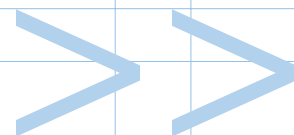


Report of the Directors



The Directors present their report and the audited financial statements of Sun Man Tai Holdings Company Limited (the "Company") and of the Company together with its subsidiaries (the "Group") for the year ended 31 December 2004.

Principal Activities

The principal activities of the Company are investment holding and property investment. The principal activities of the Group are property investments and securities trading. Details of the Group's principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 8 to the financial statements.

Major Customers and Suppliers

The Group's five largest customers and suppliers in the aggregate represented 100% 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 2004.

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 2004 and the state of the Company's and the Group's affairs as at 31 December 2004 are set out in the financial statements on pages 18 to 20.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2004 (2003: HK\$ Nil).

Reserves

Details of movements in reserves of the Company and the Group during the year are set out in note 32 to the financial statements.

Distributable Reserve

At 31 December 2004, the amount of the Company's reserve distributable to shareholders was approximately HK\$115,615,000, comprising of the contributed surplus of approximately HK\$115,615,000.

Report of the Directors

Fixed Assets

Details of movements in fixed assets during the year are set out in note 14 to the financial statements.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 31 to the financial statements.

Bank Loans and Overdrafts

Particulars of bank loans and overdrafts of the Company and the Group as at 31 December 2004 are set out in note 26 to the financial statements.

Retirement Schemes

Particulars of the retirement schemes of the Group are set out in note 13 to the financial statements.

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Share Option Scheme

The share option scheme adopted by the Group was expired on 23 December 2000. As at 31 December 2004 and up to the date of this report, the Group did not adopt any new share option scheme.

Directors

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

Executive Directors

Xu Zhe Cheng (resigned on 28 February 2006)

Ren Jun Tao

Chiu Yeung

Qian Yong Wei (re-designated as non-executive director on 11 June 2004)

Jin Jiu Xin (appointed on 28 February 2006)

Non-Executive Directors

Qian Yong Wei (*Non-Executive Chairman*)

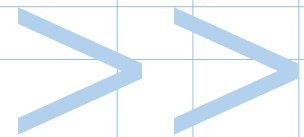
Independent non-executive Directors

Cheng Chak Ho

Mu Xiangming

Lo Wa Kei Roy

In accordance with the Company's Bye-Laws, Mr. Ren Jun Tao will retire from the Board by rotation and Mr. Lo Wa Kei Roy and Mr. Jin Jiu Xin will retire from the Board, and, being eligible, offer themselves for re-elections at the forthcoming annual general meeting.



Directors' Interests in Shares

As at 31 December 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follow:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Qian Yong Wei (Note 1)	Held by spouse/ Held by controlled corporation	1,148,368,235	34.65%
Xu Zhe Cheng (Note 2 & 3)	Held by spouse/ Held by controlled corporation	1,148,368,235	34.65%
Chiu Yeung (Note 4)	Held by controlled corporation	500,000	0.02%

Notes:

1. Mr. Qian Yong Wei ("Mr. Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"), the ultimate holding company of the Company. China Wan Tai held 100 shares (100%) in Universal Union Limited ("Universal Union"). Universal Union held 1,148,368,235 shares in the Company.
2. Ms. Xu Zhe Cheng ("Ms. Xu"), Mr. Qian's wife, held 5,000 shares (5%) in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal Union. Universal Union in turn held 1,148,368,235 shares in the Company.
3. Ms. Xu resigned as executive Director on 28 February 2006.
4. Mr. Chiu Yeung held 7,020,000 shares (90%) in Sunnergy Finance & Investment Limited ("Sunnergy"). Sunnergy held 500,000 shares in the Company.
5. All interests stated above represent long positions.

Other than as disclosed above, and save for nominee shares in certain subsidiaries held in trust for the Group at 31 December 2004, neither the Directors nor the chief executive, nor any of their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Report of the Directors

Substantial Shareholders' Interests in the Share Capital of the Company

As at 31 December 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China Wan Tai (Note 1)	Held by controlled corporation	1,148,368,235	34.65%
Universal Union	Beneficial owner	1,148,368,235	34.65%
Zhao Qing	Beneficial owner	173,760,000	5.24%

Notes:

1. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.
2. All interests stated above represent long position.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2004.

Directors' Rights to Acquire Shares or Debentures

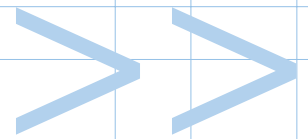
At no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.

Directors' Service Contracts

The terms of appointment of the independent non-executive Directors are renewable each year at the anniversary date of appointment. Their remunerations are determined by the Directors at each of their respective anniversary dates of appointment.

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 11 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 31 December 2004, there were no balances of the related investment deposits and amount due from a fellow subsidiary (2003: approximately HK\$2,405,000)

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 had a material interest, subsisted at the end of the year under review or at any time during the year under review.

Emolument Policy

The emolument policy of employees of the Group is set up on the basis of the nature of the jobs, market condition and individual merits.

The emoluments of the Directors are determined with reference to the Company's operating results, individual performance and the prevailing market rates.

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Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

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 2004, 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 (the "Listing Rules") which was in force prior to 1 January 2005 and remains applicable for the accounting periods commencing before 1 January 2005.

Pre-Emptive Rights

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

Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Code for the year under review.

Independency of Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of the independent pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of the independent non-executive Directors are independent.

Report of the Directors

Sufficiency of Public Float

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at 25 April 2006 (being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining the relevant information contained in this report).

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 52 of this annual report.

Audit Committee

The audit committee comprises three independent non-executive Directors, namely Messrs Cheng Chak Ho, Mu Xiangming and Lo Wa Kei, Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee had reviewed the Group's annual report for the year ended 31 December 2004.

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 were appointed as the auditors of the Company in succession to Messrs Ting Ho Kwan & Chan who resigned from the office on 29 March 2004.

HLB Hodgson Impey Cheng will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

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, 18 April 2006

