

TABLE OF CONTENTS

<u>CONSOLIDATED BALANCE SHEET — JULY 31, 2001</u>	
<u>CONSOLIDATED STATEMENT OF INCOME</u>	
<u>SIX AND THREE MONTHS ENDED JULY 31, 2001 AND 2000</u>	
<u>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</u>	
<u>SIX AND THREE MONTHS ENDED JULY 31, 2001 AND 2000</u>	
<u>CONSOLIDATED STATEMENT OF CASH FLOWS</u>	
<u>SIX MONTHS ENDED JULY 31, 2001 AND 2000</u>	
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	
<u>MANAGEMENTS DISCUSSION AND ANALYSIS OR PLAN OF OPERATION</u>	
<u>SIGNATURES</u>	

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended July 31, 2001
or

() Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1939

For the transition period from _____ to _____

Commission File Number: 33-5820-LA

SETO HOLDINGS, INC.
(Formerly Semicon Tools, Inc)
(Exact name of small business issuer as specified in its charter)

Nevada

77-0082545

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

554 North State Road, Briarcliff Manor, New York 10510
(Address of principal executive offices)

Issuer's telephone number, including area code: (914) 923-5000

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Indicate the number of Shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2001
Common Stock, par value \$.001 per share	14,241,600

INDEX

Part I. Financial Information

Item 1. Consolidated financial statements:

Balance sheet as of July 31, 2001	F-2
Statement of income for the six and three months ended July 31, 2001 and 2000	F-3
Statement of comprehensive income for the six and three months ended July 31, 2001 and 2000	F-4
Statement of cash flows for the six and three months ended July 31, 2001 and 2000	F-5
Notes to consolidated financial statements	F-6 - F-11

Item 2. Management’s discussion and analysis of financial condition

Part II. Other information

Signatures

SETO HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET — JULY 31, 2001

ASSETS

Current assets:	
Cash	\$ 763,184
Accounts receivable, less allowance for doubtful accounts of \$10,350	661,479
Inventory	883,282
Prepaid expenses and other assets	89,561
Deferred tax asset, current portion	114,209
	<hr/>
Total current assets	2,511,715
	<hr/>
Property and equipment	684,533
	<hr/>
Other assets:	
Goodwill, net of amortization	822,717
Security deposits	53,929
Deferred tax asset, net of current portion	220,917
Net assets of discontinued operations	277 779
	<hr/>
	1,375,342
	<hr/>
	\$ 4,571,590
	<hr style="border-top: 3px double #000;"/>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Current portion of long-term debt	\$ 82,679
Notes payable	1,000,000
Accounts payable	665,650
Accrued expenses	199,884
	<hr/>
Total current liabilities	1,948,213
	<hr/>
Long-term debt, net of current portion	62,186
	<hr/>
Deferred lease liability	19,500
	<hr/>
Deferred income taxes payable	41,189
	<hr/>
Commitments and contingencies	
Shareholders' equity:	
Common stock par value \$.001; 100,000,000 shares authorized; 14,271,000 shares issued	14,271
Additional paid in capital	4,364,035
Currency translation adjustment	(219,119)
Retained earnings (deficit)	(1,649,659)
	<hr/>
	2,509,528
Less common shares held in treasury, 29,400 shares at cost	(9,026)
	<hr/>
	2,500,502
	<hr/>
	\$ 4,571,590
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See notes to consolidated financial statements.

SETO HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

SIX AND THREE MONTHS ENDED JULY 31, 2001 AND 2000

	Six Months Ended July 31,		Three Months Ended July 31,	
	2001	2000 Restated	2001	2000 Restated
Net sales	\$2,641,362	\$2,321,025	\$1,238,522	\$1,208,738
Cost of sales	1,432,123	1,230,660	644,751	723,704
Gross profit	1,209,239	1,090,365	593,771	485,034
Selling, general and administrative expenses	862,052	845,593	393,596	394,291
Income from operations	347,187	244,772	200,175	90,743
Other income (expenses):				
Interest income	7,830	5,968	3,991	5,673
Interest expense	(44,767)	(63,133)	(15,864)	(35,004)
Foreign currency exchange	(188)	(23)	(190)	2,378
	(37,125)	(57,188)	(12,063)	(26,953)
Income before income taxes	310,062	187,584	188,112	63,790
Income tax	3,279	2,639	1,979	14,976
Income from continuing operations	306,783	184,945	186,133	48,814
Discontinued operations:				
Income (loss) from operations of subsidiaries	27,102	110,333	48,482	(26,407)
Net income	\$ 333,885	\$ 295,278	\$ 234,615	\$ 22,407
Earnings per share information:				
Income from continuing operations				
Basic	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.00
Diluted	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.00
Discontinued operations:				
Basic	\$ 0.00	\$ 0.01	\$ 0.00	\$ (0.00)
Diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.00)

See notes to consolidated financial statements.

