

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2005.

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 and agency services, hotel investment and hotel management services, 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, 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 80.

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 85.

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 16 and 18 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 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

At 31st December, 2005, 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.

DISPOSAL OF AN ASSOCIATE

The proceeds of GBP 11,270,000 from the disposal of the Group's 49% interest in Plaza on Hyde Park Limited was used to repay the Group's bank borrowings.

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 Directors:

CHEANG Yoon Hoong (designated as Executive Director on 1st August, 2005)
CHAN Mok Seng (resigned as Executive Director on 12th September, 2005)

Non-Executive Directors:

Tan Sri Dr. KHOO Kay Peng (Chairman)
KHET Kok Yin
TAN Lian Tee
Anthony YAP (resigned as Alternate Director to KHET Kok Yin on
19th January, 2006)

Independent Non-Executive Directors:

WONG Kim Ling
OOI Boon Leong @ LAW Weng Leun
OH Hong Choon

In accordance with the Company's articles of association, Ms. TAN Lian Tee will retire and, being eligible, offer herself 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 AND CONNECTED TRANSACTIONS

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 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

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)	Corporate	1,784,183,657	73.89
CHEANG Yoon Hoong		Personal	19,918,500	0.82
KHET Kok Yin		Personal	6,807,500	0.28

(ii) Associated Corporation**Shares**

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) 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 share held by Firstway.
- (b) 904,800,672 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 for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Name	Age	Position held	Number of years of service	Business experience
Tan Sri Dr. KHOO Kay Peng	67	Chairman	12	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 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), a trustee of the National Welfare Foundation, Malaysia and a trustee of the Regent University, Virginia, USA.

Name	Age	Position held	Number of years of service	Business experience
CHEANG Yoon Hoong	56	Director	9 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.
KHET Kok Yin	59	Director	9 ¹ / ₂	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.
TAN Lian Tee	51	Director	3	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 chief executive officer of Laura Ashley Holdings plc, United Kingdom. She also sits on the boards of various member companies in The MUI Group.

Name	Age	Position held	Number of years of service	Business experience
WONG Kim Ling	69	Director	7	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	69	Director	1½	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 and Pan Malaysia Holdings Berhad which are listed on Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange). He is also an independent non-executive director of Jacks International Limited which is listed on the Singapore Exchange Securities Trading Ltd. He is also a director of Inter-Community Welfare Foundation and Malaysian Community and Education Foundation. He also holds directorships in private limited companies.
OH Hong Choon	65	Director	1½	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 Ecofirst Consolidated Bhd which is listed on Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange).

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 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:

(i) Interests of substantial shareholders

Shares

Name	Notes	Number of shares (Long position)	Percentage of issued share capital
KKP Holdings Sdn Bhd ("KKP Holdings")	(a) & (b)	1,784,183,657	73.89
Soo Lay Holdings Sdn Bhd ("SL Holdings")	(a) & (b)	1,784,183,657	73.89
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)	904,800,672	37.47

Notes:

- (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**Shares**

Name	Notes	Number of shares (Long position)	Percentage of issued share capital
Hope Foundation ("HF")	(a) & (b)	238,388,500	9.87
Hope International Limited ("HIL")	(b)	175,388,500	7.26
Prime View International Limited ("PVI")	(b)	175,388,500	7.26

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.

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.

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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

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. The audit committee constituted three Independent Non-Executive Directors and one 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
CHEANG YOON HOONG
Managing Director

Hong Kong, 6th April, 2006