

CHAIRMAN'S STATEMENT

On behalf of Sun East Technology (Holdings) Limited (the "Company") and its subsidiaries (the "Group"), I take great honour to present the 2002 Annual Report for the year ended 31 March 2002.

FINANCIAL RESULTS

Summary of the financial results of the Group for the year ended 31 March 2002 are as follows:

- Turnover was approximately HK\$494 million, represented a decrease of approximately 2.9%.
- Profit before tax was approximately HK\$34 million, represented a decrease of approximately 58.3%.
- Net profit from ordinary activities attributable to shareholders was approximately HK\$27 million, represented a decrease of 60.6%.
- Basic earning per share was approximately HK9 cents, represented a decrease of 65.9%.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company, will be closed from 28 August 2002 to 30 August 2002 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for attending the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tengis Limited at 4th Floor, Hutchison House, Central, Hong Kong not later than 4:00 p.m. on 27 August 2002.

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 March 2002, the Group continued to engage in the manufacture of production lines, manufacturing equipment and consumer products operations, with the the People's Republic of China (the "PRC") and Hong Kong being its primary market. During the year under review, the development of electronics industry in the PRC suffered setbacks due to various external factors, such as the "9-11" event and the downturn of global economy. Most of the electronic enterprises were investing little or unwilling to invest, which led to a dramatic cut in the demand for electronic machinery equipments, thus affecting the sales of the Group's production lines and manufacturing equipments. Regarding the consumer electronic products operation, the Group established its new factory during the year under review to strengthen its production capabilities. Nevertheless, as the downturn of the global economy has led to the decrease in demand for consumer electronic products, the Group has changed its marketing strategy to enhance its distribution channels and lower the selling price in order to increase the sales volume and market shares.

CHAIRMAN'S STATEMENT

In view of the present decline of the electronic industry, and with the changes of both domestic and international conditions and an increasingly competitive environment, the Group has undertaken various measures and adjustments, which includes the development of new products, technological advancement, cost savings, improving efficiency, strengthening its distributing channels, continuing to recruit talents and streamlining workforce. Preliminary results were obtained after several months' efforts. According to our progress, the Group is confident to improve its performance and maintain the Company's growth.

From 2001 onward, the Group's sales system has undergone a significant review and innovation. The sales system will be guided by product strategies and market segmentation, with an aim to satisfy its customers' specific demand. The Group has also established a responsibility system based on specific cases, and to classify products into different categories, such as the SMT project, Sun East standardised machinery project, linear standardised machinery project and Taiwanese customers project. On the other hand, the system of linking after-sales services with customers has improved the satisfaction of the customers. These measures enable the Group to maintain its leading position in the electronic machinery equipment field and obtain larger market shares.

During the year under review, the Group put strong emphasis on technological innovations with an aim to ensure the Group's competitive advantages. As the Group treats the development of high-speed and high precision equipment as another focal point, apart from lead-free soldering products, the Group has successfully developed high-tech products e.g. automated vision testing screen printer, which is of international standards.

Outlook

Although market competition has intensified during 2002, the economy is starting to recover. In 2002, the Group will continue to enforce its plan to "explore the market, develop products, reduce costs and improve efficiency". By developing new products, enhancing product quality, increasing marketing efforts, consolidating existing markets and exploring potential markets, the market share for the Group's products is expected to be increased. Based on efficient exercise of scientific management, the Group will further reduce its resource consumption and costs to improve the operating efficiency. Moreover, the Group is actively engaged in developing itself into a high-tech enterprise and is seeking to capture a larger market share.

After the PRC's accession to the WTO, the electronic industry of the PRC is undergoing a gradual transformation from a labour intensive processing to technology oriented production. This transformation process requires huge amount of precision equipment. In view of this transformation, the Group will adopt a series of measures to cope with the demand and step up the Group's development.

CHAIRMAN'S STATEMENT

Controlling expenses, reducing costs and improving efficiency

In the face of intense market competition, the Group has put great emphasis on controlling expenses, reducing costs and improving efficiency. Our products' competitiveness can be further improved by optimising its various procedural workflow, strengthening its procedural management, lowering production costs and enhancing add-on values.

Continues to recruit talents

With the growing demand in product research and development, the Group needs to recruit extra supervisory, design and R&D staffs to form a team that fits the Group. Meanwhile, the Group also requires capable and good quality staff who meet our development needs, which creates an amiable-competition atmosphere among our staff members, thus enhancing the Group's competitiveness.

In order to achieve the objective of developing high-tech products, the Group formed a research and development team comprised of high-calibre talents with doctoral or master degrees. Meanwhile, the Group also aims at establishing cooperative partnerships with various well-known universities and research institutes in the PRC and overseas high-tech companies in order to keep pace with and make use of the world's latest technological advancements.

Develop new products

The Group will strengthen its new products development and enhance the precision and functionality of its products, and shall treat the Group's high precision production system, high quality guarantee system and good customer relationships as its main competitive edges. The Group will continue to strengthen these advantages in order to ensure its leading position in the market.

On the other hand, the Group will strengthen its sales management, and actively searching for new cooperation opportunities. The Group's equipment development will operate in a diversity manner, with a view to increase the products' market shares.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank all my fellow directors and staff for their invaluable contribution and support to the Group for the past years.

By Order of the Board of Directors

But Tin Hing

Chairman

Hong Kong, 24 July 2002