

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 2003.

The first half of the Group's fiscal year ended 31 December 2003 was eventful. The outbreak of Severe Acute Respiratory Syndrome ("SARS") in Asia had a severely negative impact on the already weak Hong Kong economy, as it did on the Group's operations here and in other major markets. The gloomy consumer sentiment, coupled with a record high unemployment rate and diminished wealth effect, aggravated the already weakened Hong Kong economy. However, due to the launch of the Closer Economic Partnership Arrangement ("CEPA") with mainland China and the greater influx of mainland visitors to Hong Kong, both the economy and market sentiment improved towards the end of the year.

Under the unfavourable market conditions that prevailed during most of 2003, the Group's turnover for the year ended 31 December 2003 was HK\$8,662,000, representing a decrease of 10% as compared with last year. The fall was mainly attributable to the introduction of leasing incentive scheme to the Group's tenants to avoid vacancy of the investment properties in Hong Kong. As a result, the rental income received decreased by 36% as compared with previous financial year.

The loss attributable to shareholders has also been widen as compared with last financial year. For the year ended 31 December 2003, the Group incurred a loss of approximately HK\$14,235,000, representing a 61% increase over the last financial year. It is mainly attributable to the loss on disposal of a premise in Hong Kong of approximately HK\$6.7 million and extra resources incurred for the development of investment property development project.

Notwithstanding the volatile market, the Group has been actively seeking investment opportunities to enhance shareholders' value and wisely utilize our resources to grow our current business. With this mission in mind, the Group has further invested in two PRC companies in Shanghai, in which the Group has already held certain percentage of equity interest since 2002. The management is confident that those investee companies will fuel the Group with significant growth in the future. The management also believe that these acquisitions will mark a milestone of the development of the Group.

Looking forward, there is a general anticipation that the Hong Kong economy will continue on its path of recovery in 2004. For this recovery trend to be sustainable, it is important that the economic rebound continues on its present course in the coming months. Overall, with an improved economy, the investment property sector will be benefited in 2004. In respect of the properties development projects in the PRC, the Group is keen to complete all the projects on time for capturing the boom of the PRC property market and to accelerate the profit generating power of the Group.

On behalf of the Board, I would like to take this opportunity to extend our gratitude to customers and shareholders for their continuous support and our staff for their invaluable dedication and contribution in the past year.

Chiu Yeung

Executive Director and General Manager

Hong Kong, 31 May 2004