

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2004.

### **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, 2004 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 73.

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 77.

### **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 12 and 13 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 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

At 31st December, 2004, 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 (Chairman)  
CHEANG Yoon Hoong (designated as Non-Executive Director on 15th March, 2004)

KHET Kok Yin

TAN Lian Tee

Anthony YAP

(appointed as Alternate Director to KHET Kok Yin on 15th March, 2004)

**Independent Non-Executive Directors:**

WONG Kim Ling

OOI Boon Leong @ LAW Weng Leun

OH Hong Choon

Edward SHEN

LI Man Bun, Brian David

(appointed on 30th September, 2004)

(appointed on 30th September, 2004)

(resigned on 1st April, 2004)

(appointed on 16th February, 2004 and resigned on 1st September, 2004)

In accordance with the Company's articles of association, Messrs WONG Kim Ling, OOI Boon Leong @ LAW Weng Leun and OH Hong Choon 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 for the period from 1st January, 2004 to 31st March, 2004.

The above transactions are also classified as related party transactions of the Group and are further detailed in note 36 to the financial statements.

Save as disclosed above and in note 36 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**

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, Europe and the United Kingdom.

Mr. KHET Kok Yin, 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 ("Stock Exchange").

The MSRL Group operates its businesses mainly in Hong Kong SAR and Mainland China, whilst The MUI Group's operations are mainly 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 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 executives 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

#### (1) Shares

Name of Director	Notes	Nature of interest	Number of shares (Long position)	Percentage of issued share capital
Tan Sri Dr. KHOO Kay Peng	(a), (b) & (c)	Corporate	1,810,733,657	74.99
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) & (c)	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) & (c)	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) 905,932,985 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 and his spouse. Pursuant to Section 344 of Part XV of the SFO, Tan Sri Dr. KHOO Kay Peng and his spouse were deemed to be interested in all the shares held by Firstway.
- (b) 904,800,672 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 the interests of Tan Sri Dr. KHOO Kay Peng and his spouse in KKP Holdings and SL Holdings as mentioned in Note (a) above, they were deemed to be interested in all the shares and warrants held by Bonham.
- (c) The Company has been notified that, with effect from 4th February, 2005, Tan Sri Dr. KHOO's spouse ceased to hold any interest in SL Holdings and KKP Holdings and Tan Sri Dr. KHOO's interests in SL Holdings and KKP Holdings remain unchanged. Tan Sri Dr. KHOO's spouse is no longer deemed interested in Firstway, Norcross, Cherubim and Bonham and thus is no longer deemed interested in the Company's shares held by Firstway and 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 for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

**DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS**

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service</b>	<b>Business experience</b>
Tan Sri Dr. KHOO Kay Peng	66	Chairman	11	Tan Sri Dr. KHOO is the Chairman and Chief Executive of The MUI Group, which is a business corporation with diversified operations 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, UK. Tan Sri Dr. KHOO is a director of SCMP Group Limited and The Bank of East Asia, Limited, Hong Kong. He is a trustee of the Regent University, Virginia, USA and a board member of Northwest University, Seattle, USA. Tan Sri Dr. KHOO also serves as a Council Member of the Malaysian-British Business Council, the Malaysia-China Business Council and the Asia Business Council. 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 (Maybank) and a trustee of the National Welfare Foundation.

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service</b>	<b>Business experience</b>
CHAN Mok Seng	48	Director	1	Mr. CHAN has more than fifteen years experience in business development. He holds a Master Degree in Business Administration from the Cranfield School of Management, United Kingdom.
CHEANG Yoon Hoong	55	Director	8 $\frac{1}{2}$	Mr. CHEANG is a Chartered Accountant and a Fellow of the Hong Kong Institute of Certified Public Accountants. He holds a Master of Business Administration Degree in Accounting and Finance and a Bachelor of Commerce Degree in Economics and Accountancy. He has more than thirty years experience in accounting, banking, finance, corporate services, travel agency, property development, property management and securities broking. He is a Council member of the Hong Kong Management Association, Chairman of the Diploma in Management Studies Advisory Committee and an examiner of the HKMA/TVB Awards for Marketing Excellence.

