

Report of the Directors

The directors herein present their first annual report and the audited financial statements of the Company for the period from 26th July, 2000 (date of incorporation) to 31st March, 2001 and of the Group for the year ended 31st March, 2001.

GROUP REORGANISATION

The Company was incorporated in Bermuda on 26th July, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a reorganisation scheme to rationalise the Group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 18th September, 2000. Further details of the Group reorganisation, together with details of the subsidiaries acquired pursuant thereto, are set out in notes 1, 13 and 22 to the financial statements and in the Company's prospectus dated 29th September, 2000.

On 16th October, 2000, the shares of the Company were listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 13 to the financial statements. There has been no change in the nature of the principal activities of the subsidiaries during the year ended 31st March, 2001.

Sun East
Technology
(Holdings)
Limited •
annual report
2001

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SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of customers for the year ended 31st March, 2001 is as follows:

	Turnover		Contribution to profit from operating activities	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Design and manufacture of production lines and production equipment	343,624	260,382	58,095	35,991
Distribution of brand name production equipment	89,681	70,721	14,222	8,977
Design and manufacture of consumer products	30,415	27,509	5,015	6,552
Provision of sub-contracting services	45,400	44,015	4,932	13,478
	509,120	402,627	82,264	64,998
By geographical area:				
Hong Kong	432,445	366,347	71,592	66,472
The People's Republic of China, excluding Hong Kong ("PRC")	67,921	18,774	9,914	(855)
Elsewhere	8,754	17,506	758	(619)
	509,120	402,627	82,264	64,998

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31st March, 2001 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 24 to 56.

As stated in the Company's prospectus dated 29th September, 2000, a special dividend of HK\$16,000,000 was paid by a subsidiary of the Group to its then shareholders prior to the Group reorganisation described in note 1 to the financial statements.

An interim dividend of HK1 cent per ordinary share was paid on 2nd March, 2001. The directors recommend the payment of a final dividend of HK4 cents per ordinary share for the year ended 31st March, 2001, to shareholders on the register of members on 26th September 2001.

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SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets and liabilities of the Group prepared on the basis as set out below:

	Year ended 31st March,			
	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS				
Turnover	509,120	402,627	244,738	185,628
Profit before tax	81,045	63,763	30,353	18,233
Tax	(12,329)	(9,875)	(4,336)	(2,057)
Net profit from ordinary activities attributable to shareholders	68,716	53,888	26,017	16,176
ASSETS AND LIABILITIES				
Total assets	337,320	187,033	108,691	79,674
Total liabilities	(114,292)	(86,834)	(62,337)	(55,320)
Net assets	223,028	100,199	46,354	24,354

The summary of the published results of the Group for the three years ended 31st March, 2000 and the assets and liabilities as at 31st March, 1998, 1999 and 2000 has been extracted from the Company's prospectus dated 29th September, 2000. This summary has been prepared based on the financial statements of the companies now comprising the Group as if the current structure of the Group had been in existence throughout these financial years, and is presented on the basis set out in note 3 to the financial statements. The results of the Group for the year ended 31st March, 2001 and the assets and liabilities as at that date are those set out on pages 24 and 26 of the Annual Report, respectively.

FIXED ASSETS AND INVESTMENT PROPERTY

Details of movements in the fixed assets and investment property of the Group are set out in note 12 to the financial statements.

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SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 13 to the financial statements.

BORROWINGS

Details of the Group's borrowings as at 31st March, 2001 are set out in notes 17 to 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital from 26th July, 2000 (date of incorporation) to 31st March, 2001, together with reasons therefor, and details of the Company's share option scheme are set out in note 22 to the financial statements.

RESERVES

Details of movements in the Company's reserves from 26th July, 2000 (date of incorporation) to 31st March, 2001 and the Group's reserves for the year ended 31st March, 2001 are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st March, 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$115,697,000 as at 31st March, 2001, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of HK\$50,006,000 as at 31st March, 2001 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

11% of the Group's turnover was attributable to the Group's five largest customers. Sales to the Group's largest customer accounted for 4% of the Group's turnover for the year.

20% of the Group's total purchases were attributable to the Group's five largest suppliers. Purchases from the Group's largest supplier accounted for 15% of the Group's total purchases for the year.

According to the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers and five largest suppliers during the year.

