

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, 2004.

RESULTS

The Group's audited consolidated profit after taxation and minority interests for the year ended 31st December, 2004 amounted to HK\$126,415,000 (2003: loss of HK\$2,798,000)

The shareholders' funds of the Group increased during the financial year to HK\$588 million (HK\$1.93 per share).

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2004 (2003: Nil).

BOOK CLOSURE

The register of members will be closed from Monday, 23rd May, 2005 to Friday, 27th May, 2005, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Friday, 27th May, 2005, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 20th May, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year under review, the Company's major subsidiaries, Shun Ho Technology Holdings Limited ("Shun Ho Technology") and Magnificent Estates Limited ("Magnificent"), continued with its operations of property investment, development and leasing, investment in and operation of hotel and investment holding.

The increase in turnover and net profit was due to the increase in disposal of investment and development properties by Shun Ho Technology and Magnificent and the increase in revenue derived from Magnificent's hotel business during the year. The increase in inbound visitors had a positive impact on occupancies and room rates.

Operating income from the Ramada Hotel Kowloon increased as the effect of the SARS diseases has faded away during the year. The average occupancy rate of the hotel for the year was approximately 90% and the room rate was in line with the hotel market. Planning permission has been obtained to increase the number of rooms of the hotel from 205 to about 305.

In June 2004, Magnificent completed the acquisition of the hotel property at No. 308 Des Voeux Road West, Hong Kong. The total area of the hotel is about 160,000 square feet and it comprises a total of 319 guest-rooms, a restaurant and banquet facilities. The hotel is officially opened for business in March 2005 and has been enjoying improving occupancy.

In December 2004, Magnificent entered into an agreement to acquire the newly built Hotel Taipa in Macau and the transaction was completed in February 2005. The hotel has 262 rooms, 3 restaurants, swimming pool with gym, retail podium and carparks. The hotel officially opened for business in March 2005 with operating surplus in the first month of business.

In Shanghai PRC, the Magnificent International Hotel at Xizang Road has continued to contribute profit to the Group. Revenue of the hotel has increased by approximately 30% compared with the last financial year.

Construction of Magnificent's hotel development site at No. 633 King's Road, North Point is progressing on schedule, the podium floors have been completed before the Chinese New Year 2005.

Chairman's Statement *(Continued)*

As to property leasing, the Group's investment properties enjoyed an overall occupancy of over 95% during the year.

In March 2004, Magnificent completed the sale of an investment property at House No. 23 Las Pinadas at No. 33 Shouson Hill Road for a consideration of HK\$31.7 million which generated a capital gain to the Group.

In May 2004, Shun Ho Technology completed the sale of the investment property at Nos.3-5 Plunkett's Road for a consideration of HK\$250 million, realizing a gain on disposal of approximately HK\$177 million.

In December 2004, the Group's 50% owned associate completed the sale of an investment property in the podium floors of Wellington Street No.1 for a total consideration of HK\$280 million, of which HK\$140 million is attributable to the Group.

The development of Villa Royale, Magnificent's 34 town houses at Ho Chung, was completed in late 2003. The sale of the development properties has been launched in August and is expected to further contribute development profit for the financial year 2005.

Also in March 2004, the Group completed the acquisition of a luxurious residential development site of about 10,000 square feet at So Kwun Wat, Tuen Mun, N.T. for a consideration of HK\$13.8 million.

At 31st December, 2004, gearing of the Group in terms of external bank borrowings on funds employed decreased to around 25% compared with that as at 30th June 2004. The decrease was due to the increase in net assets value of the

Group resulting from the profit on disposal of investment properties, the increase in property revaluation and the decrease of bank borrowings. The Group's bank borrowings carry interest at floating 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 were no significant changes in the Group's staffing level and remuneration and benefit were set with reference to the market.

Looking ahead, the Board considers that the economic recovery in Hong Kong is well on its way. The implementation by the PRC Government of CEPA and the furtherance of relaxation of mainland travelers to visit Hong Kong helps stimulate further recovery. It is envisaged that the hotel business should further improve in the coming year, confirming the Group's correct strategy to build up a portfolio of prime 4-star hotels in Hong Kong and major cities of China. The recent rising property prices also add momentum to the Hong Kong business environment. The Group will continue to acquire quality hotels and investment/development properties should the opportunity arises. As a whole, the Group will take a cautious approach in its business development.

William CHENG Kai Man
Chairman

Hong Kong, 20th April, 2005