



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 2008

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 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
TURNOVER	3	277,049	276,506
Cost of sales		(234,510)	(236,699)
Gross profit		42,539	39,807
Other income	4	4,501	7,847
Selling and promotional expenses		(4,534)	(4,853)
Administrative expenses		(36,264)	(35,842)
PROFIT FROM OPERATING ACTIVITIES	5	6,242	6,959
Finance costs	6	(66)	(185)
Share of losses of associates		–	(2)
Share of (loss)/profit of a jointly-controlled entity		(69)	31
PROFIT BEFORE TAX		6,107	6,803
Income tax expense	7	(3,043)	(397)
PROFIT FOR THE PERIOD		3,064	6,406
Attributable to:			
Equity holders of the Company		1,327	3,456
Minority interests		1,737	2,950
		3,064	6,406
EARNINGS PER SHARE			
– Basic	8	0.05 cent	0.14 cent

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2008 (Unaudited) <i>HK\$'000</i>	31 December 2007 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	22,174	23,235
Prepaid land lease payments	3,035	2,895
Property under development	3,806	3,806
Investment in a jointly-controlled entity	2,356	2,263
Investments in associates	–	–
Available-for-sale financial assets	34,060	32,335
Other assets	8,439	9,240
Pledged bank balances	5,377	6,421
Deferred tax assets	11,942	11,942
	91,189	92,137
CURRENT ASSETS		
Due from related companies	7,868	4,957
Due from an associate	905	901
Properties held for sale	103,241	57,738
Properties held for sale under development	65,567	118,252
Financial assets at fair value through profit or loss	323	479
Inventories	484	494
Trade receivables	9,796	17,112
Other receivables	20,881	23,994
Client trust bank balances	4,525	4,632
Cash and cash equivalents	161,273	173,204
	374,863	401,763
CURRENT LIABILITIES		
Due to related companies	4,248	755
Due to associates	5,332	5,936
Tax payables	7,292	2,230
Advanced proceeds from sales of properties	1,568	48,692
Trade payables, other payables and accruals	92,857	76,768
Interest-bearing bank borrowings	1,921	4,995
Non-interest-bearing other borrowings	21,408	27,575
	134,626	166,951
NET CURRENT ASSETS	240,237	234,812
TOTAL ASSETS LESS CURRENT LIABILITIES	331,426	326,949
CAPITAL AND RESERVES		
Share capital	482,910	482,910
Reserves	(223,304)	(226,044)
Equity attributable to equity holders of the Company	259,606	256,866
Minority interests	71,820	70,083
TOTAL EQUITY	331,426	326,949

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

**For the six months
ended 30 June**

	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	(10,077)	6,633
NET CASH USED IN INVESTING ACTIVITIES	(3,922)	(65,399)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,999)	(58,766)
Cash and cash equivalents at the beginning of period	168,209	154,736
Effect of foreign exchange rate changes, net	5,142	575
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>159,352</u>	<u>96,545</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	161,273	102,675
Bank overdrafts	(1,921)	(6,130)
	<u>159,352</u>	<u>96,545</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Share capital	Share premium account	Foreign currency translation reserve	Goodwill reserve	Financial assets reserve	Accumulated losses	Total	Minority interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Losses 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>
At 1 January 2007	482,910	6,328	(2,494)	(242)	2,569	(235,661)	253,410	66,835	320,245
Translation differences	-	-	1,246	-	-	-	1,246	-	1,246
Gains arising from changes in fair value of available-for-sale financial assets	-	-	-	-	3,559	-	3,559	-	3,559
Goodwill reserve released on disposal of a subsidiary	-	-	-	1,900	-	-	1,900	-	1,900
Disposals of available-for-sale financial assets	-	-	-	-	(842)	-	(842)	-	(842)
Profit for the period	-	-	-	-	-	3,456	3,456	2,950	6,406
At 30 June 2007	<u>482,910</u>	<u>6,328</u>	<u>(1,248)</u>	<u>1,658</u>	<u>5,286</u>	<u>(232,205)</u>	<u>262,729</u>	<u>69,785</u>	<u>332,514</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 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 2007. 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 2008. The adoption of such standards did not have any material effect on the Group's condensed consolidated financial statements.