SETO HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SIX AND THREE MONTHS ENDED JULY 31, 2001 AND 2000

	Six Months Ended July 31,		Three Months Ended July 31,	
	2001	2000 Restated	2001	2000 Restated
Net income	\$333,885	\$295,278	\$234,615	\$22,407
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment		(53,300)		8,772
Comprehensive income	\$333,885	\$241,978	\$234,615	\$31,179

See notes to consolidated financial statements.

SETO HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED JULY 31, 2001 AND 2000

	2001	2000 Restated
Operating activities:		
Income from continuing operations	\$ 306,783	\$ 184,945
Adjustments to reconcile net income to cash provided by continuing operations:		
Depreciation and amortization	55,151	57,996
Compensatory stock surrendered	(25,200)	
Changes in other operating assets and liabilities:		
Accounts receivable	28,560	(185,901)
Inventories	(74,630)	(59,268)
Prepaid expenses and other current assets	32,546	57,760
Deferred tax assets		(7,500)
Other assets	(46,982)	(159,516)
Accounts payable, and accrued expenses	80,985	(256,137)
Deferred lease liability	3,000	3,000
Net cash used in continuing operations	360,213	(364,621)
Net cash provided by (used in) discontinued operations	(26,678)	322,048
Net cash provided by (used in) operating activities	333,535	(42,573)
Investing activities:		
Purchase of property and equipment	(108,405)	(153,659)
Net cash used in investing activities	(108,405)	(153,659)
Financing activities:		
Proceeds from issuance of common stock		945,287
Proceeds from financing	18,847	750,000
Payment of debt	(80,022)	(654,569)
Net cash provided by (used in) financing activities	(61,175)	1,040,718
Effect of exchange rate changes on cash		40,473
Net increase in cash	163,955	884,959
Cash, beginning of period	599,229	349,547
Cash, end of period	\$ 763,184	\$1,234,506

See notes to consolidated financial statements.

SETO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for the three months ended is not necessarily indicative of the results to be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report for the year ended January 31, 2001 included in its Annual Report filed on Form 10-KSB.

2. Principles of consolidation:

The consolidated financial statements of Seto Holdings, Inc. and subsidiaries include all the accounts of Seto Holdings, Inc., East Coast Sales Company, DTI Technology, SDN BHD, Fuji Fabrication and SDN BHD, Hong Kong Batteries Industries, Ltd. after elimination of all significant intercompany transactions and accounts.

The financial statements for the six and three months ended July 31, 2000 have been restated to give effect to the disposition of Fimas SDN BHD and the discontinuation of Fuji Fabrication, SDN BHD. (See Note 12)

3. Nature of operation, risks and uncertainties:

The Company currently has a minuscule share of the dicing blade, ceramics and cellular phone battery markets. There can be no assurance that the Company will be able to increase its market share or that the market will increase. Furthermore, the Company faces the possibility of adverse market conditions from technological changes, shifting product emphasis among competitors and the entry of new competitors into the market.

4. Property and equipment:

Major classifications of property and equipment are as follows:

Leasehold improvements	\$150,961
Manufacturing equipment	701,115
Office equipment	128,486
	<hr/>
	980,562
Less accumulated depreciation	296,029
	<hr/>
	\$684,533
	<hr/>

SETO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Commitments and contingencies:

The Company is obligated under a lease agreement with an entity owned by an officer of the Company which expires on April 30, 2013. Annual rent expense is as follows: \$60,000 for each of the first five years, \$66,000 for each of the second five years and \$72,000 for each of the final five years. The Company is also obligated for insurance and the increase in real estate taxes over the base year as stipulated in the lease. This lease requires the following future minimum rental payments:

July 31, 2002	\$ 61,500
July 31, 2003	66,000
July 31, 2004	66,000
July 31, 2005	66,000
July 31, 2006	66,000
Thereafter	469,500
	<hr/>
	\$795,000
	<hr/>

Rent expense amounted to \$34,561 and \$36,477 for the six months ended July 30, 2001 and 2000, respectively.

