

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 is an investment holding company. The 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 12.

DIVIDEND

The Board recommends a final dividend of HK0.65 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 23 to the financial statements. There were no movements in the share capital of the Company during the year.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 24 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired a hotel property at the 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, after adjusting for minority interests, has been credited to the other property revaluation reserve.

Details of these and other movements during the year in the property, plant and equipment of the Group 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\$204.8 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, after adjusting for minority interests, has been credited to the investment property revaluation reserve.

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

PROPERTIES UNDER DEVELOPMENT

During the year, development expenditure of approximately HK\$19 million were incurred on 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 pages 45 and 46 of the Annual Report.

BORROWINGS

Bank loans and other borrowings repayable within one year are classified as current liabilities in the financial statements. An analysis of the repayment schedule of non-current borrowings is set out in note 25 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

In August 2004, a subsidiary of the Company's 69.2% owned subsidiary, Magnificent Estates Limited, disposed of 2,780,000 shares in the Company to a subsidiary of the Company's holding company, Shun Ho Resources Holdings Limited, for a consideration of HK\$918,000.

Save as aforementioned, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

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, Mr. Albert Hui Wing Ho, Mr. Vincent Kwok Chi Sun, 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.

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.

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

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 ("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	350,628,682 (Note)	65.3
Fung Chi Keung	Beneficial	Personal	2,000	0.0004

Note:

Omnico Company Inc., Trillion Resources Limited and Mercury Fast Limited beneficially owned 269,485,937 shares, 183,235 shares and 80,959,510 shares of the Company respectively, representing 50.2%, 0.03% and 15.1% respectively of the issued share capital of the Company. Mr. William Cheng Kai Man has controlling interests in each of these three 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	Magnificent Estates Limited (Note 1)	Interest of controlled corporations	Corporate	3,781,883,239	69.2
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	Shun Ho Resources Holdings Limited	Beneficial owner	Personal	45,787	0.02
Fung Chi Keung	Magnificent Estates Limited	Beneficial owner	Personal	2,000	0.00004
Fung Chi Keung	Shun Ho Resources Holdings Limited	Beneficial owner	Personal	2,000	0.0007

Notes:

1. Magnificent Estates Limited, the Company's subsidiary, 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 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.

Report of the Directors (Continued)

Share Options

The Company and 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.

ARRANGEMENTS 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.

In addition, the Company and its subsidiaries had the following transactions with Magnificent group of companies:

- (i) A property owned by a subsidiary of the Company was let to Magnificent. The net rental received from Magnificent for the year, which was mutually agreed, amounted to HK\$1,040,000.

- (ii) During the year, the Company made unsecured advances to Magnificent and its subsidiary which carry interest chargeable at HIBOR plus 1% per annum and are repayable on demand. At 31st December, 2004, such advances amounted to HK\$299,522,000 remained outstanding. Interest receivable by the Company on such advances amounted to a total of HK\$2,590,000 in respect of the year.

At 31st December, 2004 the Group had trade balance due to Magnificent amounted to HK\$645,000 which was unsecured, interest free and repayable on demand.

- (iii) During the year, expenses amounted to HK\$1,452,000 were payable by the Company to Magnificent for administrative services provided by Magnificent on a cost reimbursement basis.
- (iv) During the year, income from provision of portal site services of HK\$288,000 was charged by a subsidiary of the Company to Magnificent group of companies based on terms mutually agreed by the parties concerned.

Save as disclosed herein:

- (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, Magnificent 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, Magnificent and the Company.

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

Report of the Directors (Continued)

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.

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.

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
Mercury Fast Limited ("Mercury")	Beneficial owner	80,959,510	15.1
Magnificent Estates Limited ("Magnificent") (Note 1)	Interest of controlled corporation	80,959,510	15.1
Omnico Company Inc. ("Omnico") (Note 2)	Beneficial owner and interest of controlled corporation	350,445,447	65.3
Shun Ho Resources Holdings Limited ("Shun Ho Resources") (Note 3)	Interest of controlled corporation	350,628,682	65.3
Trillion Resources Limited ("Trillion") (Note 3)	Interest of controlled corporation	350,628,682	65.3
Liza Lee Pui Ling (Note 4)	Interest of spouse	350,628,682	65.3

Notes:

1. Mercury is a wholly-owned subsidiary of Magnificent.
2. Omnico beneficially owned 269,485,937 shares of the Company (the "Shares") and was taken to be interested in 80,959,510 Shares held by Mercury which is owned as to 100% by Magnificent, which is in turn owned as to 69.2% by the Company, which is in turn directly and indirectly owned as to 65.3% by Omnico.
3. Omnico is wholly-owned 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, Shun Ho Resources and Trillion were taken to be interested in 350,628,682 Shares by virtue of their direct and indirect interests in Omnico.
4. Madam Liza Lee Pui Ling was deemed to be interested in 350,628,682 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 or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares 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.

Report of the Directors *(Continued)*

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 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 of the Meeting

Hong Kong, 20th April, 2005