<i>HK(IFRIC) – INT 11</i>	<i>HKFRS 2 – Group and Treasury Share Transactions</i>
<i>HK(IFRIC) – INT 12</i>	<i>Service Concession Arrangements</i>
<i>HK(IFRIC) – INT 14</i>	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</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 1 (Revised)</i>	<i>Presentation of Financial Statements</i> ¹
<i>HKAS 1 and HKAS 32 (Amendment)</i>	<i>Puttable Financial Instruments and Obligations arising on Liquidation</i> ¹
<i>HKAS 23 (Revised)</i>	<i>Borrowing Costs</i> ¹
<i>HKAS 27 (Revised)</i>	<i>Consolidated and Separate Financial Statements</i> ²
<i>HKFRS 2 (Amendment)</i>	<i>Share-based Payment – Vesting Conditions and Cancellations</i> ¹
<i>HKFRS 3 (Revised)</i>	<i>Business Combinations – Comprehensive revision on applying the Acquisition Method</i> ²
<i>HKFRS 8</i>	<i>Operating Segments</i> ¹
<i>HK(IFRIC) – INT 13</i>	<i>Customer Loyalty Programmes</i> ³

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

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

³ *Effective for annual periods beginning on or after 1 July 2008.*

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 2007.

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*

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>Travel and travel- related services</i>	223,206	-	2,073	225,279
<i>Property development and agency services</i>	52,874	-	741	53,615
<i>Hotel investment and management services</i>	-	-	-	-
<i>Financial services</i>	969	784	124	1,877
<i>Corporate and other businesses</i>	-	-	-	-
	<u>277,049</u>	<u>784</u>	<u>2,938</u>	<u>280,771</u>
<i>Eliminations</i>	-	(784)	-	(784)
<i>Consolidated</i>	<u>277,049</u>	<u>-</u>	<u>2,938</u>	<u>279,987</u>

For the six months ended 30 June 2007

	<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>Travel and travel- related services</i>	243,914	-	3,011	246,925
<i>Property development and agency services</i>	30,799	-	1,489	32,288
<i>Hotel investment and management services</i>	-	-	46	46
<i>Financial services</i>	1,793	1,068	548	3,409
<i>Corporate and other businesses</i>	-	-	-	-
	<u>276,506</u>	<u>1,068</u>	<u>5,094</u>	<u>282,668</u>
<i>Eliminations</i>	-	(1,068)	-	(1,068)
<i>Consolidated</i>	<u>276,506</u>	<u>-</u>	<u>5,094</u>	<u>281,600</u>

(b) Results

	<i>For the six months ended 30 June</i>	
	<i>2008</i>	<i>2007</i>
	<i>Total (Unaudited) HK\$'000</i>	<i>Total (Unaudited) HK\$'000</i>
<i>Travel and travel- related services</i>	<i>1,165</i>	<i>(1,191)</i>
<i>Property development and agency services</i>	<i>6,925</i>	<i>6,207</i>
<i>Hotel investment and management services</i>	<i>(801)</i>	<i>120</i>
<i>Financial services</i>	<i>260</i>	<i>1,447</i>
<i>Corporate and other businesses</i>	<i>(202)</i>	<i>(12)</i>
	<hr/>	<hr/>
	<i>7,347</i>	<i>6,571</i>
<i>Interest income and dividend income</i>	<i>1,563</i>	<i>2,753</i>
<i>Unallocated expenses</i>	<i>(2,668)</i>	<i>(2,365)</i>
	<hr/>	<hr/>
<i>Profit from operating activities</i>	<i>6,242</i>	<i>6,959</i>

