星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

2008 FINAL RESULTS ANNOUNCEMENT AND UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS AND RESUMPTION OF TRADING

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 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
TURNOVER	3	**484,901**	540,155
Cost of sales		**(413,320)**	(462,834)
Gross profit		**71,581**	77,321
Other income	4	**9,715**	14,459
Selling and promotional expenses		**(8,768)**	(10,065)
Administrative expenses		**(71,742)**	(72,317)
PROFIT FROM OPERATIONS		**786**	9,398
Finance costs	5	**(173)**	(351)
Non-recurring expenses		**(27,318)**	(15,640)
Share of loss of an associate		**–**	(2)
Share of (loss)/profit of a jointly-controlled entity		**(405)**	48
LOSS BEFORE TAX		**(27,110)**	(6,547)
Income tax expense	6	**(3,830)**	(1,029)
LOSS FOR THE YEAR		**(30,940)**	(7,576)
Attributable to:			
Equity holders of the Company		**(31,034)**	(10,824)
Minority interests		**94**	3,248
		(30,940)	(7,576)
LOSS PER SHARE			
Basic	7	**(1.3 cents)**	(0.4 cent)
Diluted		**N/A**	N/A

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**19,270**	23,235
Prepaid land lease payments		**2,995**	2,895
Property under development		**3,806**	3,806
Investment in a jointly-controlled entity		**2,014**	2,263
Investments in associates		**–**	–
Available-for-sale financial assets		**9,466**	32,335
Other assets		**7,948**	9,240
Pledged bank balances		**4,093**	6,421
Deferred tax assets		**11,946**	11,942
		61,538	92,137
CURRENT ASSETS			
Due from related companies		**4,582**	4,957
Due from associates		**1,569**	901
Properties held for sale		**97,671**	57,738
Properties held for sale under development		**65,551**	118,252
Financial assets at fair value through profit or loss		**116**	479
Inventories		**483**	494
Trade receivables	*8*	**2,987**	17,112
Other receivables		**19,076**	23,994
Client trust bank balances		**8,444**	4,632
Cash and cash equivalents		**136,085**	173,204
		336,564	401,763
CURRENT LIABILITIES			
Due to related companies		**1,734**	755
Due to associates		**2,958**	5,936
Tax payables		**4,929**	2,230
Advanced proceeds from sales of properties		**529**	48,692
Trade payables, other payables and accruals	*9*	**72,327**	76,768
Interest-bearing bank borrowings		**7,238**	4,995
Non-interest-bearing other borrowings		**16,710**	27,575
		106,425	166,951
NET CURRENT ASSETS		**230,139**	234,812
TOTAL ASSETS LESS CURRENT LIABILITIES		**291,677**	326,949
CAPITAL AND RESERVES			
Share capital		**482,910**	482,910
Reserves		**(261,410)**	(226,044)
Equity attributable to equity holders of the Company		**221,500**	256,866
Minority interests		**70,177**	70,083
TOTAL EQUITY		**291,677**	326,949

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 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)*-INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-INT 12	Service Concession Arrangements
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of the above new or revised HKFRSs has 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 is required.

The Group has not early applied the following new or revised Standards and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing Costs [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [2]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [2]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate [2]
HK(IFRIC)-INT 17	Distribution of Non-Cash Assets to Owners [3]

1 *Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.*

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

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

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

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.

	2008	2007
	HK$'000	*HK$'000*
Travel and travel-related services	**416,803**	485,350
Property development and agency services	**66,456**	50,922
Financial services	**1,642**	3,883
	484,901	540,155

4. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Other revenue		
Interest income	**2,650**	4,794
Visa income	**340**	438
Commission income	**3,543**	4,746
Others	**2,283**	2,777
	8,816	12,755
Gains		
Gain on disposal of property, plant and equipment, net	**899**	–
Gain arising from changes in fair value of financial assets at fair value through profit or loss	**–**	199
Loss on disposal of available-for-sale financial assets	**–**	(171)
Gain on disposal of financial assets at fair value through profit or loss	**–**	364
Foreign exchange gains, net	**–**	1,312
	899	1,704
	9,715	14,459

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank overdrafts	**173**	351

6. INCOME TAX EXPENSE

The amount of tax in the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current tax – overseas		
Provision for the year	**3,836**	1,041
Over-provision in prior years	**–**	(15)
Deferred tax	**(6)**	3
	3,830	1,029

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the year (2007: Nil).

