



Sun East Technology (Holdings) Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 365



INTERIM REPORT 2012

INTERIM FINANCIAL INFORMATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. BUT Tin Fu (*Chairman*)
Mr. BUT Tin Hing
Mr. LEUNG Cheong
(*Chief Executive Officer*)
Mr. LEUNG Kuen, Ivan

Independent Non-executive Directors

Mr. SEE Tak Wah
Prof. XU Yang Sheng
Mr. LI Wanshou

Audit Committee

Mr. SEE Tak Wah (*Chairman*)
Prof. XU Yang Sheng
Mr. LI Wanshou

Remuneration Committee

Prof. Xu Yang Sheng (*Chairman*)
Mr. LI Wanshou
Mr. BUT Tin Fu

Nomination Committee

(*Established on 2 March 2012*)
Mr. LI Wanshou (*Chairman*)
Mr. SEE Tak Wah
Mr. LEUNG Kuen, Ivan

COMPANY SECRETARY

Mr. TSE Ka Yi

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit H, 1st Floor, Phase 4
Kwun Tong Industrial Centre
Nos. 436 – 446 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
Units 1208-18 Miramar Tower
132-134 Nathan Road
Tsimshatsui, Kowloon
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda)
Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

INTERIM FINANCIAL INFORMATION

The Board of Directors (“the Board”) of Sun East Technology (Holdings) Limited (“the Company”) is pleased to announce the unaudited consolidated results (“the Results”) of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 September 2012 (“the Period”). The Results have not been audited but they have been reviewed by the Company’s Audit Committee on 21 November 2012.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended 30 September	
	Notes	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	4 & 5	286,225	387,953
Cost of sales		(242,522)	(325,987)
Gross profit		43,703	61,966
Other income and gains	4	7,123	5,865
Selling and distribution expenses		(23,206)	(22,123)
General and administrative expenses		(21,886)	(24,756)
Other expenses		(1,164)	(12,377)
Finance costs	6	(911)	(2,150)
Profit before income tax	7	3,659	6,425
Income tax expense	8	(644)	(1,201)
Profit for the Period attributable to owners of the Company		3,015	5,224
Other comprehensive income, including reclassification adjustments and net of tax			
Exchange differences on translation of financial statements of foreign operations		(1,099)	4,006
Total comprehensive income for the Period attributable to owners of the Company		1,916	9,230
Earnings per share for profit attributable to owners of the Company	10		
– Basic		0.57 cents	0.99 cents
– Diluted		N/A	N/A

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		139,415	139,210
Prepaid land lease payments		9,775	10,006
		149,190	149,216
Current assets			
Inventories		96,702	70,447
Trade and bills receivables	11	158,031	143,807
Prepayments, deposits and other receivables		22,926	19,474
Tax reserve certificates		3,600	3,600
Taxes recoverable		191	191
Time deposits with original maturity over three months		41,765	7,396
Pledged deposits		51,006	106,480
Cash and bank balances		122,564	165,310
		496,785	516,705
Current liabilities			
Trade and bills payables	12	132,671	100,843
Other payables and accruals		125,989	119,817
Bank borrowings		48,296	105,282
Derivative financial instruments		306	2,134
Due to directors		–	1,610
Taxes payable		29,696	29,134
		336,958	358,820

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2012

	Notes	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Net current assets		159,827	157,885
Total assets less current liabilities		309,017	307,101
Non-current liabilities			
Deferred tax liabilities		10,997	10,997
Net assets		298,020	296,104
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	52,500	52,500
Reserves		245,520	243,604
Total equity		298,020	296,104

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve and enterprise expansion funds HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 April 2011 (Audited)	52,500	87,728	4,800	24,704	16,165	6,015	76,549	268,461
Profit for the Period	-	-	-	-	-	-	5,224	5,224
Other comprehensive income								
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	4,006	-	-	4,006
Total comprehensive income for the Period	-	-	-	-	4,006	-	5,224	9,230
Balance at 30 September 2011 (Unaudited)	52,500	87,728	4,800	24,704	20,171	6,015	81,773	277,691
Balance at 1 April 2012 (Audited)	52,500	87,728	4,800	34,460	21,055	6,696	88,865	296,104
Profit for the Period	-	-	-	-	-	-	3,015	3,015
Other comprehensive income								
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(1,099)	-	-	(1,099)
Total comprehensive income for the Period	-	-	-	-	(1,099)	-	3,015	1,916
Balance at 30 September 2012 (Unaudited)	52,500	87,728	4,800	34,460	19,956	6,696	91,880	298,020

