



SUN EAST TECHNOLOGY (HOLDINGS) LIMITED

日東科技(控股)有限公司*

(incorporated in Bermuda with limited liability)

INTERIM RESULTS

The Board of Directors (“the Board”) of Sun East Technology (Holdings) Limited (“the Company”) announces the unaudited consolidated results (“the Unaudited Results”) of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 September 2002 (“the Period”). The Unaudited Results have not been audited by the Company’s auditors, but have been reviewed by the Company’s Audit Committee on 19 December 2002:

CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT

| | | (Unaudited) Six months ended 30 September 2002 <i>Notes</i> HK\$’000 | (Unaudited) Six months ended 30 September 2001 <i>Notes</i> HK\$’000 |
|--|---|---|---|
| TURNOVER | 2 | 271,905 | 218,645 |
| Cost of Sales | | (247,491) | (159,927) |
| Gross profit | | 24,414 | 58,718 |
| Other revenue | | 1,688 | 1,399 |
| Selling and distribution costs | | (16,346) | (5,674) |
| General and administrative expenses | | (26,323) | (23,046) |
| Other operating expenses | | (1,291) | (1,537) |
| PROFIT/(LOSS) FROM OPERATING ACTIVITIES | 3 | (17,858) | 29,860 |
| Finance costs | 4 | (1,030) | (348) |
| PROFIT/(LOSS) BEFORE TAX | | (18,888) | 29,512 |
| Tax | 5 | (1,553) | (3,833) |
| NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | | (20,441) | 25,679 |
| EARNING/(LOSS) PER SHARE | | | |
| – Basic | 6 | (6.55 Cents) | 8.23 Cents |
| – Diluted | | N/A | N/A |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | (Unaudited) 30 September 2002 <i>Notes</i> HK\$’000 | (Audited) 31 March 2002 <i>Notes</i> HK\$’000 |
|---------------------------|---|--|--|
| NON-CURRENT ASSETS | | | |
| Fixed assets | 7 | 195,211 | 200,842 |
| Intangible asset | 8 | 4,307 | – |
| Goodwill | 9 | 22,727 | – |
| Other deposits | | 3,632 | 3,568 |
| | | 225,877 | 204,410 |

CURRENT ASSETS

| | | | |
|--|----|----------------|---------|
| Inventories | | 63,028 | 57,837 |
| Accounts receivable | 10 | 94,046 | 80,580 |
| Prepayments, deposits and other receivable | | 10,236 | 3,544 |
| Cash and bank balances | | 46,383 | 68,329 |
| | | 213,693 | 210,290 |

CURRENT LIABILITIES

| | | | |
|--|----|----------------|---------|
| Accounts and bills payable | 11 | 97,026 | 68,101 |
| Accruals and other payables | | 36,712 | 37,624 |
| Interest-bearing borrowings | | 39,935 | 19,927 |
| Finance lease payables | | 4,629 | 5,311 |
| Tax payable | | 26,053 | 24,686 |
| Amounts due to directors | | – | 1,226 |
| | | 204,355 | 156,875 |
| NET CURRENT ASSETS | | 9,338 | 53,415 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 235,215 | 257,825 |

NON-CURRENT LIABILITIES

| | | | |
|------------------------|--|----------------|---------|
| Finance lease payables | | 2,750 | 4,919 |
| Deferred tax | | 3,098 | 3,098 |
| | | 5,848 | 8,017 |
| | | 229,367 | 249,808 |

CAPITAL AND RESERVES

| | | | |
|----------------|----|----------------|---------|
| Issued capital | 12 | 31,200 | 31,200 |
| Reserves | | 198,167 | 218,608 |
| | | 229,367 | 249,808 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting”. The accounting policies and basis of presentation are the same as those used in the annual financial statements for the year ended 31 March 2002. Figures for the year ended 31 March 2002 are extracted from the Group’s annual financial statements for that year.

Impact of new/revised statements of standard accounting practice

The following relevant SSAPs issued by the Hong Kong Society of Accountants are effective for accounting periods commencing on or after 1 April 2002:

- SSAP 1 (Revised): “Presentation of financial statements”
- SSAP 11 (Revised): “Foreign currency translation”
- SSAP 15 (Revised): “Cash flow statements”
- SSAP 25 (Revised): “Interim financial reporting”
- SSAP 34 : “Employee benefits”

The main revision to SSAP 1 is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative balances have been presented in accordance with this revised SSAP.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. This revised SSAP has had no major impact on these condensed consolidated financial statements.

