

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, 2006.

RESULTS

The Group's audited consolidated profit after taxation and minority interests for the year ended 31st December, 2006 amounted to HK\$40,881,000 (2005: HK\$25,026,000).

The shareholders' funds of the Group increased during the financial year to HK\$663 million (HK\$2.18 per share).

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2006 (2005: Nil).

BOOK CLOSURE

The register of members will be closed from Monday, 21st May, 2007 to Friday, 25th May, 2007, both dates inclusive, during which period transfer of shares will not 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, 25th May, 2007, 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, 18th May, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group through its major subsidiary, Magnificent Estates Limited, continued with its operations of property investment, development and leasing, and operation of hotels.

- For the year ended 31st December, 2006, the Group's turnover was mostly derived from the aggregate of income from operation of hotels, property rental income, proceeds from sale of insignificant properties, interest and dividend income.

The income from operation of hotels increased from HK\$121 million to HK\$170 million for the same period compared with last year. The increase of turnover for the whole year was due to better tourism visit environment and smooth running the operations of Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai.

The property rental income was derived from office building of Shun Ho Tower and various shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to HK\$17,235,000.

- Operating costs for these hotels for the year under review was HK\$89 million compared to HK\$63 million last year. The escalation of costs was due to full running of the hotels and renovation costs of the hotels.
 - At 31st December, 2006, overall debt was HK\$316 million (2005: HK\$246 million). Gearing ratio was approximately 18% (2005: 15%) in terms of external bank borrowings of HK\$316 million (2005: HK\$246 million) against funds employed of HK\$1,732 million (2005: HK\$1,619 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 construction of the grade A office building at 633 King's Road is nearly completed, the decoration for the lobby is well underway. The applied occupation permit is expected to be issued soon. The Board envisages the 300,000 sq.ft. office building will increase rental income for the Group substantially.

Subsequent to the financial year end, the Group continued the business of property investment, development and hotel operating and development. The Group completed the purchase of 239-243 Queen's Road West and 245-247 Queen's Road West for redevelopment. Further to that, the Group entered into a contract to acquire the Swire & Maclaine House at 19-23 Austin Avenue, Tsimshatsui for the purpose of rental income and redevelopment of 400 rooms 4-star hotel. In addition, the Group entered into a contract to acquire Nos. 30-40 Bowrington Road for development of a 260 rooms 4-star hotel.

Chairman's Statement *(Continued)*

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 global low interest rate economy will continue to uphold a strong expanding economy and continue to fuel international travels. The implementation by the PRC Government of CEPA and the furtherance of relaxation of mainland travelers to visit Hong Kong help stimulate further regional tourism. 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 continuous increase of inbound tourists justified the Group's intention to expand the Group's hotel assets. 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, 2007