Interim Report

2009

Sun East Technology (Holdings) Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 365

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 2009 ("the Period"). The Unaudited Results have not been audited, but have been reviewed by the Company's Audit Committee on 17 December 2009:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

	Notes	Six months ended 30 September 2009 (Unaudited) HK$'000	Six months ended 30 September 2008 (Unaudited) HK$'000
REVENUE	3	**232,352**	251,328
Cost of sales		**(202,328)**	(211,922)
Gross profit		**30,024**	39,406
Other income and gains		**3,216**	746
Selling and distribution expenses		**(18,442)**	(21,777)
General and administrative expenses		**(16,819)**	(25,044)
Finance costs	4	**(18)**	(765)
Share of results of:			
jointly-controlled entity		–	(800)
associate		–	(1)
LOSS BEFORE INCOME TAX	5	**(2,039)**	(8,235)
Income tax expense	6	**(129)**	(66)
LOSS FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**(2,168)**	(8,301)
Loss per share for loss attributable to the equity holders of the Company during the period	8		
– Basic		**(0.41 cent)**	(1.58 cent)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Notes	Six months ended 30 September 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
LOSS FOR THE PERIOD		**(2,168)**	(8,301)
OTHER COMPREHENSIVE EXPENSE, NET OF TAX:			
Exchange differences on translation of financial statements of foreign operations		**(107)**	(1,174)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**(2,275)**	(9,475)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2009

	Notes	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**133,565**	138,147
Prepaid land lease payments		**9,859**	9,932
Interests in jointly-controlled entity		**–**	–
Interests in associate		**–**	1,019
		143,424	149,098
CURRENT ASSETS			
Inventories		**54,877**	70,560
Trade and bill receivables	10	**76,798**	68,067
Prepayments, deposits and other receivables		**23,792**	17,368
Taxes recoverable		**271**	191
Cash and cash equivalents		**89,347**	61,594
		245,085	217,780
CURRENT LIABILITIES			
Trade and bill payables	11	**84,689**	62,420
Other payables and accruals		**40,425**	35,535
Interest-bearing bank and other borrowings		**105**	256
Taxes payable		**15,452**	18,501
		140,671	116,712

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2009

	Notes	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
NET CURRENT ASSETS		**104,414**	101,068
TOTAL ASSETS LESS CURRENT LIABILITIES		**247,838**	250,166
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**83**	136
Deferred tax liabilities		**4,113**	4,113
		4,196	4,249
Net assets		**243,642**	245,917
EQUITY			
EQUITY ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS			
Share capital	12	**52,500**	52,500
Reserves		**191,142**	193,417
Total equity		**243,642**	245,917

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 September 2009

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK$'000	Reserve and enterprise expansion funds HK$'000	Share based payment reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
Balance at 1 April 2009	52,500	87,728	4,800	11,041	11,397	2,245	–	76,206	245,917
Exchange realignment	–	–	–	–	(107)	–	–	–	(107)
Total income and expenses for the year recognised directly in equity	–	–	–	–	(107)	–	–	–	(107)
Net loss for the period	–	–	–	–	–	–	–	(2,168)	(2,168)
Total recognised income and expenses for the period	–	–	–	–	(107)	–	–	(2,168)	(2,275)
Balance at 30 September 2009	52,500	87,728	4,800	11,041	11,290	2,245	–	74,038	243,642

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED (Continued)

For the six months ended 30 September 2008

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK$'000	Reserve and enterprise expansion funds HK$'000	Share based payment reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
Balance at 1 April 2008	**52,500**	**87,728**	**4,800**	**15,172**	**8,024**	**2,245**	**4,992**	**128,351**	**303,812**
Exchange realignment	–	–	–	–	(1,174)	–	–	–	(1,174)
Total income and expenses for the year recognised directly in equity	–	–	–	–	(1,174)	–	–	–	(1,174)
Net loss for the period	–	–	–	–	–	–	–	(8,301)	(8,301)
Total recognised income and expenses for the period	–	–	–	–	(1,174)	–	–	(8,301)	(9,475)
Balance at 30 September 2008	**52,500**	**87,728**	**4,800**	**15,172**	**6,850**	**2,245**	**4,992**	**120,050**	**294,337**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**28,212**	43,412
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(8)**	(5,951)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(222)**	(8,811)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**27,982**	28,650
Cash and cash equivalents at 1 April	**61,594**	78,691
Effect of foreign exchange rate changes on cash and cash equivalents	**(229)**	(386)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**89,347**	106,955