Name	Age	Position held	Number of years of service	Business experience
KHET Kok Yin	58	Director	8 <sup>1</sup> / <sub>2</sub>	<p>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 chief executive officer of Pan Malaysia Corporation Berhad. 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, managing director of Metrojaya Berhad and managing director of Morning Star Securities Limited, Hong Kong.</p>
TAN Lian Tee	50	Director	2	<p>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 Masters Degree in Business Administration from the University of Western Sydney and is currently the chief executive officer of Laura Ashley Holdings plc, United Kingdom. She also sits on the boards of various member companies in The MUI Group.</p>



<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service</b>	<b>Business experience</b>
WONG Kim Ling	68	Director	6	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.
OOI Boon Leong @ LAW Weng Leun	68	Director	1/2	Mr. OOI is an Advocate and Solicitor and holds a Master of Arts and Master of Laws from Corpus Christi College, Cambridge University, United Kingdom. Mr. OOI is an independent non-executive director of Pan Malaysian Industries Berhad which is listed on Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange). He is also a director of Inter-Community Welfare Foundation and Malaysian Community and Education Foundation. He is also an alternate director on the board of KLCC Projeks Bhd (formerly Kuala Lumpur City Centre Berhad), Kuala Lumpur City Park Berhad and KLCC (Holdings) Bhd. He also holds directorships in private limited companies.

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service</b>	<b>Business experience</b>
OH Hong Choon	64	Director	$\frac{1}{2}$	Mr. OH is a Business Adviser and holds an honours degree in History and Economics from University Malaya. He was formerly the Divisional Director of Malaysian Industrial Development Authority and an Assistant Controller of the Industrial Development Division of the Ministry of Trade and Industry, Government of Malaysia. He had also held several senior management positions in the private sector and had worked overseas in London, Hong Kong, Manila and Sydney, Australia. Mr. OH is an independent non-executive director of Kumpulan Emas Berhad which is listed on Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange).
Anthony YAP	57	Alternate Director to KHET Kok Yin	1	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, 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 interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of the Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities together with particulars of any options in respect of such capital:

### (i) Interests of substantial shareholders

#### (1) Shares

Name	Notes	Number of shares (Long position)	Percentage of issued share capital
CHAI Siew Phin, Pauline	(a) & (b)	1,810,733,657	74.99
KKP Holdings Sdn Bhd ("KKP Holdings")	(c) & (d)	1,810,733,657	74.99
Soo Lay Holdings Sdn Bhd ("SL Holdings")	(c) & (d)	1,810,733,657	74.99
Cherubim Investment (HK) Limited ("Cherubim")	(c)	905,932,985	37.52
Norcross Limited ("Norcross")	(c)	905,932,985	37.52
Firstway International Investment Limited ("Firstway")	(c)	905,932,985	37.52
Bonham Industries Limited ("Bonham")	(d)	904,800,672	37.47

**(2) Warrants\***

Name	Notes	The maximum number of shares to be issued upon the exercise of warrants
CHAI Siew Phin, Pauline	(a) & (b)	200,716,650
KKP Holdings	(c) & (d)	200,716,650
SL Holdings	(c) & (d)	200,716,650
Bonham	(d)	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) Ms. CHAI Siew Phin, Pauline has notified the Company that, as at 4th February, 2005, she did not have any interest in the Company's shares and this cessation in shareholding was disclosed under Part XV of the SFO.
- (c) 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.
- (d) 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****(1) Shares**

<b>Name</b>	<b>Notes</b>	<b>Number of shares (Long position)</b>	<b>Percentage of issued share capital</b>
Hope Foundation (“HF”)	(a) & (b)	238,970,500	9.90
Hope International Limited (“HIL”)	(b)	175,970,500	7.29
Prime View International Limited (“PVI”)	(b)	175,970,500	7.29

**(2) Warrants\***

<b>Name</b>	<b>Note</b>	<b>The maximum number of shares to be issued upon the exercise of warrants</b>
PVI	(b)	13,126,484

(\* listed on the Stock Exchange)

*Notes:*

- (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.
- (b) 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, as at the balance sheet date, 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 the Part XV of the SFO or , who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person’s interest in such securities together with particulars of any options in respect of such capital.

**SIGNIFICANT CONNECTED TRANSACTION****Acquisition of additional equity interest in Plaza on Hyde Park Limited (“POHP”)**

During the year, the Group acquired a further 9% interest in POHP. Before the acquisition, the Group held 40% interest of POHP which was acquired in 2001. After the acquisition, the Group holds 49% interest in POHP and POHP remains as an associate of the Group. The total consideration for the acquisition of a further 9% interest in POHP amounted to HK\$21,114,000 and the consideration was satisfied by funds from the banking facilities of the Group. POHP is a company incorporated in the United Kingdom (“UK”). The principal asset of POHP is its interest in Corus hotel Hyde Park located at Lancaster Gate, London W2 3LG, UK.

**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 on the Stock Exchange 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 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 the review of the audited financial statements. The audit committee constituted three Independent Non-Executive Directors and a Non-Executive Director of the Company.

**AUDITORS**

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, 8th April, 2005