

Chairman's Statement

I present to the shareholders my report on the results and operations of Shun Ho Resources Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2001.

RESULTS

The Group's audited consolidated profit after taxation and minority interests for the year ended 31st December, 2001 amounted to HK\$490,108 (2000: HK\$5,501,149).

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31st December, 2001 (2000: Nil).

BOOK CLOSURE

The register of members will be closed from Monday, 27th May, 2002 to Friday, 31st May, 2002, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Friday, 31st May, 2002 all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong, not later than 4:00 p.m. on Friday, 24th May, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

In October 2001, the Group's major associated company, Shun Ho Technology Holdings Limited ("Shun Ho Technology") increased its shareholding in Magnificent Estates Limited ("Magnificent") to over 50 per cent so that Magnificent has become a subsidiary of Shun Ho Technology and Magnificent, being also a member of Shun Ho Technology, has enabled the Group to enjoy over 50 per cent voting rights and as such, Shun Ho Technology is deemed to be a subsidiary of the Group resulting in the consolidation of Shun Ho Technology's results into the Group.

During the financial year ended 31st December, 2001, the Group as an investment holding concern, continued with the operations of property investment, property development and trading, property leasing, hotel investment and operation and investment holding. The decline in profit for year was mainly due to the loss of approximately HK\$14.7 million incurred from the disposal of certain blue-chip stocks by Magnificent subsequent to the "September 11" event.

Operating income from Magnificent's hotel business declined due to weakened market conditions after September 2001 but the situation was moderated by effective cost reduction. The

average occupancy rate of the hotel was approximately 82 per cent at reduced room rates.

In property leasing, the Group's investment properties maintained an overall occupancy of approximately 95% for the financial year under review.

As regards property development, the foundation works have been completed at Magnificent's 34 town houses project at Ho Chung, Sai Kung, N.T. and it is expected that the development will be completed by the end of 2002.

During October 2001, Magnificent completed the purchase of the Aspen Court at No. 46, High Street, Hong Kong. The property is a 26-storey commercial/residential building with a gross floor area of approximately 40,214 sq.ft. Subsequent to the financial year under review, part of the property has been disposed of in strata-title sales which are expected to be completed in July 2002.

As regard capital expansion, in May 2001, Magnificent issued HK\$96.7 million of mandatorily convertible bonds, the proceeds of which have been fully applied towards the reduction of Magnificent's current liabilities. Such bonds will be fully converted into equity upon their maturity in November 2002 to strengthen Magnificent's capital base. Gearing of the Group as at 31st December, 2001 in terms of total debt to equity ratio was approximately 14.4%. The Group's external bank borrowings, which are secured by pledge of certain properties, listed securities and other assets of the Group, carry interest at floating interest rates and are mainly denominated in Hong Kong dollars or U.S. dollars. Accordingly, the exchange risk of the Group is minimal.

There were no material acquisitions and disposals of subsidiaries and associates during the year.

Details of charges on the Group's assets and contingent liabilities are contained in the financial statements included in this annual report.

During the year, there was no significant changes in the Group's staffing level and remuneration and benefits were set with reference to the market.

As a whole, the Board expects the business environment in Hong Kong remains difficult awaiting the recovery of the world's major economies. Given the prevailing market uncertainty, the Group will continue to follow its cautious approach in its business development.

William CHENG Kai Man
Chairman

Hong Kong, 16th April, 2002