

## Chairman's Statement

The year 2006 is important to Sun East. China's latest economic development has presented enormous business opportunities for the Group. Under the Eleventh Five-Year-Plan, announced early this year, China will strive to become an innovative, environmentally-friendly and technologically advanced country. The new economic plan calls for the electronics products manufacturing industry, being China's major economic pillar, to upgrade its technology level. We believe that such changes will stimulate the demand for quality and environmentally-friendly electronics assembly equipment. In addition, the Guangdong government is actively driving the industrial sector, and in particular, the electronics products industry, to shift from producing low to medium end products to high-end products. Sun East is one of the few domestic electronics assembly equipment manufacturers with the capability to provide medium to high-end products in the Pearl River Delta. With its competitive edge, it is well-positioned to capture the substantial opportunities brought about by these changes.

The implementation of the RoHS Directive ( "The restriction of the use of certain hazardous substances in electrical and electronics equipment") by the European Union starting from 1 July 2006 has helped sales of Sun East's lead-free electronics assembly equipment to continue to grow at a steady pace. The People's Republic of China ("PRC") government also plans to introduce similar regulation next year - this is a positive news to the Group. We will continue to invest in research and development in this area to maintain our product competitiveness. With our renowned product quality and strong brand recognition, we are confident that our leadership position in the soldering equipment manufacturing in China can be maintained.

In the year under review, the management has taken a proactive approach and resolute action in tackling major challenges through restructuring and optimising part of our businesses. This has impacted our bottom line in the short-run. However, it will help the Group to concentrate our resources and strengthen our existing advantages in the longer run to prepare ourselves for the opportunities that lie ahead.

Since last year, the Group has implemented initiatives to fortify our internal infrastructure to streamline operational structures, improve financial management system and maximise capital efficiency. We have also reviewed staff remuneration and grading system, enhanced the transparency of promotion mechanism to improve employees' sense of belonging. Moreover, we have adopted target-based budgeting to clearly define operating goals and responsibilities to improve internal management efficiency. We plan to strengthen our brand strategy through intensifying marketing promotion efforts and establishing new distribution channels. These changes will help strengthen Sun East as a corporation with modern management and enhance its overall competitiveness.



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In the past, the management has endeavored in establishing a solid business model with growth potential for the Group. Looking forward, electronics assembly equipment will remain Sun East's core revenue stream and business growth, while the sheet metal fabrication business will provide us with a stable cashflow. The semi-conductor packaging equipment business, which is still in its investment stage, should give impetus to the Group's further expansion in the future.

Sun East is ready to set for a flourishing business in the next stage.

**But Tin Fu**

*Chairman*

Hong Kong

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