6. Notes payable and long-term debt:

The Company had an outstanding line of credit with a financial institution in the amount of \$1,000,000. The line of credit carries interest at an annual rate of 2.9% plus the 30 day dealer commercial paper rate with an expiration date of October 31, 2001. As of July 31, 2001, the Company had utilized \$1,000,000 of the line of credit. The loan is secured by the personal guarantee of the Company's president and the assets of Seto Holdings, Inc.

Long-term debt of the domestic companies consists of the following:

		Rate	Balance July 31, 2000	Maturity
Equipment				
loan	(a)	15%	\$ 44,114	2004
Shareholder	(b)	15%	79,575	2003
Shareholder	(b)	10%	21,176	2002
			<hr/>	
			144,865	
Less current portion			82,679	
			<hr/>	
			\$621,863	
			<hr/>	

- (a) The note is payable in monthly installments of \$1,607, including interest. Equipment which cost \$57,426 is pledged as collateral.
- (b) The notes are payable to shareholders in monthly amounts aggregating \$8,364, including interest.

The maturities of these loans are as follows:

July 31, 2002	\$ 82,679
July 31, 2003	47,185
July 31, 2004	15,001
	<hr/>
	\$144,865
	<hr/>
DTI:	
Capitalized lease	\$ 24,227
	<hr/>
Due to directors	\$ 69,527
	<hr/>

SETO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Income taxes:
Provision for income taxes (benefit) for the six months ended July 31:

	2001	2000
Domestic:		
Current	\$3,279	\$2,639
Deferred		
Total (benefit) expense	\$3,279	\$2,639

A reconciliation of the income tax provision at the federal statutory rate to the income tax provision at the effective tax rate is as follows:

	2001	2000
Income tax computed at the domestic federal statutory rates	\$ 28,594	\$ 22,026
State tax (net of federal benefit)	3,279	2,639
Reduction in valuation allowance	(28,594)	(22,026)
Net income tax expense (benefit)	\$ 3,279	\$ 2,639

The components of deferred tax assets and liabilities consist of the following:

Deferred tax asset:	
Net operating loss carryforward	\$475,000
Total deferred tax asset	475,000
Valuation allowance	139,874
	\$335,126

The Company has a net operating loss carry forward of approximately \$1,600,000 for federal and state purposes which will expire in 2009.

8. Employment and consulting agreements:

Employment agreements:

On May 1, 1996, the Company entered into employment agreements with its President and Vice President. The term of the agreements covers a five year period expiring April 30, 2006. Compensation is set at a base of \$125,000 and \$110,000 for the President and Vice President, respectively, with each getting a bonus of 5% of the increase in Seto Holdings, Inc./East Coast Sales consolidated net income over the net income from the previous years. Each employee also received 1,000,000 stock options at \$.25, 1,000,000 stock options at \$.10 and 500,000 stock options at \$.50. The Vice President also received 50,000 stock options at \$.50 in February 2000. The options were not part of the 1997 Non-statutory Stock Option Plan effectuated March 25, 1997. As of July 31, 2001, none of these options had been exercised.

SETO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Employment and consulting agreements (continued):

Employment agreements (continued):

On July 15, 1998, the Company entered into an employment agreement with the acting secretary of the Company. The term of the agreement covers a five year period expiring April 30, 2006. Compensation is set at a base of \$60,000 with a bonus of 2% of any increase in Seto Holdings, Inc./East Coast Sales consolidated net income over the net income from the previous years. The employee also received 550,000 stock options exercisable at \$.50 per share, none of which have been exercised as of April 30, 2001. These options were not part of the 1997 non-statutory stock option Plan effectuated March 25, 1997.