The main revision to SSAP 15 is to classify cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative balances have been presented in accordance with this revised SSAP.

SSAP 25 (Revised) prescribes the presentation and disclosures following changes in SSAP 1 (Revised) and SSAP 15 (Revised). The condensed consolidated financial statements for the current interim period and comparative balances have been presented in accordance with this revised SSAP.

SSAP 34 prescribes the accounting treatment and disclosures requirements for employee benefits. This SSAP has had no major impact on these condensed consolidated financial statements.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the assess of the cost of the acquisition over the group’s share of the fair value of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the balance sheet as an asset and amortised on the straight-line basis over is estimated useful life of five years.

Deferred development cost

Deferred development cost are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

SEGMENT INFORMATION

(a) Business segments

The following table presents revenue and results for the Group’s business segments.

| Group | Production lines and production equipment | | Brand name | | Consumer products | | Sub-contracting services | | Elimination | | Consolidated | |
|---|--|----------------|---------------|---------------|-------------------|---------------|-----------------------------|---------------|-------------|----------|-----------------|----------------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| Segment revenue: | | | | | | | | | | | | |
| Sales to external customers | 119,337 | 113,051 | 49,351 | 39,019 | 90,606 | 35,710 | 12,611 | 30,865 | – | – | 271,905 | 218,645 |
| Other revenue – external | 57 | 20 | – | – | – | – | – | – | – | – | 57 | 20 |
| Total | 119,394 | 113,071 | 49,351 | 39,019 | 90,606 | 35,710 | 12,611 | 30,865 | – | – | 271,962 | 218,665 |
| Segment results | (12,144) | 16,095 | 4,809 | 4,292 | (8,336) | 1,775 | (3,209) | 6,473 | – | – | (18,880) | 28,635 |
| Interest and unallocated income | | | | | | | | | | | 1,631 | 1,379 |
| Unallocated expenses | | | | | | | | | | | (609) | (154) |
| Profit/(loss) from operating activities | | | | | | | | | | | (17,858) | 29,860 |
| Finance costs | | | | | | | | | | | (1,030) | (348) |
| Profit/(loss) before tax | | | | | | | | | | | (18,888) | 29,512 |
| Tax | | | | | | | | | | | (1,553) | (3,833) |
| Net profit/(loss) from ordinary activities attributable to shareholders | | | | | | | | | | | (20,441) | 25,679 |

(b) Geographical segments

The following table presents revenue and results for the Group’s geographical segments.

| Group | Hong Kong | | The People’s Republic of China | | Sweden | | German | | Elsewhere | | Consolidated | |
|-----------------------------|----------------|----------------|-----------------------------------|---------------|----------------|----------|----------------|---------------|----------------|---------------|-----------------|----------------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| Segment revenue: | | | | | | | | | | | | |
| Sales to external customers | 61,013 | 107,928 | 127,671 | 78,483 | 45,329 | – | 15,110 | 10,745 | 22,782 | 21,489 | 271,905 | 218,645 |
| Segment results | (3,179) | 14,356 | (8,416) | 11,410 | (3,968) | – | (1,323) | 956 | (1,994) | 1,913 | (18,880) | 28,635 |

3. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

| | Six months ended 30 September 2002 <i>Notes</i> HK\$’000 | | 2001 <i>Notes</i> HK\$’000 |
|---|---|----------------|---|
| Profit/(loss) from operating activities has been arrived at after charging: | | | |
| Depreciation | | 14,289 | 7,690 |
| Cost of inventories sold and services provided | | 247,491 | 159,927 |
| Amortisation of goodwill | | 385 | – |
| Amortisation of deferred development cost | | 73 | – |
| | | 262,237 | 177,617 |

4. FINANCE COSTS

| | Six months ended 30 September 2002 <i>Notes</i> HK\$’000 | | 2001 <i>Notes</i> HK\$’000 |
|--|---|--------------|---|
| Interest on bank loans and overdraft wholly repayable within five year | | 865 | 295 |
| Interest on finance leases | | 165 | 53 |
| | | 1,030 | 348 |

5. TAX

| | Six months ended 30 September 2002 <i>Notes</i> HK\$’000 | | 2001 <i>Notes</i> HK\$’000 |
|---------------------------|---|--------------|---|
| Hong Kong | | – | 847 |
| Elsewhere | | 1,553 | 2,581 |
| Deferred | | – | 405 |
| Tax charge for the period | | 1,553 | 3,833 |

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have also been provided based on existing legislation, interpretations and practices in the countries in which the Group has operations.

