

## Chairman's Statement

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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, 2005.

### RESULTS

The Group's audited consolidated profit after taxation and minority interests for the year ended 31st December, 2005 amounted to HK\$25,026,000 (2004: HK\$119,350,000).

The shareholders' funds of the Group increased during the financial year to HK\$621,164,000 (HK\$2.04 per share).

### DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2005 (2004: Nil).

### BOOK CLOSURE

The register of members will be closed from Monday, 22nd May, 2006 to Friday, 26th May, 2006, 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, 26th May, 2006, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 19th May, 2006.

### MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group continued with its operations of property investment, development and leasing, and operation of hotels.

The increase in turnover was due to the increase in revenue derived from the hotel business by the Company's major subsidiary, Magnificent Estates Limited. During the year under review, the Group continued to expand its hotel business:-

- The Ramada Hotel Hong Kong commenced business in March 2005, the property has 160,000 square feet with 319 deluxe rooms and restaurant, banquet facilities. Subsequent to its opening, the average occupancy has increased to 85%. However, the Management considers the room rate will further improve due to its proximity to Central and Lan Kwai Fong.
- Operating income from the Ramada Hotel Kowloon increased due to better occupancy rate and average room rate. Tenders for the extension construction of the hotel from 205 rooms to 305 rooms are being considered.
- The Best Western Hotel Taipa, Macau commenced business in March 2005. The hotel has 262 rooms, 3 restaurants, swimming pool with gym, retail podium and carparks. The ground floor shop was let to Macha Slot Management Limited and the profit from the hotel was better reflected in the second half of the financial year.
- In Shanghai PRC, the Magnificent International Hotel at Xizang Road has continued to contribute profit to the Group.

Construction of the hotel development site at No.633 King's Road was temporarily halted after the podium was completed. Due to the strong office market, the Management has taken swift decision to change the usage to office and construction work for a first class office building has recommenced in October 2005 and completion can be expected before the end of 2006. The Management is confident that the soon to complete office building will substantially benefit the Group in terms of rental income and capital value gain in 2007.

## Chairman's Statement *(Continued)*

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During the year under review, the Group disposed of an investment property at 72 Mount Kellett Road, Hong Kong and substantially all the houses at Villa Royale, Sai Kung, the remaining one house was disposed of subsequent to the balance sheet date. As to the Shun Ho Tower, the investment property enjoyed an overall occupancy of 95% during the year.

At 31st December, 2005, gearing ratio was approximately 15% (31/12/2004: 29%) in terms of external bank borrowings of HK\$246 million (31/12/2004: HK\$409 million) against fund employed (including net assets and minority interests) of HK\$1,619 million (31/12/2004: HK\$1,405 million). 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. The increase of finance costs was mostly due to rapid increase of interest rate during the year. However, overall debt of the Group has been reduced from HK\$409 million to HK\$246 million as of 31st December, 2005.

During the financial year under review, there was an increase of approximately 30% in the Group's staffing level as the acquisition of Best Western Hotel Taipa in Macau, and the 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 during the rest of the 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 continuous increase of inbound tourists justified the Group's intention to expand the Group's hotel assets. The Management considers the Group's hotels in Kowloon, Hong Kong Island, Macau and Shanghai are best situated for future expansion as those locations are the busiest tourist destinations in Asia. The recent rising property prices also add momentum in the Hong Kong business environment. The Group will continue to acquire quality development sites for hotel development 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, 21st April, 2006