



SUN EAST TECHNOLOGY (HOLDINGS) LIMITED

日東科技（控股）有限公司*

(incorporated in Bermuda with limited liability)

SUMMARISED ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

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 2004 (“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 28 December 2004:

CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT

		Six months ended 30 September 2004 (Unaudited) HK\$’000	Six months ended 30 September 2003 (Unaudited) HK\$’000
	<i>Notes</i>		
TURNOVER	3	280,733	224,756
Cost of sales		(230,144)	(181,964)
Gross profit		50,589	42,792
Other revenue		348	1,117
Selling and distribution expenses		(7,704)	(8,513)
General and administrative expenses		(19,250)	(15,540)
Other operating expenses		(14)	—
PROFIT FROM OPERATING ACTIVITIES	4	23,969	19,856
Finance costs	5	(1,304)	(581)
Share of results of:			
A jointly-controlled entity		(325)	—
An associate		61	—
PROFIT BEFORE TAX		22,401	19,275
Tax	6	(818)	(1,269)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		21,583	18,006
Interim dividend	7	—	4,200
EARNINGS PER SHARE	8		
– Basic		6.17 cents	5.77 cents
– Diluted		N/A	N/A

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the design, manufacture and distribution of production line and production equipment and distribution of brand name production equipment.

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of presentation

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

The accounting policies and the basis of presentation are consistent with those used in the annual financial statements for the year ended 31 March 2004.

This consolidated interim financial statements have been reviewed by the audit committee of the Company and was approved by the Board on 28 December 2004.

3. SEGMENT INFORMATION

(a) Business segments

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

Group	Production lines and production equipment six months ended 30 September (Unaudited)		Brand name production equipment six months ended 30 September (Unaudited)		Elimination six months ended 30 September (Unaudited)		Consolidated six months ended 30 September (Unaudited)	
	2004 HK\$’000	2003 HK\$’000	2004 HK\$’000	2003 HK\$’000	2004 HK\$’000	2003 HK\$’000	2004 HK\$’000	2003 HK\$’000
Segment revenue:								
Sales to external customers	150,200	165,820	130,533	58,936	—	—	280,733	224,756
Other revenue – external	65	—	—	—	—	—	65	—
	150,265	165,820	130,533	58,936	—	—	280,798	224,756
Segment results	6,558	13,721	20,153	6,183	—	—	26,711	19,904
Interest and unallocated income							282	1,117
Unallocated expenses							(3,024)	(1,165)
Profit from operating activities							23,969	19,856
Finance costs							(1,304)	(581)
Share of results of a jointly-controlled entity an associate							(325)	—
							61	—
Profit before tax							22,401	19,275
Tax							(818)	(1,269)
Net profit from ordinary activities attributable to shareholders							21,583	18,006

(b) Geographical segments

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

Group	Hong Kong Six months ended 30 September (Unaudited)		The People’s Republic of China (“PRC”) Six months ended 30 September (Unaudited)		European Union Six months ended 30 September (Unaudited)		Elsewhere Six months ended 30 September (Unaudited)		Consolidated Six months ended 30 September (Unaudited)	
	2004 HK\$’000	2003 HK\$’000	2004 HK\$’000	2003 HK\$’000	2004 HK\$’000	2003 HK\$’000	2004 HK\$’000	2003 HK\$’000	2004 HK\$’000	2003 HK\$’000
Segment revenue:										
Sales to external customers	52,465	63,130	218,921	157,776	4,683	2,620	4,664	1,230	280,733	224,756
Segment results	8,848	7,204	17,446	12,573	57	32	360	95	26,711	19,904

4. PROFIT FROM OPERATING ACTIVITIES

	Six months ended 30 September 2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Profit from operating activities has been arrived at after charging:		
Cost of inventories sold and services provided	230,144	181,964
Depreciation	5,342	7,996
Amortisation of technical know-how	2,750	2,750
Minimum lease payments under operating leases of land and building	652	481
Staff costs (including directors’ remunerations)		
– wages and salaries	20,525	19,060
– retirement benefits scheme contributions	439	375

5. FINANCE COSTS

	Six months ended 30 September 2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Interest on bank loans and overdrafts wholly repayable within five years	1,244	518
Interest on finance leases	60	63
	1,304	581

6. TAX

	Six months ended 30 September 2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Hong Kong	—	—
Elsewhere	818	1,269
Deferred	—	—
Tax charge for the period	818	1,269

No provision for Hong Kong profits tax has been made in the financial statements for the six months ended 30 September 2004 (2003: Nil) as the Group has no Hong Kong assessable profit for the period. 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.

As at 30 September 2004, there was no significant unprovided deferred tax liability (2003: Nil).

7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend (2003: HK1.2 cents per share) for the six months ended 30 September 2004.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of approximately HK\$21,583,000 (2003: HK\$18,006,000), and the issued share capital of 350,000,000 Shares (2003: 312,000,000 shares). Diluted earnings per share has not been calculated as no diluting event existed during the period.

9. RELATED PARTY TRANSACTIONS

There is no significant related party transaction during the period ended 30 September 2004.

10. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property under an operating lease arrangement, with the lease negotiated for a term of two years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 30 September 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	As at 30 September 2004 (Unaudited) HK\$’000	As at 31 March 2004 (Audited) HK\$’000
Within one year	14	54
In the second to fifth years, inclusive	—	—
	14	54

(b) As lessee

The Group leases certain of its factory premises under operating lease arrangements. Leases for these assets are negotiated for terms ranging from 1 to 3 years.

At 30 September 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:		
	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
Within one year	639	1,041
In the second to fifth years, inclusive	984	672
	<u>1,623</u>	<u>1,713</u>
The Company did not have any significant operating lease arrangements at the balance sheet date (31 March 2004: Nil).		
11. CONTINGENT LIABILITIES		
At the balance sheet date, the Group did not have any significant contingent liabilities.		
12. POST BALANCE SHEET EVENTS		
On 23 November 2004, the Company, Mind Seekers Investment Limited (“Mind Seekers”) and GuoTai Junan Securities (HK) Limited (“GuoTai Junan”) (an independent third party) entered into a placing and subscription agreement in respect of the placing of 25,000,000 shares through GuoTai Junan to independent investors at a price of HK\$0.80 per share. On completion of the placement, Mind Seekers subscribed for 25,000,000 new shares at a price of HK\$0.80 per share and proceeds of approximately HK\$20 million before related expenses, were received by the Company. The excess of the consideration received for shares issued over their nominal value, amounting to approximately HK\$17.5 million, before related expenses, was credited to the share premium account.		
13. COMPARATIVE FIGURES		
Certain comparative figures have been reclassified to conform to the current period’s presentation.		
BUSINESS REVIEW AND OUTLOOK		
During the first half of the year, due to the strong competitiveness of the electronic equipment manufactured and distributed by the Group, sale of electronics manufacturing equipment, the core business of the Group, had an outstanding performance. This business sector has also benefited from the robust development of the electronics industry in China. Electronics manufacturers around the world continue to expand their investment in production in China, and are actively in seek of long-term partnership with renowned materials and equipment suppliers. This provides the Group, which has established a solid base in China for over 20 years, with the best edge. On the other hand, the lead-free soldering equipment developed by the Group tunes in well with the trend of environmental friendly production. The equipment solves those technical problems during the implementation of lead-free production for quite a number of clients. For instance, the Group has provided electronic products manufactures such as Konka Limited, Panda Electronics and TCL with the technical support on lead-free production.		
In terms of cost, the Group strives to increase efficiency and control the cost. However, the price of metals during the period has been increasing globally and stayed at a high level. The price of major electronic control unit has also demonstrated an upward move, exerting certain pressure on the Group’s material cost. The Group has foreseen the risk of higher material price in the previous years and has been aiming at signing with its major suppliers long term supplying agreement, so that the material price could be maintained at a relatively stable level.		
Looking into the future, the Group expects that business will continue to grow in a stable pace, the electronics industry in China will remain its rapid development in the future and demand for electronic equipment in the second half of the year will be keener in response to the rising trend of lead-free production. In light of this, the Group has deployed enough resources and is ready to launch the brand new lead-free soldering equipment and to redeploy the existing resources so as to increase the production capacity. The Group is confident that it can cope with the surge in demand in the future. The Group believes that the price of raw materials will become more stable. The Group will pay close attention to the price fluctuation, so as to enhance its overall profitability and bring considerable return to the shareholders.		
MANAGEMENT DISCUSSION AND ANALYSIS		
Results		
For the six months ended 30 September 2004, the Group had turnover of approximately HK\$281 million (2003: HK\$225 million), an increase of approximately 25% compared to the corresponding period last year. In addition, the Group recorded net profit attributable to shareholders of HK\$22 million (2003: HK\$18 million), an increase of 22% compared to the corresponding period last year. The high turnover recorded in the period demonstrated the success of the Group’s endeavour in improving the quality of products, enhancing the service standard and actively devoting in the research and development of new products tailored for the market trend. In addition, the Group continues to better utilise its resources, impose stringent control on cost and expenditure, optimize the work flow to attain higher production efficiency with an aim to enhancing the profitability of the Group and maximizing the return for shareholders.		
Electronics Manufacturing Equipment		
The electronics manufacturing equipment business of the Group comprises of design, manufacture and sale of stencil printer, soldering equipment, circuit board assembling production line, and agency for SMT equipment. With the rapid development of electronic industry in China in recent years, demand for the equipment escalates. Following the general economic improvement last year, the sale of the Group’s electronics manufacturing equipment in the first half of the year remained strong and recorded a considerable increase. Since the circuit board assembling industry tends to utilize more of the SMT technology, together with the rapid development of automobile electronics and mobile phone communication industries in China, the electronics industry in China has an urgent demand of SMT equipment. Samsung SMT machine, in which the Group acts as its agent, benefited from the booming market during the period, thus recording a very satisfactory result. On the other hand, due to the competitiveness in the research and development efforts of the Company, stencil printers and reflow soldering equipment designed and manufactured by the Group reported in excellent sales in the period as well. The technology of the Group’s stencil printers and reflow soldering equipment is now comparable with overseas well-known brands and their price advantage allows the Group to become the market leader of the electronics manufacturing market in China.		
On the other hand, the environmental orders of the European Union will be in force in mid 2006, and Japan, the US and China have set up similar standards. Electronics manufacturers therefore have to replace their old equipment with lead-free soldering equipment, and it is anticipated that the coming 18 months will be the peak season for equipment replacement. The Group’s lead-free soldering equipment, including the wave soldering and reflow soldering series, has attained a mature status and gained advantages in the market in terms of technical features and stability. At the same time, the Group completed the research work of the latest lead-free wave soldering series in China – the electromagnetic pump series during the period. After repeated experiments, the new product is proved to help users in saving stencil cost. It is expected that the launch of electromagnetic pump series will enhance the market share of the Group.		
Precision Wire Bonding Equipment		
In the first half of the year, development of the Group’s precision wire bonding equipment business remained stable. In August, the “Harbin Institute of Technology – Sun East Green Micro-manufacture Research and Development Center” formed by the Group with Harbin Institute of Technology Shenzhen Graduate School was officially opened. The center mainly researches and develops precise micro-electronics and semiconductor packaging technology with an ultimate goal of integrating scientific development capacity of universities and the market position of the Group for commercialization of scientific research results.		

