



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 2001. The Unaudited Results have not been audited by the Company’s auditors, but have been reviewed by the Company’s Audit Committee on 20 December 2001:

CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT

		(Unaudited) Six months ended 30 September 2001 <i>HK\$’000</i>	(Unaudited) Six months ended 30 September 2000 <i>HK\$’000</i>
	<i>Notes</i>		
TURNOVER	2	218,645	260,424
Cost of Sales		(159,927)	(191,139)
Gross profit		58,718	69,285
Other revenue		1,399	673
Selling and distribution costs		(5,674)	(6,393)
General and administrative expenses		(23,046)	(16,403)
Other operating expenses		(1,537)	(2,831)
PROFIT FROM OPERATING ACTIVITIES	3	29,860	44,331
Finance costs	4	(348)	(877)
PROFIT BEFORE TAX		29,512	43,454
Tax	5	(3,833)	(6,866)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		25,679	36,588
Special dividend		–	(16,000)
Interim dividend	6	–	(3,120)
EARNING PER SHARE			
– Basic	7	8.23 cents	15.64 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 September 2001 <i>HK\$’000</i>	(Audited, restated) 31 March 2001 <i>HK\$’000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets	8	144,536	100,696
Other deposits		3,276	2,040
		147,812	102,736
CURRENT ASSETS			
Inventories		65,437	49,669
Accounts receivable	9	51,939	78,308
Prepayments, deposits and other receivables		2,147	4,579
Pledged bank deposits		5,000	5,000
Cash and bank balances		104,400	97,028
		228,923	234,584
CURRENT LIABILITIES			
Accounts and bills payable	10	43,544	37,949
Accruals and other payables		15,934	27,801
Interest-bearing borrowings		23,491	9,274
Finance lease payables		2,869	393
Tax payable		24,387	20,991
Amounts due to directors		–	2,182
Dividend payable		12,480	–
		122,705	98,590
NET CURRENT ASSETS		106,218	135,994
TOTAL ASSETS LESS CURRENT LIABILITIES		254,030	238,730
NON-CURRENT LIABILITIES			
Finance lease payables		1,830	124
Deferred tax		3,503	3,098
		5,333	3,222
		248,697	235,508
CAPITAL AND RESERVES			
Issued capital	11	31,200	31,200
Reserves	12	217,497	191,828
Proposed Dividends		–	12,480
		248,697	235,508

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal Accounting Policies and Basis of Presentation

The condensed consolidated interim financial statements have not been audited by the Company’s Auditors but have been reviewed by the Company’s Audit Committee.

The Unaudited Results have been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants. The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2001. Figures for the year ended 31 March 2001 are extracted from the Group annual financial statements for that year.

In accordance with the SSAP 9 (Revised) “Events after the balance sheet date”, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to HK\$12,480,000 previously recorded as a current liability as at 31 March 2001 has been restated and shown under capital and reserves in the balance sheet.

2. Turnover and Profit from Operating Activities

An analysis of the Group’s turnover and contribution to profit from operating activities by principal activity and geographical area of customers for the six months period ended 30 September 2001 is as follows:

	Turnover		Profit from Operating Activities	
	Six months ended 30 September 2001	2000	Six months ended 30 September 2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By Operating Activity:				
Design and manufacture of production lines and production equipment	113,051	153,743	15,921	27,360
Distribution of brand name production equipment	39,019	67,117	4,292	9,890
Design and manufacture of consumer products	35,710	14,912	1,775	730
Provision of Sub-contracting services	30,865	24,652	6,473	5,678
	218,645	260,424	28,461	43,658
Other Income and Revenue	—	—	1,399	673
	218,645	260,424	29,860	44,331

