

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, 2002.

RESULTS

The Group's audited consolidated profit after taxation and minority interests for the year ended 31st December, 2002 amounted to HK\$11,998,676 (2001: HK\$490,108).

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31st December, 2002 (2001: Nil).

BOOK CLOSURE

The register of members will be closed from Monday, 26th May, 2003 to Friday, 30th May, 2003, 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, 30th May, 2003 all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tengis Limited, G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 23rd May, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year under review, the Company's major subsidiaries, Shun Ho Technology Holdings Limited and Magnificent Estates Limited ("Magnificent"), continued with their operations of property investment, property development and trading, property leasing, investment in and operation of hotel and furnished suites and investment holding. The increase in profit was mainly due to Magnificent's disposal of a commercial/residential building.

Operating income from Magnificent's hotel business improved moderately as a result of the continued process of cost control. The year round average occupancy rate of Magnificent's hotel was approximately 89% at reduced room rates. However, subsequent to the financial year under review, the hotel business has seriously deteriorated due to the impact of the outbreak of

the atypical pneumonia disease known as SARS. The outlook of this sector depends on the outcome of the control of the epidemic.

As to property leasing, the Group's investment properties maintained an overall occupancy rate of approximately 95% during the financial year under review.

As regards property development, construction of Magnificent's 34 town houses at Ho Chung has been continued and the development project is expected to be completed by the end of the year 2003.

During the financial year under review, Magnificent has disposed of in strata-title sales the Aspen Court at No. 46, High Street, Hong Kong which is a 26-storey commercial/residential building. The disposal has realized net earnings of approximately HK\$25 million.

In Shanghai, the PRC, Magnificent's development project at Xizang Road has been completed and the business of short-term leasing of the furnished suites has commenced since April 2002.

As at 31st December 2002, gearing of the Group in terms of external bank borrowings on total funds employed was around 6.9%. The Group's external bank borrowings amounting to approximately HK\$90 million as at 31st December 2002 were secured by certain properties, listed securities and other assets of the Group with an aggregate carrying value of approximately HK\$781 million. These bank borrowings carry interest at floating interest rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal.

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

In general, the Board expects the business environment in Hong Kong remains difficult as the economy is dampened by the dual impacts of the war in Iraq and the outbreak of SARS. As such, the Group will continue to follow a cautious approach in its business development.

William CHENG Kai Man
Chairman

Hong Kong, 15th April, 2003