At the same time, the CHIP ON GLASS (“COG”) technology that has been continuously developed by the Group gained certain achievements during the period. The Group is going to be appointed as the exclusive original equipment manufacturer in China by two Japanese chip packaging equipment companies. This demonstrates that the Group’s packaging equipment manufacturing technology for semiconductors and chips has attained a certain level and is recognized by the market. Through this potential cooperation agreement, the Group expects that apart from the foreseeable increase of turnover, the technology transfer from those Japanese companies will greatly enhance the Group’s production technology of semiconductor packaging equipment, hence building up its brandname and reputation in the global semiconductor market.	
Others	
The Group’s metal plate processing and automated logistic warehouse businesses continued to grow steadily during the period. For the automated logistic warehouse business, the Group is actively investing resources to enhance the development of software for logistic systems. Through the development of software, the efficiency of logistic systems can be optimized on the whole and related functions can be enhanced, so that the market competitiveness of its automated logistic systems would be increased.	
Liquidity	
As at 30 September 2004, the Group had net current assets of HK\$119 million (31 March 2004: HK\$93 million), mainly comprising cash and cash equivalents of approximately HK\$97 million (31 March 2004: HK\$68 million), prepayments, deposits and other receivables of approximately HK\$32 million (31 March 2004: HK\$31 million), inventories of approximately HK\$99 million (31 March 2004: HK\$80 million), and trade receivables of approximately HK\$103 million (31 March 2004: HK\$117 million) and current liabilities of approximately HK\$215 million (31 March 2004: HK\$205 million). The current ratio was approximately 1.6 as at 30 September 2004 (31 March 2004: 1.5).	
As at 30 September 2004, the Group had total assets of approximately HK\$517 million (31 March 2004: HK\$478 million) and total liabilities of approximately HK\$237 million (31 March 2004: HK\$213 million). The gearing ratio calculated as a percentage of long-term debt to equity was 6.7% (31 March 2004: 1.7%).	
Financial Resources	
As at 30 September 2004, the Group had floating interest-bearing bank borrowings of approximately HK\$50 million (31 March 2004: HK\$41 million), of which HK\$47 million were denominated in Renminbi and HK\$3 million in Hong Kong dollars. The Group’s bank borrowings are all repayable within five years. As at 30 September 2004, the Group’s 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) guarantees provided by the Company.	
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 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 instrument outstanding as at 30 September 2004.	
As at 30 September 2004, cash and bank balances amounted to HK\$97 million, approximately HK\$27 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 2004, the Group employed approximately 1,700 staff and workers in the PRC and approximately 50 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 schemes for its staff in the PRC and Hong Kong.	
Interim Dividend	
The Board has resolved not to declare an interim dividend (2003: HK1.2 cents per share) for the six months ended 30 September 2004.	
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 its subsidiaries during the Period.	
AUDIT COMMITTEE	
The Company has an audit committee (the “Committee”) which was established in accordance with the requirements of the Code of Best Practice (the “Code”), for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises the three independent non-executive directors of the Company. The Group’s interim report for the period ended 30 September 2004 has 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.	
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 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 ANNOUNCEMENTS 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.	
List of all Directors of the Company as at the date of this announcement:	
<i>Executive Directors:</i> Mr. But Tin Fu (<i>Chairman</i>) Mr. But Tin Hing Mr. Leung Cheong Mr. Leung Kuen, Ivan	<i>Independent Non-Executive Directors:</i> Mr. Au Son Yiu Mr. Goh Gen Cheung Mr. See Tak Wah
For and on behalf of the Board But Tin Fu <i>Chairman</i>	
Hong Kong, 28 December 2004	