	Turnover		Profit from Operating Activities			
	Six months ended 30 September 2001 HK\$'000	2000 HK\$'000	Six months ended 30 September 2001 HK\$'000	2000 HK\$'000		
By Geographical Segment:						
Hong Kong	107,928	195,554	14,182	34,169		
The People's Republic of China excluding Hong Kong ("PRC")	78,483	55,765	11,410	9,358		
Elsewhere	32,234	9,105	2,869	131		
	<u>218,645</u>	<u>260,424</u>	<u>28,461</u>	<u>43,658</u>		
Other Income and Revenue	–	–	1,399	673		
	<u>218,645</u>	<u>260,424</u>	<u>29,860</u>	<u>44,331</u>		
3. Profit from operating activities						
			Six months ended 30 September 2001 HK\$'000	2000 HK\$'000		
Profit from operating activities has been arrived at after charging:						
Depreciation			7,690	5,559		
Cost of inventories sold and services provided			<u>159,927</u>	<u>191,139</u>		
4. Finance Costs						
			Six months ended 30 September 2001 HK\$'000	2000 HK\$'000		
Interest on bank loans and overdraft wholly repayable within five years			295	357		
Interest on other loans			–	212		
Interest on finance leases			53	308		
			<u>348</u>	<u>877</u>		
5. Tax						
			Six months ended 30 September 2001 HK\$'000	2000 HK\$'000		
Hong Kong			847	425		
Elsewhere			2,581	6,317		
Deferred			405	124		
Tax Charge for the Period			<u>3,833</u>	<u>6,866</u>		
Hong Kong profits tax has been provided at the rate of 16% (2000: 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. Interim Dividend						
The Board of Directors has resolved not to pay any interim dividend for the six months ended 30 September 2001 (2000: HK\$ 1 cent per share).						
7. Earnings per Share						
The calculations of Earnings per Share are based on the net profit from ordinary activities attributable to shareholders for the period of approximately HK\$25,679,000 (2000: HK\$36,588,000), and the issued share capital of 312,000,000 shares (2000: 234,000,000 shares). The comparative number of shares used to calculate the 2000 earnings per share represents the pro forma issued share capital of the Company comprising 1,000,000 shares issued nil-paid on incorporation of the Company, 1,000,000 shares issued for the acquisition of the entire issued share capital of i-System Investment Company Limited and the capitalization issue of 232,000,000 shares. Diluted Earnings per Share has not been calculated as no diluting event existed during the period.						
8. Fixed Assets						
During the six months ended 30 September 2001, the additions to fixed assets including land and buildings, machinery and equipment, and construction in progress were approximately HK\$52 million.						
9. Accounts Receivable						
The Group usually grants credit periods ranging from 30-90 days to normal customers. As at 30 September 2001, the aged analysis of Accounts Receivable is as follows:						
			As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000		
Within 90 days			43,792	63,054		
91 to 120 days			5,928	6,187		
Over 120 days			8,791	16,267		
			<u>58,511</u>	<u>85,508</u>		
Less: Provision for doubtful debts			<u>(6,572)</u>	<u>(7,200)</u>		
			<u>51,939</u>	<u>78,308</u>		
10. Accounts and Bills Payable						
As at 30 September 2001, the aged analysis of Accounts and Bills Payable is as follows:						
			As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000		
Within 90 days			35,637	31,809		
91 to 120 days			5,457	1,117		
Over 120 days			2,450	5,023		
			<u>43,544</u>	<u>37,949</u>		
11. Share Capital						
			As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000		
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			<u>31,200</u>	<u>31,200</u>		
12. Reserves						
	Share premium HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2001	50,006	4,800	4,730	(140)	132,432	191,828
Translation differences arising on consolidation	–	–	–	(10)	–	(10)
Retained profit for the period	–	–	–	–	25,679	25,679
At 30 September 2001	<u>50,006</u>	<u>4,800</u>	<u>4,730</u>	<u>(150)</u>	<u>158,111</u>	<u>217,497</u>
13. Related party transactions						
There is no significant related party transaction during the period ended 30 September, 2001.						
14. Commitments						
At the balance sheet date, the Group had the following commitments:						
			As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000		
Capital commitments in respect of building constructed, but not provided for			<u>9,063</u>	<u>6,414</u>		

15. Contingent liabilities

	As at 30 September 2001 <i>HK\$’000</i>	As at 31 March 2001 <i>HK\$’000</i>
Bills discounted with recourse	1,697	1,869

BUSINESS REVIEW AND OUTLOOK

During the six months ended 30 September 2001 (the “Period”), the Group continued to engage in the manufacturing of production lines and production equipment industry with principal market in Hong Kong and PRC. Due to the downward trend of worldwide economy, the Group’s unaudited turnover was approximately HK\$219 million for the Period (2000: HK\$260 million), representing a decrease of approximately 16% compared with the same period last year and unaudited net profit from ordinary activities attributable to shareholders was approximately HK\$26 million for the period (2000: HK\$36 million), representing a decrease of approximately 28% compared with the same period of last year.