NOTES TO THE UNAUDITED CONDENSED INTERIM 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. PRINCIPAL ACCOUNTING POLICIES

This unaudited condensed interim financial information of the Group for the six months ended 30 September 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited.

The unaudited condensed interim financial information has been prepared in accordance with the accounting policies and method of comparatives used in the annual financial statements for the year ended 31 March 2009 (the "2009 Annual Financial Statements"), except that the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new and revised HKFRSs") that are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2009. The unaudited condensed interim financial information does not include all the information and disclosures required in the 2009 Annual Financial Statements, and should be read in conjunction with the 2009 Annual Financial Statements.

HKAS 1 (Revised) Presentation of financial statements

The adoption of HKAS 1 (Revised) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, the exchange difference on translation of foreign operations that was recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous years, segments were identified by reference to the dominant source and nature of the Group's risks and returns.

Apart from certain presentation changes, the adoption of the new and revised HKFRSs has no material impact on the Group's results and financial position for the current and prior periods. Accordingly, no prior period adjustment is required.

The HKICPA has also issued a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning after 1 April 2009. The Group has not early adopted these standards. The directors are currently assessing the impact of these new and revised HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 requires that operating segments be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments.

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

	Production lines and production equipment Six months ended 30 September (Unaudited)		Brand name production equipment Six months ended 30 September (Unaudited)		Six months ended 30 September (Unaudited)	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue	**179,591**	127,026	**52,761**	124,302	**232,352**	251,328
Segment results	**(3,442)**	(11,300)	**(1,795)**	3,739	**(5,237)**	(7,561)
Interest and unallocated income					**3,216**	892
Finance costs					**(18)**	(765)
Share of results of						
jointly-controlled entity					**–**	(800)
associate					**–**	(1)
Income tax expense					**(129)**	(66)
Net loss for the period					**(2,168)**	(8,301)

4. FINANCE COSTS

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**–**	746
Interest on finance leases	**18**	19
	18	765

5. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss before income tax has been arrived at after charging:		
Cost of inventories sold	**202,328**	211,922
Depreciation	**7,259**	7,716
Staff costs (including directors' remunerations)		
– wages and salaries	**21,330**	24,158
– defined contribution scheme	**730**	230

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong	**–**	66
Mainland China	**129**	–
Total income tax expense	**129**	66

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period (2008: 16.5%). Taxes assessable in Mainland China have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2009 (2008: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the period of approximately HK$2,168,000 (2008: HK$8,301,000) attributable to the equity holders of the Company and the number of 525,000,000 (2008: 525,000,000) shares in issue during the period. 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 2009 (2008: Nil).

10. TRADE AND BILL RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The normal credit period granted by the Group to its customers ranges from 30 to 180 days.

Ageing analysis of the trade and bill receivables as at the balance sheet date, based on invoice date and net of provision, is as follows:

	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
Within 90 days	**42,620**	30,132
91 to 120 days	**3,444**	423
121 to 180 days	**8,722**	12,394
181 to 360 days	**8,455**	11,890
Over 360 days	**13,557**	13,228
	76,798	68,067

11. TRADE AND BILL PAYABLES

Ageing analysis of the trade and bill payables as at the balance sheet date, based on invoice date, is as follows:

	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
Within 90 days	**61,780**	30,949
91 to 120 days	**3,070**	4,554
Over 120 days	**19,839**	26,917
	84,689	62,420

