

Report of the Directors

Sun East Technology (Holdings) Limited • 2005 Annual Report

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 2005.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise of 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 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 70.

No interim dividend was paid during the year. The directors recommend the payment of a final dividend of HK2.5 cents per ordinary share in respect of the year, to shareholders on the register of members on 22 August 2005. 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 and reclassified as appropriate, is set out on page 13. 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 Company and 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 during the year together with the reasons therefore, and details of the share options, are set out in notes 28 and 29 to the financial statements.

Of the net proceeds of HK\$19,428,000 from the share placement in November 2004, HK\$11,500,000 was used in the expansion of production lines and the remaining balance was used as general working capital.

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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.

Distributable reserves

At 31 March 2005, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK\$129,871,000, of which HK\$9,375,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$85,650,000, 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 45%.

None of the directors of the Company 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 or five largest customers 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

Independent non-executive directors

Mr. Au Son Yiu

Mr. Goh Gen Cheung

Mr. See Tak Wah (appointed on 10 September 2004)

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Directors (continued)

Subsequent to the balance sheet date, on 20 May 2005, Mr. Au Son Yiu and Mr. Goh Gen Cheung resigned as directors of the Company, and Professor Xu Yang Sheng and Mr. Yau Wing Keung were appointed as directors of the Company on the same date who will hold office until the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with clauses 87 and 88 of the Company's bye-laws, Messrs. Leung Kuen, Ivan and See Tak Wah 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.

The Company has received annual confirmations of independence from all independent non-executive directors and as at the date of this report still considers them to be independent.

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 14 to 15 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 has continued 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.

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Director's interests in shares

At 31 March 2005, the interests and short positions of the directors in the share capital 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 Issuers (the "Model Code"), 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	42.02
Mr. But Tin Fu	Corporate	157,575,600	42.02
Mr. Leung Cheong	Corporate	157,575,600	42.02
Mr. Leung Kuen, Ivan	Corporate	157,575,600	42.02

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, as at 31 March 2005, 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 Issuers.

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Directors' rights to acquire shares or debentures

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' interests in shares

As at 31 March 2005, 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	<u>157,575,600</u>	<u>42.02</u>

Save as disclosed above, as at 31 March 2005, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in 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.

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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 Listing Rules, 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 compliance with the Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The current Committee comprises the three independent non-executive directors of the Company.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the Company’s total issued share capital was held by the public as at the date of this report.

Model Code for Securities Transactions

The Company has adopted the Model Code as the Company’s code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company’s directors, the directors confirmed that they have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

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 2005