During the period, the global economic downturn and the “911” terrorist attack has undermined the investment sentiment in general. As a result, the Group’s core business of production equipment for electronic products recorded lower sales due to weakened demand. In view of the uncertain economic outlook, the Group has taken various measures for consolidation and reallocated resources in a bid to raise efficiency and lower costs.

In August, Suneast Electronics Development (Shenzhen) Co., Ltd. was recognised by Shenzhen Municipal Government as a new and high technology enterprise (United Code: S2001048). Accordingly, in addition to the preferential treatment of tax exemption in the first two years and half tax rates in the following eight years, the company is entitled to receive additional resources from Shenzhen Municipal Government. This demonstrates the Group’s achievement in new product development and reflects its status in the PRC market. The Group will continue to drive forward in the field of advanced technology.

The Group succeeded in the development of unlead soldering equipment which was well received by the market and is believed to contribute positively to the environment and the future health of the mankind. With the rapid growth of the electronics industry, disposed electronic products have been increasing every year. Almost all the solder used in the soldering process contains lead, which will contaminate underground water and soil. Environmental pollution has raised the concern of people in recent years, particularly in developed countries. One example is the European Commission has decided that by January 2004 the electronics industry across Europe will be prohibited to use solder that contains lead. By 2004, the Europe and the U.S. will introduce processes that use unlead solder paste. Now many companies are required to use materials and technologies that are environmentally friendly when they apply for the ISO14000 accreditation, so a number of international electrical appliances manufacturers such as Matsushita and Pioneer has expressed interests in our product and Pioneer has even made orders for this product.

Although producers’ attitudes towards investment were adversely affected by the global economic slowdown, manufacturers in the PRC are expected to have eager demand for sophisticated and advanced production equipment for electronic products as local manufacturers strive to increase competitive power and match the international standard and foreign investors enter the market following the PRC’s accession to the WTO. The Group believes that when the economy recovers in mid 2002, the business of production equipment for electronic products will generate substantial returns.

In respect of logistics operation, the management will deploy more resources in pursuance of a leading position in the PRC market.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity

As at 30 September 2001, the Group had net current assets of HK\$106 million (31 March 2001: HK\$136 million), mainly comprising prepayments, deposits and other receivables of approximately HK\$52 million (31 March 2001: HK\$5 million), inventories of approximately HK\$65 million (31 March 2001: HK\$50 million) and trade receivables of the approximately HK\$52 million (31 March 2001: HK\$78 million) and current liabilities of approximately HK\$123 million (31 March 2001: HK\$99 million). The current ratio decreased from approximately 2.4 as at 31 March 2001 to approximately 1.8 as at 30 September 2001.

At 30 September 2001, the Group had total assets of approximately HK\$377 million (31 March 2001: HK\$337 million) and total liabilities of approximately HK\$128 million (31 March 2001: HK\$102 million). The gearing ratio calculated as a percentage of long term debt to equity was 0.74% (31 March 2001: 0.05%).

Financial Resources

At 30 September 2001, the Group had floating interest-bearing bank borrowings of approximately HK\$23 million (31 March 2001: HK\$9 million), of which HK\$14 million were denominated in Renminbi and HK\$9 million in Hong Kong dollars. The Group’s bank borrowings are all repayable within one year. At 30 September 2001, 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) pledged bank deposits of HK\$5 million; (iii) second legal charges on properties located in Hong Kong of a related company; (iv) a second legal charge on a property located in Hong Kong of a director; (v) deposits of a director amounting to HK\$4.7 million.

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 2001.

At 30 September 2001, cash and bank balances amounted to 104 million, approximately 13 million are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

Contingent Liability

At 30 September 2001, bill discounted with recourse amounted to HK\$1.7 million (31 March 2001: HK\$1.9 million).

Employees

At 30 September 2001, the Group employed approximately 3,500 staff and workers in 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 benefits schemes for its staff in PRC and Hong Kong.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 19th September, 2000 in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Committee was established with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors. The Group’s financial statements for the period ended 30 September 2001 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.

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 Rules Governing the Listing of Securities issued by the Stock Exchange (the “Listing Rules”), throughout the accounting period covered by this report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company’s bye-laws.

PUBLICATION OF DETAILED INTERIM RESULTS ON THE STOCK EXCHANGE’S WEBSITE

The detailed interim results containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (www.hkex.com.hk) in due course.

For and on behalf of the Board
But Tin Hing
Chairman

Hong Kong, 20 December 2001