12. SHARE CAPITAL

	As at 30 September 2009 (Unaudited) HK$'000	As at 31 March 2009 (Audited) HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
525,000,000 (2008: 525,000,000) ordinary shares of HK$0.10 each	**52,500**	52,500

BUSINESS REVIEW AND OUTLOOK

During the six months ended 30 September 2009, turnover of the Company amounted to approximately HK$232 million (30 September 2008: HK$251 million), representing a decrease of 7.6% as compared to that of the same period of the previous year. Gross profit amounted to HK$30 million, decreased HK$9.4 million or 23.9% as compared to that of the previous year. Loss attributable to equity holders amounted to HK$2,168,000 (30 September 2008: HK$8,301,000).

During the period, with the global financial crisis in the second half of 2008, the Group experienced continuous and difficult conditions in its operations for the first half of 2009. Our target clients were still suffered from weakening export activities and most decisions on new purchase of equipment were on hold as a result. Fortunately, the PRC government increased its investment within the State and our target clients engaging in domestic sales were encouraged to invest in capital equipment accordingly. Consequently, the market impact on Sun East was thus lessened and Sun East was able to survive during the difficult period. In addition, with the guidance of the established "應對經濟危機二十一條舉措", the Group rationalised its industrial and organisational structures and took an active role to adjust its marketing strategy, as well as endeavoured to avoid the adverse effect of any financial risks. Notwithstanding the above situation, the Group was able to maintain its relationship with clients with its sincere and comprehensive services. The Group also focused on improve its production efficiency and product quality and enhanced its research and development capacity by working together with leading academic institutions and renowned international and domestic corporations for its technological development and strategic planning, thereby strengthening the competitive edges of the Group to leverage on any emerging market opportunity.

BUSINESS REVIEW

The Group enjoyed a leading position in the PRC as a manufacturing enterprise of intelligent electronic equipment and a solution provider for industrial automatic systems. The Group spared no effort to continuously enhance its competitiveness and profitability through:

I. Focus on Emerging Market with Support of State Policy

With the impact of the economic crisis, the Group, as an advance technology enterprise recognised by the State, was supported and guided by policies of the State in the adjustment of its industrial structure. While strengthening the competitive edges of SMT integrated solutions, we also contributed greatly to the investment in LED lighting, communication and new sectors delivering promising growth with reference to the domestic demand and policies of the State. Owing to the substantial decrease in overseas orders, the Group shifted its focus to the domestic market instantly by exploring the demand within the PRC. Besides, the Group's core market grew from southern China to northern part of the PRC rapidly and recorded an increase of 9% when compared with the corresponding period of 2008. Our sales in the market in northern China even accomplished the annual sales target in the third quarter. The PRC government promulgated, among others, "Restructuring and Development Plan for the Equipment Manufacturing Industry" and "Restructuring and Development Plan for the Automobile Industry", aiming at stimulating the domestic demand. Under the implementation of these policies, the Group was listed among the 100 key development enterprises of the equipment manufacturing industry in Guangdong Province. The Group took an active role in participating in a number of professional exhibitions of high technology products, including NEPCON and China High-Tech Fair. We are committed to support the stimulus package of the government by demonstrating our sustained ability in the research and development of innovative technologies and products.

II. Foresighted Market Strategy Enabling Continuous Adjustment to Industrial Structure and Investment in Research and Development as per Market Demand

1. Electronic Assembly Equipment:

   With the continual trend of miniaturisation of electronic parts, including PCB and IC components, equipment and raw materials for production equipment of electronic parts had to adapt to the said trend. In respect of PCBA assembly equipment, new materials, new technologies and new techniques had been adopted to improve and optimise the function and performance of machines for Wave Soldering System, Hot Air Reflow System and Screen Printer for the sake of upgrading our products in terms of speed, precision, reliability and safety. We also leveraged on our advantages in process technologies built over the years to promote modularised design for creating new value for our clients. Besides, we addressed the issues of unleaded work flow and environmental friendly assembling for our clients at the stage as early as technical processes.