6. EARNING/(LOSS) PER SHARE

The calculations of earning/(loss) per share are based on the net loss from ordinary activities attributable to shareholders for the period of approximately HK\$20,441,000 (2001: profit of HK\$25,679,000), and the issued share capital of 312,000,000 shares (2001: 312,000,000 shares). Diluted earning per share has not been calculated as no diluting event existed during the period.

7. FIXED ASSETS

During the six months ended 30 September 2002, the additions to fixed assets including motor vehicle, machinery and equipment, and construction in progress, were approximately HK\$9 million.

8. INTANGIBLE ASSET

During the six months ended 30 September 2002, the addition to deferred development cost arising from the acquisition of a subsidiary, was approximately HK\$4 million.

9. **GOODWILL**

The amounts of the goodwill capitalised as an asset in the balance sheet, arising from the acquisition of a subsidiary, is as follows:

| | |
|---|-----------------|
| | <i>HK\$'000</i> |
| Cost: | |
| Acquisition of a subsidiary | 23,112 |
| Accumulated amortisation: | |
| Amortisation provided during the period | 385 |
| Net book value: | |
| At 30 September 2002 | <u>22,727</u> |

10. **ACCOUNTS RECEIVABLE**

The Group usually grants credit periods ranging from 30-90 days to normal customers. As at 30 September 2002, the aged analysis of accounts receivable is as follows:

| | | |
|------------------------------------|---------------------|-----------------|
| | As at | As at |
| | 30 September | 31 March |
| | 2002 | 2002 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 90 days | 68,912 | 58,395 |
| 91 to 120 days | 5,410 | 3,714 |
| Over 120 days | 31,091 | 29,884 |
| | <u>105,413</u> | <u>91,993</u> |
| Less: Provision for doubtful debts | (11,367) | (11,413) |
| | <u>94,046</u> | <u>80,580</u> |

11. **ACCOUNTS AND BILLS PAYABLE**

As at 30 September 2002, the aged analysis of accounts and bills payable is as follows:

| | | |
|----------------|---------------------|-----------------|
| | As at | As at |
| | 30 September | 31 March |
| | 2002 | 2002 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 90 days | 60,320 | 48,214 |
| 91 to 120 days | 16,657 | 8,524 |
| Over 120 days | 20,049 | 11,363 |
| | <u>97,026</u> | <u>68,101</u> |

12. **SHARE CAPITAL**

| | | |
|--|---------------------|-----------------|
| | As at | As at |
| | 30 September | 31 March |
| | 2002 | 2002 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Authorised: | | |
| 2,000,000,000 ordinary shares of HK\$0.10 each | 200,000 | 200,000 |
| Issued and fully paid: | | |
| 312,000,000 ordinary shares of HK\$0.10 each | 31,200 | 31,200 |

13. **RELATED PARTY TRANSACTIONS**

There is no significant related party transaction during the period ended 30 September 2002.

14. **COMMITMENTS**

At the balance sheet date, the Group had the following commitments:

| | | |
|--|---------------------|-----------------|
| | As at | As at |
| | 30 September | 31 March |
| | 2002 | 2002 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Capital commitments in respect of building construction contracted, but not provided for | 2,402 | 4,854 |

15. **CONTINGENT LIABILITIES**

At the balance sheet date, the Group did not have any significant contingent liabilities.

BUSINESS REVIEW AND OUTLOOK

In spite of the continued downturn in global economy during the period under review, the Group has adopted a positive and serious attitude and tackle the difficulties. After months of endeavour, turnover of the Group increased 24% in the current period. This is a reflection of the increase in both product quality and market share of the Group. However, given the intense market competition and the fact that the selling price has come down, the results of the Group in the current period was unsatisfactory.

The PRC market continues to witness remarkable growth. This is particularly true in the semi-conductor and car-marketing industry. In an effort to diversify production of the Group and develop the enormous market of semi-conductor and car-making industry, in August 2002, the Group acquired a subsidiary, Eastern Century Speed Inc. which engaged in research and development of microelectronic precision wire solder technology. The Group believed that the finished products produced by such technology will become one of the major products, thus improve the profit margin of the Group in the future. Also, the Group has recently successfully entered into a contract worth HK\$20,000,000 for refitting a vehicle production line with a vehicle manufacturing enterprise. On the other hand, the precision sheet metal fabrication division, being the target of our major enhancement efforts during the period under review, was supported by all parties concerned. As a result, the Group has secured contracts from such large enterprises groups as Matsushita, Konica, Fuji Xerox and Isuzu.

