

The directors present their report and the audited financial statements of Sun East Technology (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 March 2004.

## Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design, manufacture and distribution of production lines and production equipment, and the distribution of brand name production equipment. There were no significant changes in the nature of the Group’s principal activities during the year.

## Results and dividends

The Group’s profit for the year ended 31 March 2004 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 22 to 70.

An interim dividend of HK1.2 cents per ordinary share was paid on 10 February 2004. The directors recommend the payment of a final dividend of HK2.0 cents per ordinary share in respect of the year, to shareholders on the register of members on 31 August 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

## Summary financial information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 12. This summary does not form part of the audited financial statements.

## Fixed assets and investment property

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

## Share capital and share options

Details of movements in the Company’s share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

Of the net proceeds of HK\$22,516,000 from the share placement in October 2003, HK\$11,134,000 was used in the expansion of production lines and the remaining balance was used as general working capital.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

## Distributable reserves

As at 31 March 2004, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK\$127,914,000, of which HK\$7,000,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$68,722,000, may be distributed in the form of fully paid bonus shares.

## Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 49% of total purchases for the year and purchases from the largest supplier included therein amounted to approximately 41%.

None of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers during the year.

## Directors

The directors of the Company during the year were:

### Executive directors

Mr. But Tin Fu

Mr. But Tin Hing

Mr. Leung Cheong

Mr. Leung Kuen, Ivan

Mr. But Tin Hung (resigned on 29 May 2003)

Mr. Leung Ka Lok (resigned on 29 May 2003)

Mr. Szeto Kin Yue (resigned on 29 May 2003)

## Directors (continued)

### Independent non-executive directors

Mr. Au Son Yiu

Mr. Goh Gen Cheung

In accordance with clauses 87 and 88 of the Company's bye-laws, Messrs. But Tin Hing will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

## Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 14 of the annual report.

## Directors' service contracts

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 September 2000 which will continue thereafter until termination by three months' notice in writing served by either party to the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## Directors' interests and short positions in shares and underlying shares

At 31 March 2004, the interests and short positions of the directors in the share capital of the Company and underlying shares of the Company or 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 pursuant to Section 352 of the SFO, or as otherwise 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 follows:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. But Tin Hing	Corporate	157,575,600	45.02
Mr. But Tin Fu	Corporate	157,575,600	45.02
Mr. Leung Cheong	Corporate	157,575,600	45.02
Mr. Leung Kuen, Ivan	Corporate	157,575,600	45.02

157,575,600 shares are held by Mind Seekers Investment Limited ("Mind Seekers"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Messrs. But Tin Hing, But Tin Fu, Leung Cheong and Leung Kuen, Ivan, as to 50%, 20%, 20% and 10%, respectively.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## Directors' rights to acquire shares or debentures

Save as disclosed in the share option scheme disclosures in note 29 to the financial statements, at no time during the year 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, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 March 2004, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mind Seekers	Directly beneficially owned	157,575,600	45.02

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## 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.

## Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of the Securities on the Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

## Audit committee

The Company has an audit committee (the "Committee") which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee comprises the two independent non-executive directors of the Company.

## Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**But Tin Fu**

*Chairman*

Hong Kong

26 July 2004