9. Computation of earnings per share:

	Six Months ended July 31,		Three months ended July 31,	
	2001	2000	2001	2000
Weighted average number of common shares outstanding	14,315,254	19,090,069	14,271,000	19,467,165
Assumed conversion of stock options	5,525,000	6,063,000	5,525,000	6,126,000
Weighted average number of common shares outstanding	19,840,254	25,153,069	19,796,000	25,593,165

10. Principal products and segmentation of sales:

The Company’s principal products are industrial ceramics, diamond cutting tools and cellular phone batteries. The tools include dicing blades which are components of precision electronic saws, scribes which are used to cut silicon wafers, porcelain and ceramic molds and dressers which are used for the shading and forming of grinding wheels in the machine tool industry.

Financial information relating to the principal industry segments and classes of products:

	July 31, 2001	July 31, 2000
Sales to customers:		
Industry A:		
Ceramics	\$ 809,262	\$ 661,663
Industry B:		
Diamond tools	419,303	419,699
Industry C:		
Rechargeable batteries	1,166,950	1,173,683
Miscellaneous	245,847	65,980
	\$2,641,362	\$2,321,025

SETO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Principal products and segmentation of sales (continued):

Financial information relating to the principal industry segments and classes of products (continued):

	July 31, 2001	July 31, 2000
Operating profit or loss:		
Industry A	\$ 282,277	\$ 102,021
Industry B	(133,600)	(133,444)
Industry C	127,460	191,398
Miscellaneous	71,050	40,200
	<u>\$ 347,187</u>	<u>\$ 200,175</u>
Identifiable assets:		
Industry A	\$ 672,363	\$ 541,835
Industry B	1,492,916	1,798,725
Industry C	881,964	765,430
	<u>\$3,047,243</u>	<u>\$3,105,990</u>
	July 31, 2001	July 31, 2000
Sales to customers:		
United States	\$1,253,387	\$1,183,723
Far East	1,019,272	858,779
Canada	368,703	278,523
	<u>\$2,641,362</u>	<u>\$2,321,025</u>
Operating profit:		
United States	\$ 131,931	\$ 80,070
Far East	142,347	70,061
Canada	72,909	50,044
	<u>\$ 347,187</u>	<u>\$ 200,175</u>
Identifiable assets:		
United States	\$ 944,645	\$ 993,917
Far East	1,554,094	1,584,055
Canada	548,504	528,018
	<u>\$3,047,243</u>	<u>\$3,105,990</u>

SETO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Supplemental cash flow information:

	2001	2000
Interest paid during the period	\$44,767	\$ 15,864
Income taxes paid during the period	\$ 0	\$ 0
Supplemental schedule of non-cash investing and financing activities:		
Issuance of common shares for consulting contract		\$220,600

12. Discontinued operations:

On February 1, 2001, the Company adopted a formal plan to sell Fuji Fabrication, SDN, BHD. The anticipated disposal date is approximately July 31, 2001. The assets of Fuji Fabrication to be sold consist primarily of inventories and equipment.

Operating results of Fuji Fabrication for the six months ended July 31, 2001 are shown separately in the accompanying consolidated statement of income. The consolidated statement of income for July 31, 2000 has been restated and operating results of Fuji Fabrication are also shown separately.

Net sales of Fuji Fabrication for 2001 and 2,000 were \$163,256 and \$443,186, respectively. These amounts are not included in net sales in the accompanying consolidated statement of income.

In January 2001, the Company disposed of its subsidiary FIMAS SDN BHD and took back the 5,000,000 shares of its common stock issued in the acquisition. The net sales of Fimas SDN BHD for the six months ended July 31, 2000 amounted to \$10,325,638. This amount is not included in net sales in the accompanying consolidated statement of income.

MANAGEMENTS DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Overview and General Developments

1. General

Because of the earlier disassociation of Fimas Sdn Bhd (“Fimas”) at the end of fiscal year 2001 (ending January 31, 2001), the results for the three months and six months ended July 31, 2000 have been restated and utilized in this report for comparison purposes. Also, the closing of Fuji Fabrication Sdn Bhd (“Fuji”), as of the start of fiscal year 2002, the current fiscal year, resulted in their operations reflected in the Financial Statements as “discontinued operations.” Both Fimas and Fuji were located in Malaysia.

The asset sale of Fuji’s equipment, supplies and material is still in process requiring a cash payment of \$150,000 at the time of asset shipment and \$140,000 over the following three (3) months. Management anticipates that the transaction will be totally completed during this fiscal year and that after the Company works down Fuji’s receivables and payables, cash reserves will be increased by approximately \$50,000.