(ii) Geographical segments

(a) Revenue

	<i>For the six months ended 30 June 2008</i>			
	<i>Sales to external customers</i>	<i>Intersegment sales</i>	<i>Other revenue</i>	<i>Total</i>
	<i>(Unaudited) HK\$'000</i>	<i>(Unaudited) HK\$'000</i>	<i>(Unaudited) HK\$'000</i>	<i>(Unaudited) HK\$'000</i>
<i>The People's Republic of China ("PRC")</i>				
<i>Hong Kong</i>	<i>218,717</i>	<i>-</i>	<i>2,127</i>	<i>220,844</i>
<i>Elsewhere</i>	<i>58,332</i>	<i>-</i>	<i>811</i>	<i>59,143</i>
<i>Australia</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Other countries</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
	<hr/>	<hr/>	<hr/>	<hr/>
	<i>277,049</i>	<i>-</i>	<i>2,938</i>	<i>279,987</i>
<i>Eliminations</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Consolidated</i>	<i>277,049</i>	<i>-</i>	<i>2,938</i>	<i>279,987</i>

For the six months ended 30 June 2007

	<i>Sales to</i>			
	<i>external</i>	<i>Intersegment</i>	<i>Other</i>	<i>Total</i>
	<i>customers</i>	<i>sales</i>	<i>revenue</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>PRC</i>				
<i>Hong Kong</i>	240,416	–	3,453	243,869
<i>Elsewhere</i>	35,986	–	1,574	37,560
<i>Australia</i>	–	–	46	46
<i>Other countries</i>	104	–	21	125
	<u>276,506</u>	<u>–</u>	<u>5,094</u>	<u>281,600</u>
<i>Eliminations</i>	–	–	–	–
<i>Consolidated</i>	<u>276,506</u>	<u>–</u>	<u>5,094</u>	<u>281,600</u>

(b) *Results*

	<i>For the six months</i>	
	<i>ended 30 June</i>	
	<i>2008</i>	<i>2007</i>
	<i>Segment</i>	<i>Segment</i>
	<i>results</i>	<i>results</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>PRC</i>		
<i>Hong Kong</i>	1,418	314
<i>Elsewhere</i>	6,722	6,063
<i>Australia</i>	(104)	(136)
<i>Other countries</i>	(689)	330
	<u>7,347</u>	<u>6,571</u>
<i>Consolidated</i>	<u>7,347</u>	<u>6,571</u>

4. OTHER INCOME

	<i>For the six months ended 30 June</i>	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Visa income	194	206
Commission income	1,740	2,193
(Losses)/gains arising from changes in fair value of financial assets at fair value through profit or loss	(155)	507
Gains on disposals of financial assets at fair value through profit or loss	–	40
Others	1,159	2,148
	<u>2,938</u>	<u>5,094</u>
Interest income	1,563	2,753
	<u>4,501</u>	<u>7,847</u>

5. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging:

	<i>For the six months ended 30 June</i>	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation:		
Owned property, plant and equipment	1,107	1,492
Amortisation:		
Prepaid lease payment on land use right	34	62
	<u>34</u>	<u>62</u>

6. FINANCE COSTS

	<i>For the six months ended 30 June</i>	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	66	185
	<u>66</u>	<u>185</u>

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 2007: 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:

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – overseas		
Provision for the period	3,043	397
Deferred tax	–	–
	<hr/>	<hr/>
	3,043	397
	<hr/>	<hr/>

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2008 is based on the profit for the period attributable to equity holders of the Company of HK\$1,327,000 (six months ended 30 June 2007: HK\$3,456,000) and on the 2,414,547,555 shares (2007: 2,414,547,555 shares) in issue during the period.

No diluted earnings per share for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil) was presented as there was no diluting event existed for both the current and prior periods.

9. DIVIDENDS

At a meeting of the Board of Directors held on 25 September 2008, the Directors resolved not to declare an interim dividend in respect of the year ending 31 December 2008.