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DIRECTORS

The directors of the Company during the period were:

Executive directors

Mr. But Tin Hing	(Chairman)	(appointed on 18th August, 2000)
Mr. But Tin Fu	(Deputy chairman)	(appointed on 18th August, 2000)
Mr. But Tin Hung		(appointed on 18th August, 2000)
Mr. Leung Cheong		(appointed on 18th August, 2000)
Mr. Leung Kuen, Ivan		(appointed on 18th August, 2000)
Mr. Leung Ka Lok		(appointed on 18th August, 2000)
Mr. Szeto Kin Yue		(appointed on 18th August, 2000)

Independent non-executive directors

Mr. Au Son Yiu	(appointed on 5th September, 2000)
Mr. Goh Gen Cheung	(appointed on 5th September, 2000)

In accordance with clauses 87 and 88 of the Company's bye-laws, Messrs. Leung Ka Lok and Szeto Kin Yue will retire by rotation and, being eligible, 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.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' remuneration and that of the five highest paid individuals of the Group are set out in note 6 to the financial statements.

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 1st September, 2000 and which will continue thereafter until termination by three months' notice in writing served by either party on 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 obligations.

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DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 27 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the period.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st March, 2001, the interests of the directors and their associates in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), are set out below:

	Name	Notes	Type of interest	Number	Percentage of
				of ordinary shares held	issued shares
Sun East Technology (Holdings) Limited • annual report 2001	Mr. But Tin Hing	1	Corporate	195,787,800	62.75%
	Mr. But Tin Fu	2	Corporate	15,280,200	4.90%
	Mr. Leung Cheong	3	Corporate	15,280,200	4.90%
	Mr. Leung Kuen, Ivan	4	Corporate	7,651,800	2.45%
	Notes:				

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- 157,575,600 shares are held by Mind Seekers Investment Limited ("Mind Seekers"), a company incorporated in the British Virgin Islands (the "BVI"), 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.

The remaining 38,212,200 shares are held by Bigo Services Corp. ("Bigo"), a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. But Tin Hing.
 - All 15,280,200 shares are held by Sum Win Management Corp., a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. But Tin Fu. Mr. But Tin Fu also beneficially owns 20% of the issued share capital of Mind Seekers as stated in note 1 above.
 - All 15,280,200 shares are held by Sundial International Ltd., a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Leung Cheong. Mr. Leung Cheong also beneficially owns 20% of the issued share capital of Mind Seekers as stated in note 1 above.
 - All 7,651,800 shares are held by Benefit Return Inc., a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Leung Kuen, Ivan. Mr. Leung Kuen, Ivan also beneficially owns 10% of the issued share capital of Mind Seekers as stated in note 1 above.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other beneficial interest in the issued share capital of the Company or any of its associated corporations, as recorded in the register required to be kept under Section 29 of the SDI Ordinance, 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

Under the terms of the share option scheme (the "Option Scheme") adopted by the Company on 19th September, 2000, conditional upon the listing of the Company's shares on the Stock Exchange, the board of directors was authorised at its absolute discretion, to grant options to employees including executive directors of the Company or any of its subsidiaries to subscribe for the shares in the Company. Further details of the Option Scheme are set out in note 22 to the financial statements. The Option Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 16th October, 2000. As at the date of this report, no options have been granted to any director or employee under the Option Scheme.

Apart from the foregoing and other than in connection with the Group reorganisation in preparation for the Company's initial public offering, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the following interests of 10% 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 16 (1) of the SDI Ordinance:

Name	Number of ordinary shares held	Percentage of issued shares
Mind Seekers	157,575,600	50.50%
Bigo	38,212,200	12.25%

Save for the interests disclosed above, which is also included in the section "Directors' interests in share capital" above, the directors are not aware of any person who was, directly or indirectly, interested in 10% or more of the issued share capital of the Company as at 31st March, 2001 that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Other than in connection with the Company's initial public offering, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

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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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities issued by the Stock Exchange (the "Listing Rules"), throughout the period from 26th July, 2000 (date of incorporation) to 31st March, 2001, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 19th September, 2000 in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Committee was established with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors. The Group's financial statements for the year ended 31st March, 2001 have been reviewed by the Committee. The Committee is of the opinion that these statements comply with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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 Hing

Chairman

Hong Kong
30th August, 2001