Even with the conclusion of the operations of Fuji and Fimas, the Company continues to have a substantial presence in the Far East, Malaysia in particular, and, generally, revenue derived globally. During the current second quarter, 38.6% of its revenue was derived from the Far East and 13.9% came from Canada. Thus, global as well as domestic economic conditions are of great interest to Management. Although there was some reduction in net sales in the second quarter of this fiscal year as compared to the first quarter, net income more than doubled from \$99,270 to \$234,615. Following its strategic corporate restructuring, as a minimum, management believes that this profit trend will continue and probably improve. A substantial portion of this improvement will be derived from its industrial ceramics product line and the new emphasis on SETO Technology Sdn Bhd’s contract manufacturing services for multiple third parties in the U.S., especially on medical and automotive products. The latter contributed net sales of \$229,427 during the

current quarter as compared to less than \$20,000 in the previous quarter and \$63,786 in net income or 27.8% of its sales.

Management believes that its product lines, now stabilized and better focussed and efficient, will realize a net income in excess of \$600,000 during the fiscal year 2002 which will be the Company's highest annual result, and remain in a range of 10% to 15% of sales.

2. Financial Condition

Management believes its financial condition is healthy and will remain very much so for the remainder of this 2002 fiscal year. As of July 31, 2001, its cash position improved 3.7% over the previous quarter to \$763,184. The nominal decreases from the previous quarter in total current assets and total assets, 1.1% and 2.3% respectively, are normal results of the impact of the residual expenses from the wrap-up of the earlier Fimas disassociation and the still on-going efforts related to the Fuji discontinuation, mostly a 14.3% decrease in accounts receivable. On the other side of the ledger and in a positive vein, total current liabilities dropped 3.9%, long term debt (manageable equipment and shareholder loans) dropped 14.3% and total shareholders' equity increased by 8.9% to \$2,500,502.

SECOND QUARTER 2001 COMPARED TO 2000

Disregarding discontinued operations, in the fiscal quarter ended July 31, 2001, net sales increased 2.5% to \$1,238,522 from \$1,208,738 and net income increased over nine (9) times to \$234,615 from \$22,407 compared to the previous fiscal quarter ended July 31, 2000. Management points to the 19.5% increase in gross profit from quarter to quarter as the major reason for this improvement. Reflecting the different aspects of the product lines in which the Company is engaged (contract manufacturing services, distribution, manufacturing), from subsidiary to subsidiary gross profit margin varied from 29.4% to 66.3% and averages, for the Company as a whole, at 47.9%, a satisfactory level that management feels can continue for the remainder of the year.

Management believes that global economic conditions will only slightly impact financial results for the remainder of the fiscal year. Management is confident that

net sales and net profit will continue to grow and points to the bookings as the quarter ended which was in excess of \$1,500,000 and to be satisfied over the next four (4) months as a promising sign.

SIX MONTHS ENDED JULY 31, 2001 COMPARED TO SIX MONTHS ENDED JULY 31, 2000

For the six months ended July 31, 2001 compared to the six months ended July 31, 2000, net sales increased 13.8% to \$2,641,362 over sales of \$2,321,025 for the previous year's comparable period. Net income for the six months ended July 31, 2001 was \$333,885 a 13.1% increase over net income of \$295,278 for the previous year's comparable period. Contributing to the latter increase was a drop in the selling, general and administrative expenses ratio of 10.4% as a function of sales.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2001, the Company had current assets of \$2,511,715 inclusive of \$763,184 of unrestricted cash, and current liabilities of \$1,949,213 yielding a current ratio of 1.29:1, a 3.2% increase over the ratio of April 30, 2001. The current ratio is in the upper range of its historical experience so that Management believes that this measure of a company's ability to meet current obligations reflects positively on the Company's financial condition. This is particularly true when one takes into consideration the residual expenses associated with the disassociation (Fimas) and the discontinuance (Fuji).

As described in the Overview and General Developments section, Fuji's asset sale should generate net cash monthly over a period of less than 3 months hence. Although a distinct benefit, Management does not feel that this cash inflow is essential to meeting its needs and that standard cash flow will suffice for the remainder of the fiscal year.

