

REPORT FROM GENERAL MANAGER

Dear Shareholders,

On behalf of the board of directors (the "Board") of Sun Man Tai Holdings Company Limited (the "Company") together with its subsidiaries (the "Group"), I present the annual results of the Group for the year ended 31 December 2002.

The Group's turnover for the year ended 31 December 2002 was approximately HK\$9,625,000, representing a decrease of 86% as compared with last year. The Group also incurred a loss of approximately HK\$8,803,000 for the year ended 31 December 2002, whereas the Group registered a profit of approximately HK\$38,104,000 in 2001. In the opinion of the Board, it was mainly attributable to the Group's restructuring and loss on disposal of the Group's investment properties in Shanghai. During the year, the Board reviewed the overall business operations of the Group and implemented several business strategies as described below:

- (1) In view of the economic recession in Hong Kong and the significant decrease in the stock market during the year, the Board decided to minimise the trading of listed securities in Hong Kong, which is considered high risk by the Board. The aim is to bring a stable performance of the Group and to re-focus the attention to its property-related business;
- (2) In the second half of the year, the Board decided to dispose of its investment properties in Shanghai. Furthermore, the Group disposed of a subsidiary company which owned a piece of land in Shanghai for development of a large-scale high-class villa-type residential district owing to the fact that the costs for such development substantially exceeded the Group's budgeted costs;
- (3) The Board believes that the PRC economy will continue to grow at an impressive rate. One of the regions in the PRC that receive growing attention is the north-western region that has become the landmark designated for the country's major development in the coming years. To capitalise this development trend, the Group is keen to develop its real estate project in Xian (the "Xian Project"). Despite the fact that the progress of the Xian Project has been delayed due to sophisticated landscape figuring work, the management is closely monitoring the construction progress;
- (4) The Group plans to capture the business opportunities arising from the rapidly growing economy in Shanghai and elsewhere in the PRC. In the view of this, the Group has increased its flexibility of investments by investing in a number of corporate entities which are engaged in real estates, trading and manufacturing. The Board will monitor the funds being used in this section and that the funds used for these investments do not affect the Group's core business and major projects which are under development in Xian.

Apart from the abovementioned business strategies, property leasing of the Group achieved a stable and profitable performance during the year. Although the property market was softening for the period, the Group's investment properties were substantially rented out during the year ended 31 December 2002.

In June 2002, the Group entered into a sale and purchase agreement to dispose of all of its interests in The Sun's Group Limited (formerly known as Pearl Oriental Holdings Limited), a listed company on the main board of The Stock Exchange of Hong Kong Limited at a consideration of approximately HK\$62 million. As a result, the Group recorded a profit of HK\$6 million from the disposal.



REPORT FROM GENERAL MANAGER (cont'd)

In the future, it is anticipated that the PRC's property market will remain active, especially the north-western region. With the support from both the central and local governments, relevant regulations are being legislated that perfectly laying the foundation for the development of the property market in the PRC. The Group's Xian Project was ranked as the second key project of Xian by the local government. In the coming years, the Group will actively identify real estate development projects that are of huge development potential.

On behalf of the Board, I would like to take this opportunity to express my gratitude to our business partners, customers and shareholders for their relentless support, and to our staff for their untiring effort.

Chiu Yeung

Executive Director and General Manager

Hong Kong, 29 April 2004