did not have any material effect on the Group's condensed consolidated financial statements.

<i>HKFRSs (Amendments)</i>	<i>Improvements to HKFRSs</i>
<i>HKAS 1 (Revised)</i>	<i>Presentation of Financial Statements</i>
<i>HKAS 23 (Revised)</i>	<i>Borrowing Costs</i>
<i>HKFRS 1 and HKAS 27 (Amendments)</i>	<i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
<i>HKFRS 8</i>	<i>Operating Segments</i>
<i>HK(IFRIC)-INT 15</i>	<i>Agreements for the Construction of Real Estate</i>

The HKICPA has also issued the following new Hong Kong Financial Reporting Standards that are not yet effective. The Group will apply the following standards and interpretations for the following annual periods which are not expected to have any significant impact on the financial position of the Group.

<i>HKAS 27 (Revised)</i>	<i>Consolidated and Separate Financial Statements</i> ¹
<i>HKFRS 3 (Revised)</i>	<i>Business Combinations</i> ¹
<i>HK(IFRIC)-INT 17</i>	<i>Distributions of Non-cash Assets to Owners</i> ¹

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

2. CRITICAL JUDGEMENTS AND KEY ESTIMATES

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

The estimates and assumptions applied in the preparation of the condensed consolidated interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2008.

3. SEGMENT INFORMATION

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

(i) Business segments

(a) Revenue

	<i>For the six months ended 30 June 2009</i>			
	<i>Sales to external customers</i>	<i>Intersegment sales</i>	<i>Other revenue</i>	<i>Total</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
<i>Travel and travel-related services</i>	190,444	–	2,247	192,691
<i>Property development</i>	15,474	–	3,012	18,486
<i>Hotel investment and management</i>	–	–	(185)	(185)
<i>Financial services</i>	728	700	369	1,797
<i>Corporate and other businesses</i>	–	–	694	694
	206,646	700	6,137	213,483
<i>Eliminations</i>	–	(700)	–	(700)
<i>Consolidated</i>	206,646	–	6,137	212,783

For the six months ended 30 June 2008

	Sales to external customers (Unaudited) HK\$'000	Intersegment sales (Unaudited) HK\$'000	Other revenue (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Travel and travel- related services	223,206	–	2,073	225,279
Property development	52,874	–	741	53,615
Hotel investment and management	–	–	–	–
Financial services	969	784	124	1,877
Corporate and other businesses	–	–	–	–
	277,049	784	2,938	280,771
Eliminations	–	(784)	–	(784)
Consolidated	277,049	–	2,938	279,987

(b) Results

	For the six months ended 30 June	
	2009 Total (Unaudited) HK\$'000	2008 Total (Unaudited) HK\$'000
Travel and travel- related services	504	1,165
Property development	2,652	6,925
Hotel investment and management	(281)	(801)
Financial services	(49)	260
Corporate and other businesses	56	(202)
	2,882	7,347
Interest income and dividend income	559	1,563
Unallocated expenses	(2,263)	(2,668)
Profit from operating activities	1,178	6,242

(ii) *Geographical segments*

(a) *Revenue*

For the six months ended 30 June 2009

	<i>Sales to external customers (Unaudited) HK\$'000</i>	<i>Intersegment sales (Unaudited) HK\$'000</i>	<i>Other revenue (Unaudited) HK\$'000</i>	<i>Total (Unaudited) HK\$'000</i>
<i>The People's Republic of China ("PRC")</i>				
<i>Hong Kong</i>	155,253	–	3,215	158,468
<i>Elsewhere</i>	51,393	–	3,094	54,487
<i>Australia</i>	–	–	16	16
<i>Other countries</i>	–	–	(188)	(188)
	206,646	–	6,137	212,783
<i>Eliminations</i>	–	–	–	–
<i>Consolidated</i>	206,646	–	6,137	212,783

For the six months ended 30 June 2008

	<i>Sales to external customers (Unaudited) HK\$'000</i>	<i>Intersegment sales (Unaudited) HK\$'000</i>	<i>Other revenue (Unaudited) HK\$'000</i>	<i>Total (Unaudited) HK\$'000</i>
<i>PRC</i>				
<i>Hong Kong</i>	218,717	–	2,127	220,844
<i>Elsewhere</i>	58,332	–	811	59,143
<i>Australia</i>	–	–	–	–
<i>Other countries</i>	–	–	–	–
	277,049	–	2,938	279,987
<i>Eliminations</i>	–	–	–	–
<i>Consolidated</i>	277,049	–	2,938	279,987