10. TRADE RECEIVABLES

The Group grants credit periods of up to 30 days to its trade customers. Details of the aging analysis of trade receivables are as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Current	7,062	5,519
1-3 months	405	6,358
4-12 months	1,272	3,061
Over 1 year	1,057	2,174
	<u>9,796</u>	<u>17,112</u>

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the trade payables, other payables and accruals is a trade payables balance of HK\$39,781,000 (31 December 2007: HK\$40,533,000). Details of the aging analysis of trade payables are as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Current	30,531	32,091
1-3 months	8,611	6,687
4-12 months	462	1,584
Over 1 year	177	171
	<u>39,781</u>	<u>40,533</u>

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

	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Acquired shares in a related company	<u>5,914</u>	<u>27,834</u>

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:

	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Short-term employee benefits	1,521	1,230
Post-employment benefits	47	47
	<u>1,568</u>	<u>1,277</u>

13. CONTINGENT LIABILITIES

As at 30 June 2008, the Group had contingent liabilities amounting to HK\$63,487,000 (2007: HK\$67,553,000). 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.

14. CAPITAL COMMITMENTS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Land and construction costs:		
Contracted, but not provided for	11,210	14,025
Authorised, but not contracted for	840	1,882
	<u>12,050</u>	<u>15,907</u>

The above amount of HK\$12,050,000 (2007: HK\$15,907,000) relates to the development of the Group's property projects in Zhongshan, the PRC, into a residential and commercial complex.

Save as disclosed above, the Group had no other significant commitments at the balance sheet date.

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 25 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

Group Overview

For the six months ended 30 June 2008, the Group's turnover was HK\$277.0 million compared to HK\$276.5 million for the corresponding period in 2007 whilst its profit before tax was HK\$6.1 million compared to HK\$6.8 million for the corresponding period in 2007.

For the same period under review, the Group's profit attributable to equity holders was HK\$1.3 million compared to HK\$3.5 million for the corresponding period in 2007.

Travel and Tourism Division

For the first six months of 2008, the travel industry in Hong Kong experienced challenging business circumstances largely due to weaker Hong Kong macroeconomic environment and several unfortunate natural disasters in the People's Republic of China ("PRC"). Against such a backdrop, the turnover of the Travel and Tourism Division decreased by 8.5% to HK\$223.2 million for the six months ended 30 June 2008 compared to HK\$243.9 million for the corresponding period in 2007. Nevertheless, the Division recorded an operating profit of HK\$1.2 million for the six months ended 30 June 2008 compared to a loss of HK\$1.2 million for the corresponding period in 2007. The better performance was achieved through continuous improvements in product development, customer service, marketing and cost management.

During the period under review, Morning Star Travel Service Limited, the travel arm of the Group received various accolades, including "Top Performance Awards 2007" by Malaysia Airlines, "Best Performance Awards (Hong Kong)" by Star Cruises, "Contributions to the Promotion of Taiwan Tourism in 2007 Awards" by Taiwan Tourism Bureau, and "Caring Company 2007/2008" by the Hong Kong Council of Social Services.

Property Division

For the six months ended 30 June 2008, the turnover of the Property Division increased to HK\$52.9 million compared to HK\$30.8 million for the corresponding period in 2007 whilst its operating profit was HK\$6.9 million compared to HK\$6.2 million for the corresponding period in 2007. The increase in turnover was mainly due to the delivery of completed units for Part IV, Morning Star Plaza which was completed during the period under review.

Financial Services Division

For the six months ended 30 June 2008, the turnover of the Financial Services Division decreased to HK\$1.0 million compared to HK\$1.8 million for the corresponding period in 2007 whilst its operating profit was HK\$0.3 million compared to HK\$1.4 million for the corresponding period in 2007.

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 property development and agency services.

