



SUN EAST TECHNOLOGY (HOLDINGS) LIMITED

日東科技(控股)有限公司*

(incorporated in Bermuda with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2002

ANNUAL RESULTS

The Board of directors (the “Directors”) of Sun East Technology (Holdings) Limited (the “Company”) and together with its subsidiaries (the “Group”) are pleased to announce the audited consolidated results of the Group for the year ended 31 March 2002 together with comparative figures for the previous corresponding year as follows:

		2002 HK\$'000	2001 HK\$'000
	Notes		
TURNOVER	2	494,466	509,120
Cost of Sales		(380,644)	(372,571)
Gross profit		113,822	136,549
Other revenue		3,480	3,150
Selling and distribution costs		(21,940)	(18,364)
General and administrative expenses		(41,319)	(36,815)
Other operating expenses		(18,687)	(2,256)
PROFIT FROM OPERATING ACTIVITIES	3	35,356	82,264
Finance costs		(1,586)	(1,219)
PROFIT BEFORE TAX		33,770	81,045
Tax	4	(6,718)	(12,329)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		27,052	68,716
DIVIDENDS	5		
Special		–	16,000
Interim		–	3,120
Proposed final		–	12,480
		–	31,600
EARNING PER SHARE	6		
– Basic		HK8.67 cents	HK25.40 cents
– Diluted		N/A	N/A

BASIS OF PREPARATION

The Company was incorporated in Bermuda on 26 July 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange on Hong Kong Limited (the “Stock Exchange”) in October 2000, the Company became the holding company of the companies now comprising the Group on 18 September 2000. This was accomplished by the Company acquiring the entire issued share capital of i-System Investment Company Limited (“i-System”) in consideration and in exchange for the allotment and issue of a total of 1,000,000 shares of HK\$0.10 each in the Company credited as fully paid to the former shareholders of i-System.

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for the revaluation of investment property and leasehold land and buildings.

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

The comparative consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group reorganisation as mentioned above. On this basis, the Company has been treated as the holding company of its subsidiaries prior to the date of their acquisition pursuant to the Group reorganisation on 18 September 2000. Accordingly, the consolidated results of the Group for the year ended 31 March 2001 included the results of the Company and its subsidiaries with effect from 1 April 2000, or since their respective dates of incorporation/establishment, where this is a shorter period, as if the existing Group structure had been in existence throughout the year ended 31 March 2001.

Notes:

1. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

For the current year, the Group has adopted the following recently-issued and revised SSAPs for the first time for the current year's financial statements:

- SSAP 9 (Revised): “Events after the balance sheet date”
- SSAP 14 (Revised): “Leases”
- SSAP 18 (Revised): “Revenue”
- SSAP 26: “Segment reporting”
- SSAP 28: “Provisions, contingent liabilities and contingent assets”
- SSAP 29: “Intangible assets”
- SSAP 30: “Business combinations”
- SSAP 31: “Impairment of assets”
- SSAP 32: “Consolidated financial statements and accounting for investments in subsidiaries”

Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in the Group's financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

2. TURNOVER AND SEGMENT RESULTS

(a) Business segments

For the year ended 31 March 2002

	Production lines and production equipment HK\$'000	Brand name production equipment HK\$'000	Consumer products HK\$'000	Sub-contracting services HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	245,223	58,506	143,867	46,870	494,466
Other revenue-external	69	–	–	–	69
Total	245,292	58,506	143,867	46,870	494,535
Segment results	23,318	8,682	(243)	1,773	33,530
Interest and unallocated income					3,411
Unallocated expenses					(1,585)
Profit from operating activities					35,356

For the year ended 31 March 2001

	Production lines and production equipment HK\$'000	Brand name production equipment HK\$'000	Consumer products HK\$'000	Sub-contracting services HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	343,624	89,681	30,415	45,400	509,120
Other revenue-external	65	–	–	–	65
Total	343,689	89,681	30,415	45,400	509,185
Segment results	56,476	13,624	696	9,099	79,895
Interest and unallocated income					3,085
Unallocated expenses					(716)
Profit from operating activities					82,264