The Group firmly believes that our business will be able to achieve steady growth through broadened product range, better product quality and stringent control over cost of production.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the first half of 2002/03, the Group had turnover of approximately HK\$272 million, and approximately HK\$219 million for the same period of 2001/02. For the period ended 30 September 2002, the Group recorded net loss from ordinary activities attributable to shareholders of approximately HK\$20 million, and a profit of approximately HK\$26 million in the first half of 2001/02.

Loss during the period is mainly attributed by downward adjustment of selling price and increase in selling, production and depreciation costs.

Production lines and production equipment

Economic slowdown put pressure on the selling price and profit margin of the Group. This, together with the increase in depreciation cost led to loss in respect of the Group's production lines and production equipment operations in the current period. In an effort to improve its results and diversify production, during the period under review, the Group acquired a subsidiary

which owns microelectronic precision wire solder technology. The Group believes that finished products using such technology will improve the profit margin of its production lines and production equipment operations.

Brand name production equipment

Sales amounted to HK\$49 million during the period, an increase of 26% as compared with the corresponding period last year, while profit margin remained more or less the same.

Consumer products and sub-contracting services

In respect of consumer electronic products, although sales volume was higher than the corresponding period last year, the Group still recorded a loss of HK\$8 million in the operation due to a decline in sales price while cost of sales and license fees increased.

A price competitive consumer electronics market also led to a decline in both the pricing and volume for processing and sub-contracting services. In face of the severe business environment, the Group will undergo a series of reforms, including stringent control on the operating and production costs, for improvement of its business.

Liquidity

As at 30 September 2002, the Group had net current assets of HK\$9 million (31 March 2002: HK\$53 million), mainly comprising prepayments, deposits and other receivables of approximately HK\$10 million (31 March 2002: HK\$4 million), inventories of approximately HK\$63 million (31 March 2001: HK\$58 million) and trade receivables of the approximately HK\$94 million (31 March 2002: HK\$81 million) and current liabilities of approximately HK\$204 million (31 March 2002: HK\$157 million). The current ratio decreased from approximately 1.3 as at 31 March 2002 to approximately 1.0 as at 30 September 2002.

At 30 September 2002, the Group had total assets of approximately HK\$440 million (31 March 2002: HK\$415 million) and total liabilities of approximately HK\$210 million (31 March 2002: HK\$165 million). The gearing ratio calculated as a percentage of long term debt to equity was 1.2% (31 March 2002: 2.0%).

Financial Resources

At 30 September 2002, the Group had floating interest-bearing bank borrowings of approximately HK\$40 million (31 March 2002: HK\$20 million), of which HK\$19 million were denominated in Renminbi and HK\$21 million in Hong Kong dollars. The Group's bank borrowings are all repayable within one year. At 30 September 2002, the Group's bank borrowings were secured by (i) first legal charges on certain of the Group's leasehold land and buildings and investment properties located in Hong Kong; (ii) second legal charges on properties locate in Hong Kong of a related company; (iii) a second legal charge on a property located in Hong Kong of a director.

As a significant portion of the Group's sales and purchases are denominated in Hong Kong dollars and Renminbi, in view of the stability of exchange rate of Hong Kong dollars and Renminbi, the directors consider that the Group has no significant exposure to foreign exchange fluctuation. During the period under review, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 September 2002.

At 30 September 2002, cash and bank balances amounted to 46 million, approximately 16 million are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

Contingent Liabilities

At the balance sheet date, the Group did not have any significant contingent liabilities.

Employees

At 30 September 2002, the Group employed approximately 3500 staff and workers in PRC and approximately 51 staff in the Group's Hong Kong office. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. The Group also participates in retirement benefits schemes for its staff in PRC and Hong Kong.

Interim Dividend

The Board of Directors has resolved not to pay any interim dividend for the six months ended 30 September 2002 (2001: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of the its subsidiaries during the period.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice (the "Code"), for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company. The Group's 2002/03 interim report has been reviewed by the audit committee. The audit 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.

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 Listing Rules, throughout the period, 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.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information in respect of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) in due course.

For and on behalf of the Board
But Tin Hing
Chairman

Hong Kong, 27 December 2002