There are no plans for large scale, high-priced equipment purchases as of now. The Company does have a need for dicing saws, both for replacement purposes as well as growth needs. These \$35,000 pieces of equipment are utilized in the very profitable cutting portion of the industrial ceramics product line. One saw was purchased last quarter and another will be purchased during the next quarter. Dicing saws are generally readily financed on a lease loan basis.

The Company's line of credit of \$1 million is with a friendly and cooperative financial institution. It is fully extended and utilized at this point in time. Although no assurances can be given, the Company is satisfactorily servicing the loan and expects no problems in continuing to do so.

On the other hand, although no such prospects are presently known, funds for any strategic acquisitions, which the Company has decided to restrict to the U.S. will have to emanate from new financing sources. Although discussions are in process for such transactions and additional sources would have to be explored, there is no assurance that such funds will become available and if so, that it will be sufficient and on acceptable terms to satisfy requirements.

A small percentage of the Company's profits may not be distributable to the Company's other subsidiaries or as dividends. Under Malaysian law, a Malaysian corporation is required to maintain a statutory reserve of five percent (5%) of profit after taxation in accordance with the Foreign Investment Law until such reserve equals ten percent (10%) of legal capital. Such reserve is non-distributable

Effects of Foreign Currency Fluctuations

The Company's foreign operations are subject to risks related to fluctuations in foreign currency exchange rates. During the second quarter of fiscal year 2002, the foreign currency exchange loss was \$190; and during the first six months of fiscal year 2000 the foreign currency exchange gain was \$2378, and thus neither materially impacted operational results.

Management believes that for fiscal year 2002, two factors will continue to keep its foreign currency exchange losses or gains, if any, extremely low: Malaysian and Chinese exchange rates are fixed relative to the U.S. Dollar and, outside of these prime Company operating areas, the Company deals in U.S. Dollars almost exclusively. As a by-product, a number of economists believe that such predictable policies such as pegging exchange rates yields a key element of financial stability.

While future fluctuations in currency rates could impact results of operations or financial conditions, as now constituted, foreign operations are expected to continue to provide strong revenue and earnings growth.

Disclosures About Market Risk

The Company is exposed to market risks primarily from changes in interest rates and foreign currency exchange rates. To manage exposure to these fluctuations, the Company may occasionally enter into various hedging transactions. The Company does not use derivatives for trading purposes, or to generate income or to engage in speculative activity, and the Company never uses leveraged derivatives. The Company does not use derivatives to hedge the value of its net investments in these foreign operations.

The Company's exposure to foreign exchange rates fluctuations results from wholly-owned subsidiary operations in Malaysia and Hong Kong and from the Company's share of the earnings of these operations, which are denominated in other currencies.

Also, the Company faces the possibility of adverse market conditions from technological changes, shifting product emphasis among competitors and the entry of new competitors into the market.

Impact of Inflation

Although, it is difficult to predict the impact of inflation on costs and revenues of the Company in connection with the Company's products, the Company does not anticipate that inflation will materially impact its cost of operation or the profitability of its products during fiscal year 2002.

Forward Looking Statements

This "Management's Discussion and Analysis or Plan of Operation" contains statements which are not historical facts and are forward-looking statements which reflect management's expectations, estimates and assumptions. Such statements are based on information available at the time this Form 10-QSB was prepared and involve risks and uncertainties that could cause future results, performance and achievements of the

Company to differ significantly from projected results. Factors that could cause actual future results to differ materially include, among others, the risks of doing business in Malaysia, Hong Kong, Southeast Asia in general, and other parts of the globe including, without limitation, economic and political conditions; foreign currency translation risks; tariffs and other foreign trade policies and dependence on inexpensive labor in such countries; partial dependence on the semiconductor, ceramic, electronic, telecommunication manufacturing industries, and manufacturing industries in general; availability of raw materials; intense competition and technological obsolescence. The Company assumes no obligation to update such forward-looking statements, if any, at any time.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SETO HOLDINGS, INC.
(Registrant)

By /s/ Eugene J. Pian
Eugene J. Pian, President

Date: September 14, 2001

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Eugene J. Pian
Eugene J. Pian
Director

Date: September 14, 2001

/s/ Craig A. Pian
Craig A. Pian
Director

Date: September 14, 2001

/s/ Francine Pian
Francine Pian
Director

Date: September 14, 2001