7. LOSS PER SHARE

The loss per share is calculated by dividing the Group's loss of HK$31,034,000 (2007: HK$10,824,000) by the weighted average number of ordinary shares in issue of 2,414,547,555 (2007: 2,414,547,555).

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2008 and 2007.

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:

	2008	2007
	HK$'000	*HK$'000*
Current	**1,998**	5,519
1 – 3 months	**40**	6,358
4 – 12 months	**648**	3,061
Over 1 year	**301**	2,174
	2,987	17,112

9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the trade payables, other payables and accruals are trade payables of approximately HK$26,985,000 (2007: HK$40,533,000). An aging analysis of trade payables as at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**24,245**	32,091
1 – 3 months	**2,095**	6,687
4 – 12 months	**436**	1,584
Over 1 year	**209**	171
	26,985	40,533

FINANCIAL RESULTS

The Group recorded a pre-tax loss of HK$27.1 million for the financial year ended 31 December 2008 (2007: HK$6.5 million loss).

The Group's consolidated net loss attributable to the equity shareholders for 2008 amounted to HK$31 million (2007: HK$10.8 million loss).

DIVIDEND

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

For the year under review, the Group recorded a pre-tax loss of HK$27.1 million for the financial year ended 31 December 2008 (2007: HK$6.5 million loss). The loss was mainly attributed to a final impairment amounting to HK$23.4 million relating to the Group's investment in Oasis Hong Kong Airlines Limited and Oasis Growth and Income Investments Limited which have gone into liquidation, and other non-recurring expenses amounting to HK$3.9 million.

For the year ended 31 December 2008, the Group's revenue decreased 10% from HK$540 million in 2007 to HK$485 million in 2008. Despite the challenging business environment in 2008, the main business divisions of the Group, namely Travel and Tourism Division and Property Division remained profitable.

Travel and Tourism Division

Turnover for the Group's Travel and Tourism Division for the year ended 31 December 2008 amounted to HK$417 million (2007: HK$485 million). The 14% decline in turnover reflected the weakening consumer spending sentiment and affordability brought about by the economic slowdown as a result of the global financial crisis that started in 2008. Nevertheless, the management was able to counter the negative effects of the weakening consumer demand by implementing various product development and cost management measures, and consequently achieved a higher profit of HK$1.6 million for 2008 (2007: HK$0.6 million). However, included in the profit was a gain of HK$0.7 million from the disposal of a property under the Division in Thailand.

During the year under review, Morning Star Travel Service Limited ("MST"), the main arm of the Group's Travel and Tourism Division, continued to strengthen its positioning in the quality-conscious market segment. The Company further enhanced the capabilities of its tour leaders and ticketing consultants through trainings and operational management systems. Throughout the year in 2008, MST organised joint-promotions in the form of media presence, road shows, special-purpose tours, etc. with major airlines and tourism boards of various countries and regions to generate public awareness and stimulate interests among travellers in Hong Kong. In addition, MST worked closely with reputable merchants and payment service providers in providing travel-related gifts, discounts and benefits for its valued customers.

The management is fully aware of the more challenging business environment than before and is taking a series of productivity improvement, product development as well as marketing enhancement actions to further counter the effects of the softening market in 2009. Nevertheless, MST will continue to operate its business operations effectively guided by its good corporate values of trustworthiness, quality and innovation.

