



REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Sun Man Tai Holdings Company Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group’s are property investments and securities trading. These principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements.

An analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 9 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group’s five largest customers and suppliers in the aggregate did not exceed 30% of the Group’s total operating revenue and total purchases (not including purchases of items of which are of capital nature) for the year ended 31 December 2002.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company’s share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2002 and the state of the Company’s and the Group’s affairs at that date are set out in the financial statements on pages 18 to 21.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2002 (2001: HK\$ Nil).

RESERVES

Movements in reserves of the Company and the Group during the year are set out in note 34 to the financial statements.

SEGMENT INFORMATION

Details of segment information are set out in note 9 to the financial statements.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 33 to the financial statements. Shares were issued during the year to broaden the capital base and to provide additional funding for the Group’s investment property projects.

BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts of the Company and the Group as at 31 December 2002 are set out in note 26 to the financial statements. No borrowing costs were capitalised by the Group during the year.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 14 to the financial statements.

SHARE OPTION SCHEME

The share option scheme adopted by the Group has been expired on 23 December 2000, as at 31 December 2002 and up to the date of this report, the Group has not adopted any new share option scheme.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Qian Yong Wei (*Chairman and Chief Executive Officer*)

Xu Zhe Cheng

Ren Jun Tao

Chiu Yeung (appointed on 25 February 2002)

Hong Chi Wai (appointed on 23 August 2002 and resigned on 1 April 2003)

He Hui Min (resigned on 18 September 2002)

Wei Wu (appointed on 25 February 2002 and resigned on 12 August 2002)

Independent non-executive Directors

Cheng Chak Ho

Mu Xiangming

In accordance with the Company's Bye-Laws, Messrs Cheng Chak Ho and Mu Xiangming will retire from the board by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS (cont'd)

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY

The directors of the Company who held office at 31 December 2002 had the following interests in the issued share capital of the Company, its holding companies, subsidiaries and other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) at the date as recorded in the register of directors' share interests:

Name	Personal interests	Family interests	Number of shares		Total
			Corporate interests	Other interests	
Qian Yong Wei (<i>note 1</i>)	–	–	1,107,778,235	–	1,107,778,235
Xu Zhe Cheng (<i>note 2</i>)	–	–	1,107,778,235	–	1,107,778,235
Chiu Yeung (<i>note 3</i>)	–	–	500,000	–	500,000

Notes:

- (1) Mr Qian Yong Wei ("Mr Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"). China Wan Tai, holding company of the Company, held 100 shares (100%) in Universal Union Limited ("Universal"). In addition, Universal held 1,107,778,235 shares in the Company.
- (2) Ms Xu Zhe Cheng ("Ms Xu"), Mr Qian's wife, held 5,000 (5%) shares in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal. In addition, Universal held 1,107,778,235 shares in the Company.
- (3) Mr Chiu Yeung beneficially held all shares in Sunnergy Finance & Investment Limited ("Sunnergy", formerly known as Jin Tai Finance Company Limited). Sunnergy held 500,000 shares in the Company.

Apart from the foregoing, at no time during the year was the Company, any of its holding companies or subsidiaries a party to any arrangement to enable the Company's directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2002, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company had been notified that the following shareholders had direct or indirect interest in 10% or more of the shares of the Company:

Name	Number of shares
Universal	1,107,778,235
China Wan Tai	1,107,778,235

The register of substantial shareholders indicates that the interests disclosed by China Wan Tai include the 1,107,778,235 shares disclosed by Universal.

DIRECTORS' SERVICE CONTRACTS

The terms of appointment of the independent non-executive directors were renewed on 12 April 2002 and 20 April 2002 respectively for a term of one year. Their remuneration was determined by the directors on the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The Directors' remuneration for the year is set out in note 12 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

On 31 December 2001, China Wan Tai provided an irrevocable guarantee to the Company and certain subsidiaries in respect of certain investment deposits and the amount due from a fellow subsidiary of the Company totalling HK\$107,739,000 whereby China Wan Tai agreed to reimburse any loss suffered by the Company and the Group's subsidiaries in the event that they are unable to recover the amounts from relevant parties on or before the agreed dates. As at the date of this report, the investments deposits and the amount due from a fellow subsidiary were approximately HK\$3 million.

Apart from the foregoing, no contract of significant to which the Company, any of its holding companies or fellow subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DEALING IN COMPANY'S LISTED SECURITIES

During the year, the Company had not redeemed and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the law of Bermuda.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 54 of the annual report.

USE OF PROCEEDS

The proceeds from the share issues during the year were fully utilised for investment projects and working capital of the Company and its subsidiaries.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31 December 2002 in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.



REPORT OF THE DIRECTORS (cont'd)

AUDIT COMMITTEE

The audit committee comprises two independent non-executive directors of the Company, namely Messrs Cheng Chak Ho and Mu Xiangming. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group.

AUDITORS

Messrs Ting Ho Kwan & Chan were appointed as the auditors of the Company in succession to Messrs KPMG on 20 May 2003.

Messrs HLB Hodgson Impey Cheng having been appointed as the auditors of the Company in succession to Messrs Ting Ho Kwan & Chan which resigned from the office on 29 March 2004, will retire and, being eligible, offer themselves for re-appointment.

A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Chiu Yeung
Executive Director

Hong Kong, 29 April 2004