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH USED IN		
OPERATING ACTIVITIES	(315)	(244)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	14,817	(133,022)
NET CASH (USED IN) FROM		
FINANCING ACTIVITIES	(56,986)	114,380
NET DECREASE IN CASH AND		
CASH EQUIVALENTS	(42,484)	(18,886)
Cash and cash equivalents at 1 April	165,310	186,256
Effect of foreign exchange rate changes on cash and cash equivalents	(262)	379
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	122,564	167,749

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sun East Technology (Holdings) Limited (the “Company”) is a limited liability company incorporated and domiciled in Bermuda. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Unit H, 1st Floor, Phase 4, Kwun Tong Industrial Centre, 436-446 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2012 have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for leasehold land and buildings and derivative financial instruments, which are stated at revalued amounts and fair value, as appropriate.

Except as described below, the accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

In the Period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2012.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the new and revised standards, amendments and interpretation in the Period has had no material effect on the Results and financial positions of the Group.

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle ²
Amendments to HKFRS 1	Government Loans ²
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

The Directors of the Company anticipate that the application of these new or revised standards, amendments and interpretation will have no material impact on the Results and financial position of the Group.

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue – sale of goods	286,225	387,953
Other income:		
Rental income	7	4
Bank interest income	1,840	3,199
Recovery of trade receivables previously written off	1,874	–
Government grant	379	–
Others	1,884	1,943
	5,984	5,146
Gains:		
Exchange gains, net	1,139	719
	7,123	5,865

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

5. SEGMENT INFORMATION

	Production lines and production equipment		Brand name production equipment		Total	
	Six months ended 30 September (Unaudited)		Six months ended 30 September (Unaudited)		Six months ended 30 September (Unaudited)	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Segment revenue:						
Sales to external customers	168,593	208,073	117,632	179,880	286,225	387,953
Other revenue – external	3,187	1,948	445	–	3,632	1,948
Reportable segment revenue	171,780	210,021	118,077	179,880	289,857	389,901
Reportable segment Results	620	(2,924)	459	7,582	1,079	4,658
Depreciation and amortisation	5,604	7,151	–	–	5,604	7,151
Provision for impairment of trade and bills receivables	1,164	7,846	–	409	1,164	8,255
Write-off of property, plant and equipment	–	4,122	–	–	–	4,122

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

5. SEGMENT INFORMATION (Continued)

The totals presented for the Group's segment Result reconcile to the Group's key financial figures as presented in the condensed interim financial statements as follows:

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Reportable segment Results	1,079	4,658
Interest and other income	3,491	3,917
Finance costs	(911)	(2,150)
	<hr/>	<hr/>
Profit before income tax	3,659	6,425

6. FINANCE COST

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years	911	2,149
Interest on finance lease	-	1
	<hr/>	<hr/>
	911	2,150

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit before income tax has been arrived at after charging (credit):		
Cost of inventories sold	242,522	325,987
Depreciation		
– owned assets	5,455	6,981
– leased assets	–	26
Staff costs (including directors' remunerations)		
– wages and salaries	45,597	39,109
– defined contribution scheme	2,869	2,295
Amortisation of prepaid land lease payments	149	144
Research and development costs	2,655	1,806
(Gain) loss on disposal of property, plant and equipment	(127)	11
Minimum lease payments under operation lease in respect of leasehold land and buildings	418	342
Fair value (gain) loss on derivative financial instruments	(1,828)	1,859
Provision for impairment of trade and bills receivables	1,164	8,255
Write-off of property, plant and equipment	–	4,122

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Hong Kong	–	–
Elsewhere	644	1,201
Total income tax expense	644	1,201

No Hong Kong profits tax was provided as the Group did not generate any assessable profits arising from its operation in Hong Kong during the Period (2011: Nil). Taxes assessable in elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2011: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period of approximately HK\$3,015,000 (2011: HK\$5,224,000) attributable to owners of the Company and 525,000,000 (2011: 525,000,000) ordinary shares in issue during the Period. Diluted earnings per share has not been presented as there were no potential ordinary shares in issue during the Period.