(b) Results

	<i>For the six months ended 30 June</i>	
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>PRC</i>		
<i>Hong Kong</i>	<i>610</i>	<i>1,418</i>
<i>Elsewhere</i>	<i>2,536</i>	<i>6,722</i>
<i>Australia</i>	<i>(53)</i>	<i>(104)</i>
<i>Other countries</i>	<i>(211)</i>	<i>(689)</i>
	<hr/>	<hr/>
<i>Consolidated</i>	<i>2,882</i>	<i>7,347</i>
	<hr/>	<hr/>

4. OTHER INCOME

	<i>For the six months ended 30 June</i>	
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Visa income</i>	<i>147</i>	<i>194</i>
<i>Commission income</i>	<i>1,943</i>	<i>1,740</i>
<i>Gain/(Loss) arising from changes in fair value of financial assets at fair value through profit or loss</i>	<i>59</i>	<i>(155)</i>
<i>Gain on disposals of financial assets at fair value through profit or loss</i>	<i>69</i>	<i>–</i>
<i>Foreign exchange gains, net</i>	<i>3,210</i>	<i>–</i>
<i>Others</i>	<i>709</i>	<i>1,159</i>
	<hr/>	<hr/>
	<i>6,137</i>	<i>2,938</i>
<i>Interest income</i>	<i>559</i>	<i>1,563</i>
	<hr/>	<hr/>
	<i>6,696</i>	<i>4,501</i>
	<hr/>	<hr/>

5. *PROFIT FROM OPERATING ACTIVITIES*

Profit from operating activities is arrived at after charging:

	<i>For the six months ended 30 June</i>	
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Depreciation:</i>		
<i>Owned property, plant and equipment</i>	<i>865</i>	<i>1,107</i>
<i>Amortisation:</i>		
<i>Prepaid lease payment on land use right</i>	<i>34</i>	<i>34</i>
	<hr/>	<hr/>

6. *FINANCE COSTS*

	<i>For the six months ended 30 June</i>	
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Interest on bank overdrafts</i>	<i>4</i>	<i>66</i>
	<hr/>	<hr/>

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 June 2008: Nil).

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

	<i>For the six months ended 30 June</i>	
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Current tax – overseas</i>		
<i>Provision for the period</i>	2,628	3,043
<i>Deferred tax</i>	–	–
	<hr/>	<hr/>
	2,628	3,043
	<hr/>	<hr/>

8. LOSS PER SHARE

The loss per share for the six months ended 30 June 2009 is calculated by dividing the Group's loss of HK\$390,000 (six months ended 30 June 2008: profit of HK\$1,327,000) by the weighted average number of ordinary shares in issue of 2,414,547,555 (2008: 2,414,547,555 shares).

No diluted (loss)/earnings per share for the six months ended 30 June 2009 and 2008 were presented as there was no diluting event for both the current and prior periods.

9. DIVIDENDS

At a meeting of the Board of Directors held on 24 August 2009, the Directors resolved not to declare an interim dividend in respect of the year ending 31 December 2009.

10. TRADE RECEIVABLES

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Current	3,799	1,998
1-3 months	9,049	40
4-12 months	4,712	648
Over 1 year	222	301
	<hr/> 17,782	<hr/> 2,987

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the trade payables, other payables and accruals are trade payables of approximately HK\$37,735,000 (31 December 2008: HK\$26,985,000). An aging analysis of trade payables as at the balance sheet date is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Current	29,930	24,245
1-3 months	4,101	2,095
4-12 months	2,697	436
Over 1 year	1,007	209
	<hr/> 37,735	<hr/> 26,985

12. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with a related party:

(a) Purchase of available-for-sale financial assets

		30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
	Note		
Acquired shares in a related company	(i)	11,181	5,914

Note:

- (i) A wholly-owned subsidiary of the Company acquired shares in a related company of which Tan Sri Dr. KHOO Kay Peng, a Non-Executive Chairman of the Company, is also the chairman of the related company.

(b) Key management personnel remuneration

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

	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Short-term employee benefits	1,479	1,521
Post-employment benefits	33	47
	1,512	1,568

13. ACQUISITION OF A SUBSIDIARY

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

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

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

14. CONTINGENT LIABILITIES

As at 30 June 2009, the Group had contingent liabilities of approximately HK\$45,920,000 (2008: HK\$44,252,000). The contingent liabilities were in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by Zhongshan Morning Star Villa Housing and Real Estate Development Limited and Zhongshan Morning Star Plaza Housing and Real Estate Development Limited.