2. Liquid Crystal Modules Packaging Equipment:

   With the COG of LCD panels, we started to engage in the development of larger-sized equipment with multi-laminates and chips, including the semi-automatic COG300 series for large-sized equipment with multi-laminates and chips. Also, we developed manual and semi-automatic COG ourselves and worked together with leading Korea enterprises and Guangdong University of Technology for the development of fully automatic 12 inches COG packaging equipment. Such equipment is capable of meeting the market demand for vehicle mounted displays, digital cameras and notebook computers, and was highly competitive in the market in terms of product performance and pricing and supports from the State. Meanwhile, the Group initiated a project for gold soldering machines and in-depth and strategic co-operation with prominent manufacturers in Japan in technological sense was realised, thus securing the dealership of their leading products and strengthening the array of our existing product range.

3. Automated Equipment mainly for Automobile Manufacturing Industry:

Stimulating by the "Restructuring and Development Plan for the Automobile Industry" of the State, the automobile manufacturing industry of the PRC experienced a steady growth. In February 2009, the Group signed a contract with BYD, Shenzhen for engine testing machines, evidencing our very first foothold in the sector of high-end equipment for the automobile industry. The automobile industry in the PRC would be focused on electronic equipment in the future and would be more demanding in terms of safety and anti-theft functions, thereby providing ample room for our development in the sector of fully automatic equipment in the manufacturing of motor vehicles due to the fact that our business development would be mainly based on whole-car assembly lines and production lines of engines and gearboxes.

4. Automatic Storage and Logistics Equipment:

With the opening of the largest cold storage center for vaccines in Xinxiang, Henan Province, the Group marked another record in the sector of automatic storage and logistics for medical products in the State, thus contributing our effort in fighting against H1N1 influenza virus. Besides, in collaboration with the international known enterprise SIEMENS, the Group secured a project of the UPS transshipment centre for Asia Pacific. This was a milestone evidencing the entrance of Sun East in the sector of airport logistics projects, serving the purpose of upgrading the integration of logistics systems and laying a solid foundation for the strategic partnership with SIEMENS.

III. Precision Sheet Metal Fabrication:

We consolidated resources for production activities of various members within the Group and rationalised the organisational structure by merging the machining, sheet metal fabrication and software development divisions for the sake of enhancing our productivity and processing efficiency. Our competitive edges were strengthened as a whole accordingly. The Group evolved from an OEM (original equipment manufacturer) to an ODM (original design manufacturer) in respect of its sheet metal fabrication activities, laying a solid ground for realising the Group's overall planning. At the same time, in addition to securing our established markets in Europe and Japan, the Group also explored the domestic market by obtaining major processing and installation projects for prominent enterprises in the transportation, finance, communication and office automation industries.

IV. Risk Management:

The Group adopted a comprehensive in-depth management approach to improve and systematise its management framework for the sake of lowering its costs and management its risks. We also established and optimised the performance appraisal system by segmenting the performance goal for different hierarchies within the Group in order to well define responsibilities, rights and interests of individuals, aiming at controlling our cost and expense in an efficient way. According to our stringent financial audit systems and internal control procedures, the Group implemented regular internal audits and risk assessments for its subsidiaries for effective prevention of inherent risks of business operations. The Group also supervised and controlled its income and expense status closely to maintain a sufficient level of cash flow for the Company, and improved the overall operating efficiency and profitability by sharing and optimising the allocation of resources.