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

11. TRADE AND BILLS 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 Group to its customers ranges from 30 to 180 days.

Ageing analysis of the trade and bills receivables as at the reporting dates, based on invoice date and net of provision, is as follows:

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Within 90 days	113,769	57,307
91 to 120 days	6,635	8,705
121 to 180 days	19,206	27,356
181 to 360 days	13,465	38,711
Over 360 days	4,956	11,728
	158,031	143,807

12. TRADE AND BILLS PAYABLES

Ageing analysis of the trade and bills payables as at the reporting dates, based on invoice date, is as follows:

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Within 90 days	114,348	87,131
91 to 120 days	6,939	2,424
Over 120 days	11,384	11,288
	132,671	100,843

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

13. SHARE CAPITAL

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (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 (31 March 2012: 525,000,000) ordinary shares of HK\$0.10 each	52,500	52,500

14. COMMITMENTS

At the reporting date, the Group had the following outstanding commitments

Operating lease commitments – as lessee

The Group had total future minimum lease payment under non cancellable operating lease falling due as follows:

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Within one year	499	315
In the second to fifth years, inclusive	–	3
	499	318

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

14. COMMITMENTS (Continued)

Capital Commitments

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	131	1,429

15. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 September 2012 and 31 March 2012.

16. RELATED PARTY TRANSACTIONS

Key management remuneration

The remuneration of directors and other key management for the Period was as follows:

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short-term employee benefits	3,814	3,437
Post-employment benefits	59	50
	3,873	3,487

INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Sun East Group has battled numerous challenges over the past six months. Due to the European debt crisis and China's economic downturn, the declined demand in the China market for production equipment has directly affected the Group's sales price and quantity. Concurrently, the minimum wages of Mainland workers are on the rise hence squeezing the profit margin of the Group. Despite turbulent times, Sun East has conquered the challenges by refining the internal structure, reducing costs, expanding points of sale and optimizing the sales network.

Production Line Equipment Business

Over the past six months, the economy of Europe and the United States were in a doldrums. This greatly depressed the production and export of the electronic products in China hence decreasing demand for production equipment. Surface mounting technology and semi-conductor are products in the mature market with high transparency and competitiveness. Sun East Group reduced prices slightly in order to maintain our market shares and position as leader in this industry. This explains why the sales figure in chip mounters and welding production equipment decreased approximately HK\$258.1 million to HK\$197.5 million, representing a decrease of approximately 23.4%. The average gross profit margin has also decreased from 15.5% to 15.0%, representing a decrease of approximately 0.5%.

Enriched with 30 years of experience, Sun East Group's passion for delivering services to the manufacturing industry holds strong. The Group is continuously employing efforts in research and development. Following the breakthrough of launching China's first screen printers with automatic adjustment function in the first half of the year, Sun East will launch new models such as the wave soldering selection in order to meet market demand. The future of the new models will gratify the Group in the form of sales and profits.

INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OEM Industry

With the increase of China's production costs such as wages and raw materials, the profit of OEM business is slimmed. Compared with the corresponding Period last year, despite increase in sales from HK\$34.1 million to HK\$39.8 million, representing an increase of approximately 16.7%, the gross margin decreased from 14.3% to 10.8%.

Due to market conditions, the increased costs are not directly passed onto the customers. To sustain Sun East Group's competitiveness in the OEM market, the group strategizes to achieve economies of scale, cost reduction, quality control, rework rate reduction and improved operational efficiency with limited wastage. Previously, efforts were centralized in the overseas market but in the future, emphasis will be placed in the domestic market in terms of product innovation.