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

15. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 24 August 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

Group Overview

For the six months ended 30 June 2009, the Group's turnover was HK\$206.6 million compared to HK\$277.0 million for the corresponding period in 2008 whilst its profit before tax was HK\$1.2 million compared to HK\$6.1 million for the corresponding period in 2008.

For the same period under review, the Group's loss attributable to equity holders was HK\$0.4 million compared to a profit of HK\$1.3 million for the corresponding period in 2008. The loss was mainly attributable to payment of adjusted tax arising from the Group's sales of property units in Zhongshan, the People's Republic of China ("PRC").

Travel and Tourism Division

For the first six months of 2009, the travel industry in Hong Kong experienced a very challenging period largely due to recessed economic conditions and the outbreak of wide spreading influenza A(H1N1). Against such unfavourable economic backdrop, the turnover of the Travel and Tourism Division decreased by 14.7% to HK\$190.4 million for the six months ended 30 June 2009 compared to HK\$223.2 million for the corresponding period in 2008. Nevertheless, the Travel and Tourism Division managed to record a modest operating profit of HK\$0.5 million for the six months ended 30 June 2009 compared to HK\$1.2 million for the corresponding period in 2008.

During the period under review, various measures had been taken to counter the weakening travel demand, including the development of more affordable tour products, synchronised joint-marketing activities with airlines and tourism boards, and further improvement of operational productivity.

Property Division

For the six months ended 30 June 2009, the turnover of the Property Division decreased to HK\$15.5 million compared to HK\$52.9 million for the corresponding period in 2008 whilst its operating profit was HK\$2.7 million compared to HK\$6.9 million for the corresponding period in 2008. The decrease in turnover was mainly due to weaker demand for the remaining units in the Morning Star Plaza project in Zhongshan, PRC.

Financial Services Division

For the six months ended 30 June 2009, the turnover of the Financial Services Division decreased slightly to HK\$0.7 million compared to HK\$1.0 million for the corresponding period in 2008 whilst its operating loss was HK\$0.05 million compared to a profit of HK\$0.3 million for the corresponding period in 2008.

Geographical Segments

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

REVIEW OF BALANCE SHEET

Overview

The Group's non-current assets as at 30 June 2009 amounted to HK\$82.7 million compared to HK\$61.5 million as at 31 December 2008. Non-current assets mainly consisted of available-for-sale financial assets, property, plant and equipment, and deferred tax assets. The Group's current assets as at 30 June 2009 amounted to HK\$319.3 million, against HK\$336.6 million as at 31 December 2008. Current assets mainly comprised cash and cash equivalents, properties held for sale, properties held for sale under development and trade receivables.

The Group's current liabilities as at 30 June 2009 amounted to HK\$101.7 million, compared to HK\$106.4 million as at 31 December 2008. Current liabilities mainly comprised trade payables, other payables and accruals, and non-interest-bearing other borrowings.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2009, the Group's total borrowings decreased to HK\$16.7 million, compared to HK\$23.9 million as at 31 December 2008. The borrowings comprised mainly non-interest-bearing other borrowings. The Group's total equity as at 30 June 2009 was HK\$300.3 million compared to HK\$291.7 million as at 31 December 2008.

The Group's gearing ratio as at 30 June 2009 was 5.6%, compared to 8.2% as at 31 December 2008. The ratio was computed on the basis of total borrowings over total equity of the Group.

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

Currency Risk

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

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

Capital Commitments

The Group had no significant capital commitments, contracted but not paid, as at 30 June 2009.

Contingent Liabilities

The Group had contingent liabilities amounting to HK\$45.9 million as at 30 June 2009. The contingent liabilities were in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties developed in the Morning Star Villa and Morning Star Plaza projects in Zhongshan, PRC. The Directors considered that the fair value of such guarantees on initial recognition was insignificant.

Charges on Group Assets

As at 30 June 2009, non-current bank balances amounting to HK\$4.1 million were pledged to certain banks to secure mortgage loan facilities to purchasers of properties developed in the Morning Star Villa and Morning Star Plaza projects in Zhongshan, PRC.

