星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

2007 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 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	**2007** **HK$'000**	2006 HK$'000
TURNOVER	*3*	**540,155**	480,074
Cost of sales		**(462,834)**	(422,655)
Gross profit		**77,321**	57,419
Other income	*4*	**14,459**	62,121
Selling and promotional expenses		**(10,065)**	(19,666)
Administrative expenses		**(87,957)**	(82,338)
(LOSS)/PROFIT FROM OPERATIONS		**(6,242)**	17,536
Finance costs	*5*	**(351)**	(1,882)
Share of losses of associates		**(2)**	(19)
Share of profit of a jointly-controlled entity		**48**	85
(LOSS)/PROFIT BEFORE TAX		**(6,547)**	15,720
Income tax expense	*6*	**(1,029)**	(2,038)
(LOSS)/PROFIT FOR THE YEAR		**(7,576)**	13,682
Attributable to:			
Equity holders of the Company		**(10,824)**	14,880
Minority interests		**3,248**	(1,198)
		(7,576)	13,682
(LOSS)/EARNINGS PER SHARE			
Basic	*7*	**(0.4 cent)**	0.6 cent
Diluted		**N/A**	N/A

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	**2007**	2006
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**23,235**	23,092
Prepaid land lease payments		**2,895**	2,750
Property under development		**3,806**	3,806
Investment in a jointly-controlled entity		**2,263**	2,058
Investments in associates		**–**	2
Available-for-sale financial assets		**32,335**	4,845
Other assets		**9,240**	7,737
Pledged bank balances		**6,421**	3,198
Deferred tax assets		**11,942**	11,943
		92,137	59,431
CURRENT ASSETS			
Due from related companies		**4,957**	5,522
Due from an associate		**901**	876
Properties held for sale		**57,738**	82,950
Properties held for sale under development		**118,252**	88,410
Financial assets at fair value through profit or loss		**479**	1,541
Inventories		**494**	440
Trade receivables	*8*	**17,112**	18,441
Other receivables		**23,994**	31,631
Client trust bank balances		**4,632**	2,883
Cash and cash equivalents		**173,204**	163,547
		401,763	396,241

	Note	**2007**	2006
		HK$'000	*HK$'000*
CURRENT LIABILITIES			
Due to related companies		**755**	2,384
Due to associates		**5,936**	3,996
Due to a jointly-controlled entity		**–**	385
Tax payables		**2,230**	4,843
Advanced proceeds from sales of properties		**48,692**	–
Trade payables, other payables and accruals	*9*	**76,768**	88,204
Interest-bearing bank borrowings		**4,995**	8,811
Non-interest-bearing other borrowings		**27,575**	26,804
		166,951	135,427
NET CURRENT ASSETS		**234,812**	260,814
TOTAL ASSETS LESS CURRENT LIABILITIES		**326,949**	320,245
CAPITAL AND RESERVES			
Share capital		**482,910**	482,910
Reserves		**(226,044)**	(229,500)
Equity attributable to equity holders of the Company		**256,866**	253,410
Minority interests		**70,083**	66,835
TOTAL EQUITY		**326,949**	320,245

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

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

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

In the current year, the Group has applied, for the first time, a number of new or revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("INTs") (herein collectively referred to as "New HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain relevant comparative additional disclosures based on the requirements of HKAS 1 (Amendment) and HKFRS 7 have been presented for the first time in the current year.

The HKICPA has also issued the following new HKFRSs 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.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions [2]
HK(IFRIC)-INT 12	Service Concession Arrangements [3]
HK(IFRIC)-INT 13	Customer Loyalty Programmes [4]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction [3]

[1] *Effective for annual periods beginning on or after 1 January 2009.*
[2] *Effective for annual periods beginning on or after 1 March 2007.*
[3] *Effective for annual periods beginning on or after 1 January 2008.*
[4] *Effective for annual periods beginning on or after 1 July 2008.*

3. TURNOVER

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

	2007	2006
	HK$'000	*HK$'000*
Travel and travel-related services	**485,150**	444,136
Property development and agency services	**50,922**	33,111
Hotel investment and management	**–**	8
Financial services	**3,883**	2,512
Others	**200**	307
	540,155	480,074

4. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Other revenue		
Interest income	**4,794**	2,763
Visa income	**438**	621
Commission income	**4,746**	4,573
Others	**2,777**	3,023
	12,755	10,980
Gains		
Gains/(Losses) arising from changes in fair value of financial assets at fair value through profit or loss	**199**	(1,490)
Losses on disposals of available-for-sale financial assets	**(171)**	(2,485)
Gains on disposals of financial assets at fair value through profit or loss	**364**	852
Gains on disposals of investment properties and land and buildings	**–**	53,416
Foreign exchange gains, net	**1,312**	848
	1,704	51,141
	14,459	62,121

5. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**351**	1,882

6. INCOME TAX EXPENSE

The amount of tax in the consolidated income statement represents:

	2007	2006
	HK$'000	*HK$'000*
Current tax – overseas		
Provision for the year	**1,041**	1,008
Over-provision in prior years	**(15)**	–
Deferred tax	**3**	1,030
	1,029	2,038

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the year (2006:Nil).

7. (LOSS)/EARNINGS PER SHARE

The loss per share is calculated by dividing the Group's loss of HK$10,824,000 (2006: profit of HK$14,880,000) by the weighted average number of ordinary shares of 2,414,547,555 (2006: 2,414,547,555).

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2007 and 2006.

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 balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
Current	**5,519**	11,132
1 – 3 months	**6,358**	3,648
4 – 12 months	**3,061**	2,071
Over 1 year	**2,174**	1,590
	17,112	18,441

9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the trade payables, other payables and accruals are trade payables of HK$40,533,000 (2006: HK$46,548,000). An aging analysis of trade payables as at the balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
Current	**32,091**	36,391
1 – 3 months	**6,687**	9,399
4 – 12 months	**1,584**	673
Over 1 year	**171**	85
	40,533	46,548

FINANCIAL RESULTS

The Group recorded a pre-tax loss of HK$6.5 million (2006: HK$15.7 million profit). However, there was a one-off gain of HK$53.4 million from the disposal of the Group's office property included in last year's profit. Excluding the gain from such disposal, the Group's loss before tax was HK$6.5 million compared to a loss of HK$37.7 million for 2006.

The Group's consolidated net loss attributable to the equity shareholders for 2007 amounted to HK$10.8 million (2006: HK$14.9 million profit).

DIVIDEND

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

For the year under review, the Group recorded a loss before tax of HK$6.5 million as compared to a profit of HK$15.7 million for 2006. However, there was a one-off gain of HK$53.4 million from the disposal of the Group's office property included in last year's profit. Excluding the gain from such disposal for comparison purposes, the Group's pre-tax loss for 2007 amounted to HK$6.5 million compared to a loss of HK$37.7 million for 2006. Included in this year's loss is an impairment of available-for-sale financial assets which amounted to HK$15.6 million.

For the year ended 31 December 2007, the Group's revenue grew 13% from HK$480 million in 2006 to HK$540 million in 2007. All three business segments of the Group, namely Travel and Tourism, Property and Financial Services were profitable.

Travel and Tourism Division

Total turnover for the Group's Travel and Tourism Division for the year ended 31 December 2007 amounted to HK$485 million, an increase of 9.3% compared to HK$444 million for 2006. The growth in turnover came from all segments of travel business, including group tours, ticketing and travel packages, and corporate incentive tours of Morning Star Travel Service Limited ("MST"), the main travel arm of the Group.

During the year under review, MST managed to develop and market higher end products to cater to the needs of the middle-to-upper end of consumers, which resulted in higher overall gross profit margin. The management also enhanced the branding and customer service of MST. Together with a more effective cost management against a backdrop of better economic condition in Hong Kong, MST managed to return to a modest profitability of HK$0.6 million compared to a loss of HK$19.8 million for 2006.