(b) Geographical segments

For the year ended 31 March 2002

	Hong Kong HK\$'000	People's Republic of China (“PRC”) HK\$'000	United Kingdom HK\$'000	Others HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	95,075	284,694	91,439	23,258	494,466
Segment results	9,607	24,117	(154)	(40)	33,530
For the year ended 31 March 2001					
	Hong Kong HK\$'000	PRC HK\$'000	United Kingdom HK\$'000	Others HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	100,339	400,027	–	8,754	509,120
Segment results	13,191	66,504	–	200	79,895

3. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	2002 HK\$'000	2001 HK\$'000
Cost of inventories sold and services provided	379,580	366,785
Depreciation	16,780	12,025
Loss/(gain) on disposal of fixed assets	(28)	100
Loss on write off of fixed assets	2,750	–
Loss on write off of temporary factory structures **	11,709	–
Deficit on revaluation of investment property	250	–
Deficit on revaluation of leasehold land and buildings	5	–
Interest income	(2,297)	(2,545)

** Amount represents expenditure incurred during the year in relation to temporary factory structures in the PRC for which the Group does not have legal title.

4. Tax

	Group 2002 HK\$'000	2001 HK\$'000
Hong Kong	805	3,157
Elsewhere	5,908	8,575
Underprovision in prior year	5	–
Deferred	–	597
Tax charge for the year	6,718	12,329

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

5. Dividends

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

	2002 HK\$'000	2001 HK\$'000
Special dividend	–	16,000
Interim dividend – Nil (2001: 1 cent) per ordinary share	–	3,120
Proposed final dividend – Nil (2001: 4 cents) per ordinary share	–	12,480
	–	31,600

6. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$27,052,000 (2001: HK\$68,716,000) and the weighted average of 312,000,000 shares (2001: 270,542,466 shares) in issue during the year.

No diluted earnings per share for both current and prior years has been calculated as no diluting events existed during these years.

MANAGEMENT DISCUSSION AND ANALYSIS

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%.

Liquidity and Capital structure

As at 31 March 2002, the Group had net current assets of HK\$53 million (31 March 2001: HK\$136 million) mainly comprising prepayments, deposits and other receivables of approximately HK\$4 million (31 March 2001: HK\$5 million), inventories of approximately HK\$58 million (31 March 2001: HK\$50 million) and trade receivables of approximately HK\$81 million (31 March 2001: HK\$78 million) and current liabilities of approximately HK\$157 million (31 March 2001: HK\$99 million). The current ratio decreased from approximately 2.4 as at 31 March 2001 to 1.3 as at 31 March 2002.

At 31 March 2002, the Group had total assets of approximately HK\$415 million (31 March 2001: HK\$337 million) and total liabilities of approximately HK\$165 million (31 March 2001: HK\$102 million). The gearing ratio calculated as a percentage of long term debt to equity was 2% (31 March 2001: 0.05%).

Financial Resources

At 31 March 2002, the Group had floating interest-bearing bank borrowings of approximately HK\$20 million (31 March 2001 : HK\$9 million) and all of which are denominated in Hong Kong dollars. The Group's bank borrowings are all repayable within one year. At 31 March 2002, the Group's bank borrowings were secured by (i) first legal charges on certain of the Group's leasehold land and buildings and its investment property located in Hong Kong; (ii) a second legal charge on a property located in Hong Kong of a related company and (iii) a third 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 the exchange rate of Hong Kong dollars and Renminbi, the directors consider that the Group has no significant exposure to foreign exchange fluctuation. During the year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 March 2002.

At 31 March 2002, cash and bank balance amounted to HK\$68 million, approximately HK\$14 million are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

Contingent Liability

The Group did not have any significant contingent liability at the balance sheet date.

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 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 Company'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.

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.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2002, the Group employed approximately 3800 full time employees of which approximately 3750 were in the PRC and approximately 50 were in the Hong Kong office.

The Group remunerates its employees based on industry's practice. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provide provides staff benefits including medical scheme, pension scheme and performance related bonuses.

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.

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 Securities on the Stock Exchange (the "Listing Rules"), 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 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 audit committee comprises the two independent non-executive directors of the Company. The Group's financial statements for the year ended 31 March 2002 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.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

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
Sun East Technology (Holdings) Limited
But Tin Hing
Chairman

Hong Kong, 24th July, 2002

* For identification purpose only