STAFF ANALYSIS

The total number of staff employed by the Group as at 30 June 2009 was 355, compared to 439 as at 31 December 2008. As part of the Group's human resource policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group does not have a share option scheme for its employees. The Group continues to implement its overall human resource training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

NEW BUSINESS AND MATERIAL ACQUISITION

During the period under review, the Group had further acquired 27,240,000 ordinary shares of Malayan United Industries Berhad ("MUI") in the open market on the Bursa Malaysia Securities Berhad at a total consideration of approximately HK\$11.0 million, representing approximately 1.40% of the entire issued share capital of MUI. As at 30 June 2009, the Group held an aggregate of 37,500,000 ordinary shares in MUI representing approximately 1.93% of the entire issued share capital of MUI.

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

As at 30 June 2009, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or the chief executive were deemed or taken to have under such provisions of the SFO, which are required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (“Model Code”) contained in the Listing Rules, were as follows:

(i) The Company

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

(ii) Associated corporation

Name of associated corporation	Name of Director	Notes	Nature of interest	Number of shares	Percentage of issued share capital
Morning Star Financial Services Limited (“MSFS”)	Tan Sri Dr. KHOO Kay Peng	(a)	Corporate	192,500 ordinary shares of HK\$1 each	0.45

As at 30 June 2009, certain Directors also held qualifying shares in certain subsidiaries of the Company which were beneficially owned by the Company or its other subsidiaries.

Notes:

- (a) 879,382,985 shares issued by the Company and 192,500 shares issued by MSFS were held by Firstway International Investment Limited (“Firstway”), of which each of Norcross Limited (“Norcross”) and Cherubim Investment (HK) Limited (“Cherubim”) had a 35% interest in the voting share capital. A 50% of the issued share capital of each of Norcross and Cherubim was held by KKP Holdings Sdn Bhd (“KKP Holdings”), and the remaining 50% of the issued share capital of each of these companies was held by Soo Lay Holdings Sdn Bhd (“SL Holdings”). Both of KKP Holdings and SL Holdings were 99.9% beneficially owned by Tan Sri Dr. KHOO Kay Peng. Pursuant to Section 344 of Part XV of the SFO, Tan Sri Dr. KHOO Kay Peng was deemed to be interested in 99.9% of the shares held by Firstway.
- (b) 650,840,672 shares were held by Bonham Industries Limited (“Bonham”) which was owned as to 37.18%, 49.22% and 13.60% by KKP Holdings, SL Holdings and Norcross respectively. By virtue of the interests of Tan Sri Dr. KHOO Kay Peng in KKP Holdings and SL Holdings as mentioned in Note (a) above, he was deemed to be interested in 99.9% of the shares held by Bonham.

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

OTHER SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 2009, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of the Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities together with particulars of any options in respect of such capital:

Interests of substantial shareholders

Name	Notes	Number of shares (Long position)	Percentage of issued share capital
KKP Holdings Sdn Bhd ("KKP Holdings")	(a) & (b)	1,530,223,657	63.38
Soo Lay Holdings Sdn Bhd ("SL Holdings")	(a) & (b)	1,530,223,657	63.38
Cherubim Investment (HK) Limited ("Cherubim")	(a)	879,382,985	36.42
Norcross Limited ("Norcross")	(a)	879,382,985	36.42
Firstway International Investment Limited ("Firstway")	(a)	879,382,985	36.42
Bonham Industries Limited ("Bonham")	(b)	650,840,672	26.95

Notes:

- (a) These shares were held by Firstway, of which each of Norcross and Cherubim had a 35% interest in the voting share capital. Norcross and Cherubim were owned as to 50% by KKP Holdings and 50% by SL Holdings. Pursuant to Section 316 of Part XV of the SFO, each of KKP Holdings, SL Holdings, Norcross and Cherubim was deemed to be interested in the shares held by Firstway.
- (b) These shares were held by Bonham, which was owned as to 37.18%, 49.22% and 13.60% by KKP Holdings, SL Holdings and Norcross respectively. Pursuant to Section 316 of Part XV of the SFO, each of KKP Holdings and SL Holdings was deemed to be interested in the shares held by Bonham.

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executive knows of any person (not being a Director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities together with particulars of any options in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report 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 period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim financial statements of the period. The Audit Committee constituted three Independent Non-Executive Directors and a Non-Executive Director of the Company.

REMUNERATION COMMITTEE

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

By order of the Board
HO Kuan Lai
Joint Company Secretary

Hong Kong, 24 August 2009

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