The management is aware of the changing global economic conditions in 2008, paying attention to the challenging business environment in Hong Kong, in particular. The management is taking a prudent yet progressive approach to further enhance MST's competitive position in the travel and tourism industry to ensure its sustainable profitability in 2008 and beyond. MST is committed to providing consistently high quality products and services to its customers through professional maintenance and continuous improvement of the ISO 9001: 2000 Quality Management System certification obtained since 2006 and its established "Morning Star Travel" brand.

Property Division

The Group's property businesses are in Zhongshan, Guangdong Province, the People's Republic of China ("PRC"). For the year ended 31 December 2007, total turnover of the Group's Property Division amounted to HK$51 million compared to HK$33 million for 2006 with a corresponding profit of HK$6.6 million against a loss of HK$1.3 million for 2006. The increase in turnover was mainly due to effective marketing of unsold completed units in Morning Star Villa ("MSV") and Morning Star Plaza ("MSP"), coupled with a bullish property market in PRC in 2007.

During 2007, the management also placed emphasis to develop its new Phase 4 of MSP and launched its pre-completion sales from July 2007. As at 31 December 2007, over 50% of Phase 4 of MSP with an estimated turnover of HK$46 million had been pre-sold.

As at 31 December 2007, 99% of all residential units completed under Phase I to Phases VIII, Part 1 of MSV, and 89% of all residential and commercial units completed under Phase 1 to Phase 3A of MSP had 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 2007 amounted to HK$3.9 million with a corresponding profit of HK$2.5 million as compared to a turnover of HK$2.5 million with a loss of HK$3.3 million for 2006.

Geographical Segments

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

REVIEW OF BALANCE SHEET

Overview

Non-current assets as at 31 December 2007, consisting of property, plant and equipment, properties under development, interests in jointly-controlled entities, long term investments, pledged bank balances and time deposits and deferred tax assets, amounted to HK$92.1 million, an increase of HK$32.7 million, compared to HK$59.4 million as at 31 December 2006. Current assets as at 31 December 2007 totalled HK$401.8 million against HK$396.2 million as at 31 December 2006. Current liabilities as at 31 December 2007 amounted to HK$167 million, compared to HK$135.4 million as at 31 December 2006.

Capital Structure, Liquidity and Financial Resources

As at the balance sheet date, the Group's total borrowings was HK$32.6 million (2006: HK$35.6 million) comprising short-term bank borrowings and non-interest-bearing other borrowings. The Group's available banking facilities not utilised totalled HK$10 million as at 31 December 2007 (2006: HK$5.6 million).

The Group's total equity as at the balance sheet date was HK$326.9 million (2006: HK$320.2 million).

The Group's gearing ratio as at the balance sheet date was 10% compared to 11% for 2006. 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, and Japanese yen, which is required by MST for settlement of tour costs incurred in Japan.

Capital Commitments

The Group had capital commitments, mostly authorised but not contracted for, totalling HK$15.9 million as at the balance sheet date (2006: HK$519.1 million). Such commitments were in respect of the Group's property projects in Zhongshan, PRC, and will be satisfied by funds generated from the sales of such properties and from the Group's available cash and banking facilities.

Contingent Liabilities

As at 31 December 2007, the Group had contingent liabilities amounting to HK$67.6 million (2006: HK$36.4 million restated). 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 the balance sheet date, certain assets of the Group were pledged to banks to secure banking facilities to an associate. However, non-current bank balances and time deposits amounting to HK$6.4 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 2007 was 513 compared to 399 as at 31 December 2006. 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

The Group acquired certain unlisted shares at a consideration of HK$39.1 million for the year ended 31 December 2007.

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 OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007 save for the deviations as follows:

Under code 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 every annual general meeting in accordance with the Articles of Association of the Company.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available, to answer questions at the annual general meeting.

Due to other business engagements and commitments, the overseas Non-Executive Chairman of the Board and the chairmen of the audit and remuneration committees of the Company could not come to Hong Kong to attend the annual general meeting of the Company held in June 2007. Such non-attendance was a one-off incident.

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 of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the 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 2007. 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 2007 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
Company Secretary

Hong Kong, 17 April 2008

As at the date of this announcement, 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, Mr CHEANG Yoon Hoong 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.