Automated and Logistic Business

The sales figure and profit of automated and logistic business showed a downward trend in the past six months due to external factors. Compared with the corresponding Period last year, the sale amount decreased from approximately HK\$95.7 million to approximately HK\$48.9 million, representing a decrease of approximately 48.9%. The gross margin decreased approximately from 18.2% to 14.7%, representing a decrease of 3.49%. The decrease was mainly due to China's austerity policies and tightening of capital flow, causing businesses to become more prudent in substantial investments of fixed assets. In addition, the group invested in resources for business expansion. These include investment in a more experienced project management team, engineering installation and designers. All resources contribute in immeasurable ways to the Group but in effect have reduced our profits slightly.

INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OUTLOOK

Over the past six months, the sales and profit figures may not be painted rosy in the business context but we believe the sales and profit figures of the automated and logistic industry will be uprising. The China phenomenon of aging population, declining population bonus and increasing labour costs will stimulate national/domestic enterprises to invest substantially in automatization. This will bring forth another opportunity for the business to excel further.

Besides innovation in R&D, Sun East adapts to market changes and needs by collaborating or strengthening partnerships. In the past six months, Sun East Group entered into agency agreements with Yakasawa Tongshang (Shanghai) Industrial Co., Ltd from Japan, Diplan Shanghai (software) Ltd. from Germany, PARMi (China branch of PARMi) from Korea, for robots, on-line solder paste inspection machines and software. Our goal is to provide a one-stop service for customers. In compatibility with the high speed chip mounter to be released by Samsung, a Professional team will be established to promote and implement sale strategies of this new product.

The likelihood of the Chinese government in raising the minimum wages will bring pressure on labour costs and labour related sectors. The Group will utilize five strategies in improving operational efficiency and cost structure; 1) Investment in technological innovation and functionality to increase product competitiveness and profit margin; 2) Efforts in human resources to recruit and retain high calibre talents to innovate and market our products; 3) Implement management system to sustain a learning culture within a 6 month period; 4) establish strategic partnerships with competitive global enterprises; 5) establish a secondary production base to exploit the surging future demand for automated equipment.

In the remaining financial year of 2012, Sun East will continue to strengthen existing businesses with a strong focus on customer relationship. We strive to develop high value products and sales in the global market domain.

INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW

Turnover and Gross Profit

During the Period, turnover of the Group reach approximately HK\$286.2 million, representing a decrease of approximately HK\$101.7 million as compared with approximate HK\$387.9 million in the correspondence Period under review. The decrease was primarily attributable to the big drop in both segments which declined approximately HK\$39.5 million in Production Lines and Production Equipment and declined approximately HK\$62.2 million in Brand Name Production Equipment.

The gross profit ratio (GP ratio) for the Period was approximately 15.2%, representing a decrease of approximately 0.8%, as compared with the corresponding Period under review approximately 16.0%. The decrease of the GP ratio was driven predominantly by the decreasing in selling price and increasing in product cost due to the minimum wage continued increase in PRC.

During the Period under review, the economic downturn in Mainland China caused by factors including austerity policy, continued drop in export and import and concerns over default of European Debts continued, resulting in weak demand for production equipment industry, which adversely affected the Group's sale amount, selling price and margin. As the same time, Labor cost increases due to minimum wage adjustments and a shortage of workers continue to create margin pressures.

Other Income and Gains

During the Period under review, the Group recorded the other income at approximately HK\$7.1 million, which represented an increase of approximately HK\$1.2 million as compared with approximately HK\$5.9 million last year. The increase was largely due to bad debt recovery in the Period.

INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Selling and Distribution Expenses

During the Period, the Group incurred approximately HK\$23.2 million selling and distribution cost which represents 8.1% of sale amount. In contrast only 5.7% was incurred in the comparative Period. The increase in the percentage was mainly due to the rise in exhibition cost, travelling and entertainment expenses. In past six months, the Group has participated in 8 exhibitions during the Period under review. Moreover, one more point of sale was established and encouraging sale-man to surge travelling frequency and seek more business opportunities.