REVIEW OF BALANCE SHEET

Overview

The Group's non-current assets as at 30 June 2008 amounted to HK\$91.2 million compared to HK\$92.1 million as at 31 December 2007. 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 2008 amounted to HK\$374.9 million, against HK\$401.8 million as at 31 December 2007. Current assets mainly comprised properties held for sale and properties held for sale under development, and cash and cash equivalents.

The Group's current liabilities as at 30 June 2008 amounted to HK\$134.6 million, compared to HK\$167.0 million as at 31 December 2007. Current liabilities mainly comprised trade payables, other payables and accruals.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2008, the Group's total borrowings amounted to HK\$23.3 million, compared to HK\$32.6 million as at 31 December 2007. The borrowings comprised mainly short-term bank borrowings and non-interest-bearing other borrowings. The Group's available banking facilities not utilised as at 30 June 2008 amounted to HK\$13.7 million. The Group's total equity as at 30 June 2008 was HK\$331.4 million compared to HK\$326.9 million as at 31 December 2007.

The Group's gearing ratio as at 30 June 2008 was 7.0% compared to 10.0% as at 31 December 2007. This 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 which is derived from its sales of property units in Zhongshan, and Japanese Yen, which is required by Morning Star Travel Service Limited for settlement of tour costs incurred in Japan.

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 capital commitments, contracted but not paid, totalling HK\$11.2 million as at 30 June 2008. 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

The Group had contingent liabilities amounting to HK\$63.5 million as at 30 June 2008. 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 by Morning Star Villa and Morning Star Plaza. The Directors considered that the fair value of such guarantees on initial recognition was insignificant.

Charges on Group Assets

As at 30 June 2008, certain asset of the Group was pledged to a bank to secure banking facilities to an associate. In addition, non-current bank balances amounting to HK\$5.4 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 30 June 2008 was 466, compared to 513 as at 31 December 2007. 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

On 17 March 2008, the Group announced that it had acquired an aggregate of 10,260,000 ordinary shares of Malayan United Industries Berhad ("MUI") in the open market 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.

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

As at 30 June 2008, 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	Note	Nature of interest	Number of shares (Long position)	Percentage of issued share capital
Tan Sri Dr. KHOO Kay Peng	(a) & (b)	Corporate	1,402,325,657	58.08

(ii) Associated corporation

Name of associated corporation	Name of Director	Note	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 2008, certain Directors also held qualifying shares in certain subsidiaries of the Company which were beneficially owned by the Company or its other subsidiaries.

Note:

- (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 those 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) 522,942,672 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 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 2008, 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 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:

(i) Interests of substantial shareholders

Name	Note	Number of shares (Long position)	Percentage of issued share capital
KKP Holdings Sdn Bhd ("KKP Holdings")	(a) & (b)	1,402,325,657	58.08
Soo Lay Holdings Sdn Bhd ("SL Holdings")	(a) & (b)	1,402,325,657	58.08
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)	522,942,672	21.66

Note:

- (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.*

(ii) Interests of other persons

Name	Note	Number of shares (Long position)	Percentage of issued share capital
Hope Foundation (“HF”)	(a)	131,084,500	5.43

Note:

(a) 63,000,000 shares were held by Hope Investment Limited, which is 100% owned by HF. Pursuant to Section 316 of Part XV of the SFO, HF was deemed to be interested in all the shares held by Hope Investment Limited.

Save as disclosed above, as at 30 June 2008, 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, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms, as they 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 currently comprises a Non-Executive Director, Mr CHAN Choung Yau, and three Independent Non-Executive Directors, Mr OOI Boon Leong @ LAW Weng Leun (Chairman), Mr WONG Kim Ling and Mr OH Hong Choon.

REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the Code on Corporate Governance Practices. The Remuneration Committee comprises a Non-Executive Director, Mr CHAN Choung Yau, and two Independent Non-Executive Directors, Mr OOI Boon Leong @ LAW Weng Leun (Chairman) and Mr OH Hong Choon.

By Order of the Board
WONG Nyen Faat
Executive Director

Hong Kong, 25 September 2008