



The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2003.

CHANGE OF NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 30th June, 2003, the Company changed its name from “MUI Hong Kong Ltd.” to “Morning Star Resources Limited”.

PRINCIPAL ACTIVITIES

The principal activities of the Company consisted of investment holding and the provision of management services. The subsidiaries are mainly engaged in the provision of travel and travel-related services, property development, property agency services, hotel investment and hotel management, financial services and securities broking. There were no significant changes in the nature of the Group’s principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 85.

No dividends have been declared in respect of the year.

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 90.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.



RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

At 31st December, 2003, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (1998 Revision) of the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% in the year under review.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Director:

CHAN Mok Seng (appointed as Non-Executive Director on 16th February, 2004 and subsequently appointed as Executive Director on 15th March, 2004)

Non-Executive Directors:

Tan Sri Dr. KHOO Kay Peng
CHEANG Yoon Hoong (designated as Non-Executive Director on 15th March, 2004)
KHET Kok Yin
TAN Lian Tee



Independent Non-Executive Directors:

LI Man Bun, Brian David (appointed on 16th February, 2004)
Edward SHEN
WONG Kim Ling

Mr. Anthony YAP was appointed as an Alternate Director to Mr. KHET Kok Yin on 15th March, 2004. In accordance with the Company's articles of association, Messrs CHEANG Yoon Hoong, CHAN Mok Seng and LI Man Bun, Brian David will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. Edward SHEN is a director of, and has a beneficial interest in each of Shen & Partners Limited, SRT Design (China) Limited and SRT Architects Limited, which provide architectural design services to the Group and, in the opinion of the Directors, have received normal professional fees from the Group for such services rendered during the year.

The above transactions are also classified as related party transactions of the Group and are further detailed in note 37 to the financial statements.

Save as disclosed above and in note 37 to the financial statements, no Director had a beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.



DIRECTORS' INTERESTS IN COMPETING BUSINESS

At the balance sheet date, Tan Sri Dr. KHOO Kay Peng is the chairman and chief executive of Malayan United Industries Berhad (“MUI”), which is a publicly listed company in Malaysia. MUI and its subsidiaries and associated companies (“The MUI Group”) are engaged in various businesses including retailing, hotels, food and confectionery, property, financial services, travel and tourism in the Asia Pacific, the United States of America and the United Kingdom.

Mr. KHET Kok Yin is a director of MUI, and Mr. CHEANG Yoon Hoong and Ms. TAN Lian Tee are directors of a number of member companies of The MUI Group.

By virtue of the interests of Tan Sri Dr. KHOO, Mr. KHET, Mr. CHEANG and Ms. TAN in The MUI Group as mentioned above, they are considered to have interests in the businesses of The MUI Group. Both The MUI Group and Morning Star Resources Limited and its subsidiaries (“The MSRL Group”) are engaged in travel and travel-related services, hotel investment and management services, property development and property agency services, financial services and securities broking which are complementary and synergistic with each other, but not competing pursuant to Rule 8.10 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The MSRL Group operates its businesses mainly in Hong Kong and mainland China, whilst The MUI Group’s operations are outside Hong Kong SAR and mainland China. In essence, the businesses between The MSRL Group and The MUI Group are synergistic to each other.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading “Directors’ interests in the securities and debentures of the Company and its associated corporations” below, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the Company’s Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



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

At the balance sheet date, the interests of the Directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "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 which they were deemed or taken to have under such provisions of the SFO, and 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 Companies contained in the Listing Rules, were as follows:

(i) The Company

(1) Shares

Name of director	Notes	Nature of interest	Number of shares	Percentage of issued share capital
Tan Sri Dr. KHOO Kay Peng	(a) & (b)	Corporate	1,763,911,657	73.05
CHEANG Yoon Hoong		Personal	19,918,500	0.82
KHET Kok Yin		Personal	6,807,500	0.28

(2) Warrants*

Name of director	Notes	Nature of interest	The maximum number of shares to be issued upon the exercise of warrants
Tan Sri Dr. KHOO Kay Peng	(b)	Corporate	200,716,650
CHEANG Yoon Hoong		Personal	2,396,210
KHET Kok Yin		Personal	2,456,842

(* listed on the Stock Exchange)



(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

At the balance sheet date, 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) 979,572,985 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 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 all the shares held by Firstway.
- (b) 784,338,672 shares and 200,716,650 underlying shares of the warrants 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 Tan Sri Dr. KHOO Kay Peng's interests in KKP Holdings and SL Holdings as mentioned in Note (a) above, he was deemed to be interested in all the shares and warrants held by Bonham.