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 2008, turnover of the Group's Property Division amounted to HK$66 million (2007: HK$51 million) with a corresponding profit of HK$3.4 million (2007: HK$6.6 million). The decrease in profit was mainly due to higher development costs for its latest developed units as well as some lowering of prices due to stiff competition amidst weakening demand.

As at 31 December 2008, there were approximately 266 units available for sale in the Morning Star Villa ("MSV") and Morning Star Plaza ("MSP") projects. In anticipation of the continuing weak property market conditions in 2009, the management is focusing on the disposal of these completed yet unsold units while preparing for next phases of development in both MSV and MSP. The management views that the Group's present land bank in Zhongshan is sufficient to cater for the next several years of property development.

Financial Services Division

Turnover for the Group's Financial Services Division, mainly derived from its retail securities broking, for the year ended 31 December 2008 amounted to HK$1.6 million (2007: HK$3.9 million) with a corresponding loss of HK$0.2 million (2007: HK$2.5 million profit). The decrease in turnover was attributed to the overall shrinking of the securities broking market in Hong Kong for 2008.

Geographical Segments

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

REVIEW OF BALANCE SHEET

Overview

Non-current assets as at 31 December 2008, consisting mainly of property, plant and equipment, property under development, available-for-sale financial assets, investment in a jointly-controlled entity, pledged bank balances and deferred tax assets, amounted to HK$61.5 million (2007: HK$92.1 million). Current assets as at 31 December 2008 totalled HK$336.6 million (2007: HK$401.8 million). Current liabilities as at 31 December 2008 amounted to HK$106.4 million (2007: HK$167 million).

Capital Structure, Liquidity and Financial Resources

As at 31 December 2008, the Group's total borrowings were HK$23.9 million (2007: HK$32.6 million), mainly comprising short-term bank borrowings and non-interest-bearing other borrowings. The Group's available banking facilities not utilised totalled HK$8.3 million as at 31 December 2008 (2007: HK$10.3 million).

The Group's total equity as at the balance sheet date was HK$291.7 million (2007: HK$326.9 million).

The Group's gearing ratio as at the balance sheet date was 8.2% (2007: 10.0%). The gearing ratio was based on the 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 no capital commitments as at the balance sheet date (2007: HK$15.9 million).

Contingent Liabilities

As at 31 December 2008, the Group had contingent liabilities amounting to HK$44.3 million (2007: HK$67.6 million). The contingent liabilities were mainly in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by Morning Star Villa and Morning Star Plaza in Zhongshan, PRC. 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, non-current bank balances and time deposits amounting to HK$4.1 million (2007: 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 2008 was 439 (2007: 513). 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 17 March 2008, the Group announced that it acquired an aggregate of 10,260,000 ordinary shares of Malayan United Industries Berhad ("MUI") in the open market transactions at the Bursa Malaysia Securities Berhad at a total consideration (inclusive of brokerage fees, contract stamp duties and clearing fees) of approximately RM2,696,000 (equivalent to approximately HK$6,646,000), representing approximately 0.53% of the entire issued share capital of MUI.

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, upon completion of the aforesaid acquisition, the Group will hold 70% equity interests in the JV Company. As at 31 December 2008, the transaction was pending completion.

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 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 2008 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 2008. 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 2008 containing the relevant information required by the Listing Rules will subsequently be published on the Stock Exchange's website in due course.

UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS

The Board of Directors has noted the increases in the price and trading volume of the shares of the Company today and wish to state that we are not aware of any reasons for such increases saved as the major transaction relating to the possible acquisition of shares in The Bank of East Asia, Limited as disclosed in the Company's announcement dated 15 April 2009 and the release of this results announcement.

SUSPENSION AND RESUMPTION OF TRADING

Pending the release of this announcement, trading in the shares of the Company on the Stock Exchange was suspended with effect from 2:30 p.m. on 16 April 2009 at the request of the Company. An application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30 a.m. on 17 April 2009.

By order of the Board
HO Kuan Lai
Joint Company Secretary

Hong Kong, 16 April 2009

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 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.