

Chairman's Statement

To the shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Sun Man Tai Holdings Company Limited (the "Company", together with its subsidiaries, collectively the "Group") for the year ended 31 December 2006.

BUSINESS REVIEW

In 2006, Hong Kong economy experienced a strong improvement following the economic rebound in 2005, especially in the investment environment including both securities market and properties market. In order to capture the investment opportunities arising from the improvement in the market condition, the Group resumed its securities trading operation during the year, leading to a significant increase in the Group's turnover to approximately HK\$49 million, representing an increase of approximately 5 times compared to the year of 2005. Maximizing the return to our shareholders is always our goal, with our sufficient funding on hand and our detailed researches and analyses in the securities market performed by our investment team, we are confident that the securities trading operation will bring a fruitful return to our shareholders.

During the year under review, the Group recorded a turnover of approximately HK\$1.2 million attributable from its property leasing, a slightly decrease compared to last year. Due to the low return from our investment properties, we have re-assessed the rates of return of our property portfolio. After considering the rates of return and the vacancy of the Group's investment properties, we have disposed of the investment properties held by the Group in February 2007. The disposals offered a good opportunity to reduce the liability burden and increased the general working capital of the Group. In the future, we will actively search for other high quality investment properties in both Hong Kong and the PRC to maximize the return in our properties leasing operation.

Our return on investment in the property development projects was very encouraging during the year. The Group recorded a one-off gain of approximately HK\$6.3 million by divestment of its property investment project in Shanghai and Xian, representing approximately 6% return of the investment cost. In addition, the process of our property development project in Xian was also encouraging, our property development team will closely monitor the project and hopefully it will commence to bring positive return to the Group in the coming year.

Properties management is an important aspect in real estate development and operation, it is also a critical element for good quality of properties. During the year under review, the Group recorded a turnover of approximately HK\$4.7 million attributable from its property management operation, a slightly decrease as compared to last year. The decrease was mainly due to a termination of a property management contract during the year. Nevertheless, with experienced staff in our property management operation, we will actively tender other property management contracts.

Chairman's Statement *(Continued)*

IN THE FUTURE

With substantial cashflow from divestment of certain property investment projects during the year, the Group will search for other profitable investment to bring maximum return to our shareholders. In the coming year, we will focus on our property development operation and increase our land bank for future property development purpose.

In addition, securities trading will remain as one of our major income source in coming years. Our investment team will closely monitor the securities market in Hong Kong and make investment when opportunity arises. We are confident that the recent uprise in the securities market in Hong Kong will benefit our securities trading operation and bring the maximum return to our shareholders.

We understand that a sound and efficient internal control system is an important element in our corporate governance aspect which enables the management to deal with rapidly changing economic environment, reduces risk of asset loss and helps to ensure the reliability of financial statements and compliance. In January 2007, Corporate Governance Committee and Financial Reporting Committee have been established with the aim to increase the control over the Group's corporate governance and financial reporting issues. In the future, the Group will further enhance its internal control system that is sound and efficient so as to protect the interest of the shareholders.

APPRECIATION

Finally, I would like to thank our shareholders for their trust and support and gratitude to all the directors and staff members for their continuous hard work and loyalty over the years.

Guan Guoxing

Chairman