Save as disclosed above, the Company had not been notified of any interests or short positions in any shares and underlying shares of the warrants and in debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO.



DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Name	Age	Position held	Number of years of service	Business experience
Tan Sri Dr. KHOO Kay Peng	65	Chairman	10	<p>Tan Sri Dr. KHOO is the chairman and chief executive of Malayan United Industries Berhad (“MUI”), which is a diversified group with business interests in the Asia Pacific, the United States of America (“USA”) and the United Kingdom (“UK”). He is also the chairman of Firstway International Investment Limited, Hong Kong (a substantial shareholder of the Company), Laura Ashley Holdings plc and Corus Hotels plc (formerly known as Corus & Regal Hotels plc), UK. Tan Sri Dr. KHOO is a director of SCMP Group Limited and The Bank of East Asia, Limited in Hong Kong. Previously, Tan Sri Dr. KHOO had served as the chairman of the Malaysian Tourist Development Corporation (a Government Agency), the vice chairman of Malayan Banking Berhad and a trustee of the National Welfare Foundation. He is currently a trustee of the Malaysian Humanitarian Foundation and Regent University, Virginia, USA. Tan Sri Dr. KHOO is also a board member of Northwest College, Seattle, USA, as well as a council member of the Malaysian-British Business Council and the Malaysia-China Business Council.</p>



Name	Age	Position held	Number of years of service	Business experience
CHAN Mok Seng	47	Director	1½ months	Mr. CHAN has more than 15 years experience in business development. He holds a Master Degree in Business Administration from the Cranfield School of Management, United Kingdom.
CHEANG Yoon Hoong	54	Director	7½	Mr. CHEANG is a Chartered Accountant and is a director of a number of subsidiaries of The MUI Group. He has more than twenty years' experience in accounting and finance, banking and corporate services.
KHET Kok Yin	57	Director	7½	Mr. KHET has more than twenty years' experience in the financial and banking fields. Mr. KHET is a director on the boards of numerous companies in The MUI Group. He is currently the managing director of Pan Malaysian Industries Berhad, Pan Malaysia Holdings Berhad, Pan Malaysia Capital Berhad and PM Securities Sdn Bhd. Previously, he had served as executive director of MUI Bank Berhad, president of the North American operations of The MUI Group in the United States of America and managing director of Morning Star Securities Limited, Hong Kong.



Name	Age	Position held	Number of years of service	Business experience
TAN Lian Tee	49	Director	1	Ms. TAN is a Fellow member of the Chartered Insurance Institute (UK), a Fellow member of the Malaysian Insurance Institute and had served in the insurance industry in various capacities for more than twenty years. Ms. TAN also holds a Master Degree in Business Administration from the University of Western Sydney and is currently the managing director of Metrojaya Berhad, a retailing company listed on the Kuala Lumpur Stock Exchange. She also sits on boards of various member companies in The MUI Group.
LI Man Bun, Brian David	29	Director	1½ months	Mr. LI is a Chartered Accountant and has extensive experience in investment advisory services. He holds a Master Degree in Business Administration from Stanford University and is currently an executive director of Asia Strategic Investment Management, an asset management subsidiary of The Bank of East Asia, Limited. Mr. LI also serves on committees of a number of non-profit organizations in Hong Kong.