V. Human Resource Management:

The Group cherished its people and recognised the importance of training and recruiting employees with high calibre in order to further upgrade our quality of management and to establish our brand culture. The Group had a current workforce of approximately 1,200 employees. With the challenging financial crisis, the Group reformed and rationalised its internal management system by strengthening its performance appraisal system to eliminate staff unable to adapt to the development of the Group and to identify those with competency and sharing the same view with us. With continuous endorsement of our corporate culture and training in this respect, the Group strived to establish the brand image of its own and promote the concept of "branded" staff. Moreover, the Group worked together with vocational training institutions and tertiary colleges to organise training courses to create value for its employees, and also introduced talents of high technology industries from various famous tertiary education institutions to build up a reserve for our development in the future. The Group established and optimised its talent reserve and training system, performance appraisal system, staff training and development system and remuneration system to upgrade our employee, ultimately aiming at providing the Group with a core team for its strategic missions.

PROSPECTS

The economy started to pick up in the second half of 2009. Refinement of our internal operating structure has basically completed and we have entered into a stage of stabilised operation with more rational resources allocation and smoothening of business workflow. Whilst positive results were initially achieved in the improvement of our internal operating efficiency and cost control, our development strategy of focusing mainly on outer provinces supported by business expansion in the Pearl River Delta and Yangtze River Delta regions has been particularly successful. The Group is now well positioned in welcoming the first signal of the much-awaited economic recovery.

Looking into the year 2010, the global economy is expected to gain further momentum and the operating environment will gradually improve. As the government has indicated that the existing economic stimulation policy will be maintained, and the export trade will soon reactivate, therefore, the year 2010 will be both a year of rapid growth and also great challenges for Sun East. How we can capture the opportunities ahead in the early dawn of recovery to increase our market share as well as raising the overall effectiveness of the Group will be our key agenda in 2010. Internally, we have to strengthen our refined industrial structure and further rationalise our business workflow, perfect our performance appraisal system and staff incentive mechanism to build up a team of highly motivated and result-oriented core players. Regarding product and service qualities, we will implement the target-based accountability system to consistently improve the professional expertise of our production and after-sales service personnels and to raise their awareness on quality and service. We will increase our investment in research and development through recruitment and nurturing of key technical staff and collaboration with specialised universities and colleges and renowned enterprises both within and abroad for strategic technological cooperation. We also have to monitor closely our internal cost control, lower our production cost and minimise financial risks in order to secure our position in the rapidly expanding markets. To this end, it is essential for us to gather external resources and transform them into our integrated advantages to provide our clients with comprehensive services and solutions. Taking advantage of our premier products, we can expand our market share more effectively and efficiently, raise the brand recognition and market influence of our products, which ultimately will help boost our operating results.

In the face of these new emerging opportunities, we shall not be bound by the conventional thinking and have to apply new business ideas aiming at new industry and market frontiers, employing new technologies and adopting advanced management modes. Crisis always brings opportunities, we should have strong belief in ourselves, in our ability and strengths in coping with challenges, and search for breakthroughs with the entrepreneurial spirit of "life glows with success" in overcoming all difficulties. The shared vision of the management of Sun East, their sharp market insight and unity towards growth shed light on the future of the Group. We will spare no effort in achieving even better results for the Group in return for the support of all shareholders, our staff, business associates and friends.

LIQUIDITY

As at 30 September 2009, the Group had net current assets of HK$104 million (31 March 2009: HK$101 million), mainly comprising cash and bank balances of approximately HK$89 million (31 March 2009: HK$62 million), prepayments, deposits and other receivables of approximately HK$24 million (31 March 2009: HK$17 million), inventories of approximately HK$55 million (31 March 2009: HK$71 million), and trade receivables of approximately HK$77 million (31 March 2009: HK$68 million) and current liabilities of approximately HK$141 million (31 March 2009: HK$117 million). The current ratio was approximately 1.74 as at 30 September 2009 (31 March 2009: 1.87).

As at 30 September 2009, the Group had total assets of approximately HK$389 million (31 March 2009: HK$367 million) and total liabilities of approximately HK$145 million (31 March 2009: HK$121 million). The gearing ratio calculated as a percentage of debt to equity was 0.08% (31 March 2009: 0.16%).

