

Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides management services to its subsidiaries. The principal activities of the Company's principal subsidiaries and associates are set out in notes 32 and 33 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 11.

DIVIDEND

The Board recommends a final dividend of HK0.15 cents per share in respect of the year ended 31st December, 2004 (2003: Nil) to shareholders whose names appear on the register of members of the Company on 27th May, 2005.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the financial statements.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 23 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired a hotel property at a cost of approximately HK\$383 million.

The Group's hotel properties were revalued at 31st December, 2004. The revaluation gave rise to an increase of HK\$168 million which has been credited to reserve.

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group acquired an investment property at the cost of approximately HK\$15.1 million and disposed of investment properties with an aggregate carrying amount of approximately HK\$35 million.

All the investment properties of the Group were revalued at 31st December, 2004. The revaluation gave rise to an increase of approximately HK\$111 million which to the extent of HK\$20 million has been dealt with in the income statement and the remaining balance of approximately HK\$91 million has been credited to reserve.

Details of these and other movements during the year in the investment properties of the Group are set out in note 15 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

During the year, development expenditure of approximately HK\$19 million was incurred on the properties under development.

Details of these and other movements during the year in the properties under development of the Group are set out in note 16 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2004 are set out on page 46 of the Annual Report.

BORROWINGS

Bank loans and other borrowings repayable within one year are classified as current liabilities. An analysis of the repayment schedule of non-current borrowings is set out in note 24 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Report of the Directors (Continued)

DIRECTORS

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

Executive directors

Mr. William Cheng Kai Man
 Mr. Albert Hui Wing Ho
 Mr. Fung Chi Keung (appointed on 28th May, 2004)
 Mr. Jim Wong Tin Yue (resigned on 17th July, 2004)

Non-executive directors

Mr. David Cheng Kai Ho
 Ms. Mabel Lui Fung Mei Yee
 (redesignated as non-executive director on 28th January, 2005)
 Mr. Vincent Kwok Chi Sun*
 Mr. Chan Kim Fai* (appointed on 8th October, 2004)
 Mr. Hui Kin Hing* (appointed on 28th January, 2005)

* independent non-executive directors

In accordance with the provisions of the Company's Articles of Association, Ms. Mabel Lui Fung Mei Yee, Mr. Fung Chi Keung, Mr. Chan Kim Fai and Mr. Hui Kin Hing shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office for each of the non-executive directors is the period up to his or her retirement by rotation in accordance with the Company's Articles of Association.

The Company has received annual confirmations from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 30% in aggregate of the Group's total purchases and sales respectively.

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 31st December, 2004, the interests or short positions of the directors and chief executive of the Company in the shares,

underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

The Company

Name of director	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	3,781,883,239 (Note)	69.2
Fung Chi Keung	Beneficial owner	Personal	2,000	0.00004

Note: Shun Ho Technology Holdings Limited, South Point Investments Limited, Good Taylor Limited and Shun Ho Technology Developments Limited beneficially owned 3,414,444,905 shares, 273,579,983 shares, 90,358,351 shares and 3,500,000 shares of the Company respectively, representing 62.5%, 5.0%, 1.7% and 0.06% respectively of the issued share capital of the Company. Mr. William Cheng Kai Man has controlling interests in each of these four companies.

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology Holdings Limited (Note 1)	Interest of controlled corporations	Corporate	350,628,682	65.3
William Cheng Kai Man	Shun Ho Resources Holdings Limited (Note 2)	Interest of controlled corporations	Corporate	216,608,825	71.2
William Cheng Kai Man	Trillion Resources Limited (Note 3)	Beneficial owner	Personal	1	100
Albert Hui Wing Ho	Shun Ho Resources Holdings Limited	Beneficial owner	Personal	45,787	0.02
Fung Chi Keung	Shun Ho Technology Holdings Limited	Beneficial owner	Personal	2,000	0.0004
Fung Chi Keung	Shun Ho Resources Holdings Limited	Beneficial owner	Personal	2,000	0.0007

Report of the Directors (Continued)

Notes:

1. Shun Ho Technology Holdings Limited, the Company's immediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Shun Ho Resources Holdings Limited, the Company's intermediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources Limited, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

Share options

The Company or any of its associated corporations do not have any share option scheme during the year.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 31st December, 2004, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

During the year, the Group had transactions with certain related parties, details of which are set out in note 31 to the financial statements. Save as disclosed therein:

- (i) no contracts of significance subsisted at any time during the year to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and

- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Amongst the directors who held office during the year, Mr. William Cheng Kai Man was interested indirectly in the share capital of Shun Ho Resources, Shun Ho Technology and the Company. Mr. Albert Hui Wing Ho was interested directly in the share capital of Shun Ho Resources. Mr. Fung Chi Keung was interested directly in the share capital of Shun Ho Resources, Shun Ho Technology and the Company.

In the opinion of the directors not having an interest in those transactions, the transactions were carried out in the ordinary course of the Group's business on normal commercial terms.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2004, the following persons (not being directors or chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate % of shareholding
South Point Investments Limited ("South Point")	Beneficial owner	273,579,983	5.0
Shun Ho Technology Holdings Limited ("Shun Ho Technology") (Note 1)	Beneficial owner and interest of controlled corporations	3,781,883,239	69.2
Omnico Company Inc. ("Omnico") (Note 2)	Interest of controlled corporations	3,781,883,239	69.2
Shun Ho Resources Holdings Limited ("Shun Ho Resources") (Note 2)	Interest of controlled corporations	3,781,883,239	69.2
Trillion Resources Limited ("Trillion") (Note 2)	Interest of controlled corporations	3,781,883,239	69.2
Liza Lee Pui Ling (Note 3)	Interest of spouse	3,781,883,239	69.2

Report of the Directors (Continued)

Notes:

1. Shun Ho Technology beneficially owned 3,414,444,905 shares of the Company (the "Shares") and was taken to be interested in 273,579,983 Shares held by South Point, 90,358,351 Shares held by Good Taylor Limited and 3,500,000 Shares held by Shun Ho Technology Developments Limited, all of which are wholly-owned subsidiaries of Shun Ho Technology.
2. Shun Ho Technology is directly and indirectly owned as to 65.3% by Omnico, which is in turn owned as to 100% by Shun Ho Resources, which is in turn directly and indirectly owned as to 71.2% by Trillion, which is in turn wholly-owned by Mr. William Cheng Kai Man. So, Omnico, Shun Ho Resources and Trillion were taken to be interested in 3,781,883,239 Shares by virtue of their direct and indirect interests in Shun Ho Technology.
3. Madam Liza Lee Pui Ling was deemed to be interested in 3,781,883,239 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

Save as disclosed above, there was no person, other than a director and chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice, as was then set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the non-executive directors are not appointed for a specific term but shall retire from office on a rotational basis.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company had adopted its code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as then in force, and after having made specific enquiry to all directors of the Company, the directors of the Company are satisfied that the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions has been fully complied with.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and with 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.

AUDITORS

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

William CHENG Kai Man
Chairman

Hong Kong, 20th April, 2005