Name	Age	Position held	Number of years of service	Business experience
Edward SHEN	53	Director	11	Mr. SHEN has more than twenty-five years' experience in the architectural and property development fields.
WONG Kim Ling	67	Director	5	Mr. WONG has more than thirty years' experience in the financial and banking fields, with thirteen years as the chief executive officer with a Malaysian bank in Hong Kong. He was also an executive director of a property company, which is a listed company in Hong Kong, for three years.
Anthony YAP	56	Alternate Director to KHET Kok Yin	—	Mr. YAP holds a Bachelor of Law from the University of Singapore. He practised as an Advocate & Solicitor for several years. Mr. YAP also sits on the board of directors of several public listed companies in Malaysia and Australia.



OTHER SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

At the balance sheet date, the interests of persons, other than the Directors, holding 5% or more of the securities of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, including interests which they were deemed or taken to have under such provisions of the SFO, and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

(i) Interests of substantial shareholders

(1) Shares

Name	Notes	Number of shares	Percentage of issued share capital
CHAI Siew Phin, Pauline	(a)	1,763,911,657	73.05
KKP Holdings	(b) & (c)	1,763,911,657	73.05
SL Holdings	(b) & (c)	1,763,911,657	73.05
Cherubim	(b)	979,572,985	40.57
Norcross	(b)	979,572,985	40.57
Firstway	(b)	979,572,985	40.57
Bonham	(c)	784,338,672	32.48



(2) Warrants *

Name	Notes	The maximum number of shares to be issued upon the exercise of warrants
CHAI Siew Phin, Pauline	(a)	200,716,650
KKP Holdings	(b) & (c)	200,716,650
SL Holdings	(b) & (c)	200,716,650
Bonham	(c)	200,716,650

(* listed on the Stock Exchange)

Notes:

- (a) Pursuant to Section 316 of Part XV of the SFO, Ms. CHAI Siew Phin, Pauline being Tan Sri Dr. KHOO Kay Peng's spouse was deemed to be interested in all the shares and warrants in which Tan Sri Dr. KHOO Kay Peng was interested. The same interests have been disclosed by Tan Sri Dr. KHOO Kay Peng under the heading "Directors' interests in the securities and debentures of the Company and its associated corporations" above.
- (b) 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.
- (c) These shares and warrants 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 and warrants held by Bonham.



(ii) Interests of other persons

Name	Number of shares	Percentage of issued share capital
Hope Foundation (“HF”)	176,270,500	7.30
Hope International Limited (“HIL”)	176,270,500	7.30
Prime View International Limited (“PVI”)	176,270,500	7.30

Note: These shares were held by PVI. PVI is 100% owned by HIL which in turn is 100% owned by HF. Pursuant to Section 316 of Part XV of the SFO, each of HIL and HF was deemed to be interested in all the shares held by PVI.

Save as disclosed above, the Company had not been notified of any interests or short positions in any shares and underlying shares of the warrants of the Company which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

SIGNIFICANT CONNECTED TRANSACTION

Acquisition of additional equity interest in MSFS

On 29th December, 2003, the Company entered into a sale and purchase agreement with Firstway for the acquisition of a further 8,000,000 ordinary shares of MSFS, a subsidiary of the Company, at a consideration of HK\$8,000,000. Firstway, by virtue of its holding of an approximately 40.57% interest in the issued share capital of the Company, is a connected person (as defined in the Listing Rules) of the Company. Accordingly, the transaction as mentioned above constituted a connected transaction for the Company. Upon the completion of this transaction, the Company’s interest in MSFS increased to approximately 96.99%.



A press announcement containing details of the aforesaid transaction was duly released on 29th December, 2003 in compliance with the provisions of the Listing Rules in respect of connected transactions.

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 listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the Annual 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.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two Independent Non-Executive Directors and a Non-Executive Director of the Company.

AUDITORS

Ernst & Young retired as auditors of the Company at the annual general meeting held on 30th June, 2003 and RSM Nelson Wheeler were appointed as auditors of the Company to fill the vacancy at the same meeting.



RSM Nelson Wheeler retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

CHAN MOK SENG

Executive Director

Hong Kong, 30th March, 2004