

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 2003.

## 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 for the manufacturers of consumer electronic products, home electrical appliances and telecommunication products, and the distribution of brand name production equipment for the manufacturers of electronic products.

During the year, the Group disposed of and discontinued its manufacturing and sub-contracting services of electrical consumer products, further details of which are included in note 6 to the financial statements. There were no other significant changes in the nature of the Group’s principal activities during the year.

## Results and Dividends

The Group’s loss for the year ended 31 March 2003 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.

The directors do not recommend the payment of any dividend in respect of the year.

## Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 7. 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 the Company’s share capital and share options are set out in notes 26 and 27 to the financial statements, respectively.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated summary statement of changes in equity.

## Distributable Reserves

As at 31 March 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$113,391,000, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account, in the amount of approximately HK\$50,006,000, may be distributed in the form of fully paid bonus shares.

## Major Customers and Suppliers

22% of the Group's turnover was attributable to the Group's five largest customers. Sales to the Group's largest customer accounted for 11% of the Group's turnover for the year.

34% of the Group's total purchases was attributable to the Group's five largest suppliers. Purchases from the Group's largest supplier accounted for 16% 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 own more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers and suppliers during the year.

## Directors

The directors of the Company during the year were:

### Executive directors

Mr. But Tin Hing (*Chairman*)

Mr. But Tin Fu (*Deputy chairman*)

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

Mr. Leung Cheong

Mr. Leung Kuen, Ivan

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

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

### Independent non-executive directors

Mr. Au Son Yiu

Mr. Goh Gen Cheung

## Directors (continued)

In accordance with clauses 87 and 88 of the Company's bye-laws, Messrs. But Tin Fu and Leung Cheong 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 8 to 10 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 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 year.

## Directors' Interests in Shares

As at 31 March 2003, 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 (the "SDI Ordinance"), were as set out below:

Name	Type of interest	Number of ordinary shares held	Percentage of the Company's issued share
Mr. But Tin Hing	Corporate	157,575,600	50.50
Mr. But Tin Fu	Corporate	157,575,600	50.50
Mr. Leung Cheong	Corporate	157,575,600	50.50
Mr. Leung Kuen, Ivan	Corporate	157,575,600	50.50

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 or their associates had any personal, family, corporate or other beneficial interests 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed in the share option scheme disclosures in note 27 to the financial statements, at no time during the year were 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.

## Share Option Scheme

Due to the adoption of Hong Kong Statement of Standard Accounting Practice No. 34 “Employee benefits” issued by the Hong Kong Society of Accountants during the year, the detailed disclosures relating to the Company’s share option scheme have been moved to note 27 to the financial statements.

## Substantial Shareholders

As at 31 March 2003, 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 the Company's issued share
Mind Seekers*	157,575,600	50.50
Value Partners Limited	47,326,000	15.17
Mr. Cheah Cheng Hye**	47,326,000	15.17

\* These interests in shares disclosed are also included in the section “Directors’ Interests in Shares” above.

\*\* Mr. Cheah Cheng Hye is deemed to be interested in the shares through his 33.20% interest in Value Partners Limited.

Save for the interests disclosed 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 31 March 2003 that was required to be recorded under Section 16(1) of the SDI Ordinance.

## 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.

## Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in note 33 to the financial statements.

## Compliance With the Code of Best Practice

In the opinion of the directors, the Company has 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 year, 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. The Group’s financial statements for the year ended 31 March 2003 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

29 July 2003