FINANCIAL RESOURCES

As at 30 September 2009, the Group had interest-bearing bank borrowing of approximately HK$0.2 million (31 March 2009: HK$0.4 million). In addition, the Group's bank borrowing is repayable within five years. The Group's banking facilities were secured by (i) first legal charges on certain of the Group's leasehold land and buildings located in Hong Kong; and (ii) guarantees provided by the Company.

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. During the period under review, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars and US dollars were relatively stable under the current peg system. Further, with the natural hedging of the revenue and costs denominated in Renminbi, the Group's foreign exchange exposure in Renminbi was limited. No hedging for foreign currency transactions has been carried out during the Period under review.

As at 30 September 2009, cash and bank balances amounted to HK$89 million, approximately HK$47 million are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

EMPLOYEES

At 30 September 2009, the Group employed approximately 1,200 staff and workers in the PRC and approximately 20 staff in the Group's 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 provides staff benefits including defined contribution scheme and performance related bonuses.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2009 (2008: Nil).

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2009, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position in the shares

Name of Directors	Number of the ordinary shares beneficially held	Capacity/ Nature	Approximate percentage of total shareholding %
But Tin Fu ("BTF")	26,226,000	Beneficial owner	5.00
But Tin Hing ("BTH")	1,050,000	Beneficial owner	0.20
	220,605,840	Interest of controlled corporation (Note)	42.02
	221,655,840		42.22
Leung Cheong ("LC")	1,442,280	Beneficial owner	0.27
Leung Kuen, Ivan ("LKI")	4,536,520	Beneficial owner	0.86

Note: BTH is the beneficial owner of 50% of the issued shares in Mind Seekers Investment Limited ("Mind Seekers") and therefore BTH is deemed, or taken to be interested in the 220,605,840 Shares held by Mind Seekers for the purposes of the SFO. The entire issued share capital of Mind Seekers is beneficially owned by BTH, BTF, LC and LKI, as to 50%, 20%, 20% and 10% respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long position in the shares

Name of Shareholder		Nature of interest	Number of the ordinary shares held	Approximate percentage of total shareholding %
Substantial Shareholder				
Mind Seekers		Beneficial owner	221,655,840	42.22
Tang Lin Mui Irene	Note	Interest of spouse	221,655,840	42.22

Note: Tang Lin Mui Irene is the spouse of BTH, and therefore she is deemed or taken to be interested in the 221,655,840 Shares that BTH is or deemed to be interested for the purposes of the SFO.

Save for the interests disclosed above, the directors are not aware of any person who had, directly or indirectly, registered an interest in the issued share capital and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

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.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors and the management of the Company recognize the importance and benefits of good corporate governance practices and have adopted certain corporate governance and disclosure practices aiming at a high level of transparency and accountability. The Company is committed to continuously improving its corporate governance practices as part of its own corporate culture.

The Company has complied with the code provisions set out in Appendix 14 of the Code on Corporate Governance Practices (the 'CG Code') under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period ended 30 September 2009 except for the deviations from the code provision A.4.1 as set out below.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. The Company's non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

AUDIT COMMITTEE

The Company has an Audit Committee (the "Committee") which was established in accordance with the requirements of the CG Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee comprises three independent non-executive directors of the Company. The Group's interim results for the period ended 30 September 2009 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.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee which comprises three members, namely Prof. Xu Yang Sheng and Mr. Li Wanshou, who are independent non-executive directors, and Mr. But Tin Fu, who is an executive director.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report containing all the information required by the Listing Rules will be published on the website of the Stock Exchange of Hong Kong Limited and despatched to Shareholders in due course.

List of all Directors of the Company as at the date of this report:

Executive Directors:
Mr. But Tin Fu *(Chairman)*
Mr. But Tin Hing
Mr. Leung Cheong
Mr. Leung Kuen, Ivan

Independent Non-Executive Directors:
Mr. See Tak Wah
Prof. Xu Yang Sheng
Mr. Li Wanshou

For and on behalf of the Board
But Tin Fu
Chairman

Hong Kong, 17 December 2009