General and Administrative Expenses

The management of the Group implemented various methods to control its general and administrative expenses including departmental cost budgeting and enhancement of the efficiency by review manpower. So, administrative expenses during the Period under review were kept at a steady level. The drop of approximately HK\$2.9 million or approximately 11.7%, as compared to approximately HK\$24.8 million in last Period was principally representing the fair value gain on the financial instruments in the current Period.

Finance Costs

Finance costs for the Period under review amounted to approximately HK\$0.9 million, representing a reducing of approximately HK\$1.3 million, as compare with approximately HK\$2.2 million in the correspondence Period. The drop was mainly attributable to the decline in bank borrowings under the hedging arrangements. These interest expense will be compensated by approximately HK\$1 million interest income from pledged deposits under the same hedging arrangements.

Profit for the Period

As a result of the foregoing, the profit attributable to owners of the Company for the Period under review was approximately HK\$3 million, representing a declining of approximately HK\$2.2 million, as compared with approximately HK\$5.2 million in corresponding Period. The net profit margin was approximately 1.1% for the Period under review as compared with approximately 1.3% in corresponding Period.

INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

EBITDA

The following table illustrates the Group's EBITDA for the respective Periods. The Group's EBITDA margin was 3.6% for the year under review as compared with 4.1% in corresponding Period of 2011.

	Six months ended 30 September	
	2012 (Unaudited) HK'000	2011 (Unaudited) HK'000
Profit for Period attributable to owners of the company	3,015	5,224
Finance cost	911	2,150
Income tax expenses	644	1,201
Depreciation and amortization	5,604	7,151
EBITDA	10,174	15,726

Financial Resource, Liquidity and Gearing Ratio

During the Period, there was no material change in the Group's funding and treasury policy. As at 30 September 2012, the Group had sufficient cash and banking facilities from its main bankers to finance ongoing working capital requirements. The Group maintained high value of net current assets at approximately HK\$157.1 million and healthy liquidity ratio at 1.2 times (both are adjusted by excluding of pledged deposits HK\$51.0 million and bank borrowings HK\$48.3 million for hedging purpose). There was no borrowings (excluded these for hedging purpose), for the Group as at 30 September 2012 (31 March 2012: Nil).

INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Working Capital Management

The Group continued to maintain a sound financial position. As at 30 September 2012, the Group held approximately HK\$164.3 million cash and bank balances and time deposits with original maturity over three months which declined HK\$8.4 million from HK\$172.7 million at the beginning of the Period. The group's average inventory turnover days was approximately 63 days (31 March 2012 approximately 51 days). The Group's average debtors turnover days was approximately 96 days (31 March 2012 approximately 85 days). The Group's average creditors turnover days was approximately 88 days (31 March 2012 approximately 91 days). The Group remains confident that the net cash position will be further improved.

Capital Expenditure on Property, Plant and Equipment

Total capital expenditure for the Period was approximately HK\$6.5 million, out of which approximately HK\$5.3 million was spent on the acquisition of machinery and equipment, HK\$0.5 million on acquisition of furniture, fixture and leasehold improvement and HK\$0.7 million on acquisition of motor vehicles.

Exchange Risk Management

Most of the transactions of the Group were made in Renminbi and US dollars. In order to limit the capital risk associated with the fluctuations of exchange rate for these foreign currency transactions, the Group will sometimes enter into NDF to minimize the exchange risk related to those transactions. It is the Group's policy not to engage in speculative activities. The management continues to actively monitor foreign exchange exposure to minimize the impact of adverse currency movements.

INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Charges on Group's Assets

As at 30 September 2012, the Group's banking facilities including its import/export, letter of credit documentary credits, and trust receipt and bank loan are secured by:

- (i) a first legal charge on certain of the Group's leasehold land and buildings, which had an aggregate net book amount at the reporting date of HK\$7 million;
- (ii) bank deposits approximately HK\$51 million;
- (iii) cross guarantee provided by a subsidiary in the Group; and
- (iv) corporate guarantees provided by the Company.

EMPLOYEES

At 30 September 2012, the Group employed approximately 1,338 staff and workers in the PRC and approximately 15 staff were employed from Hong Kong. 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 2012 (2011: Nil).

INTERIM FINANCIAL INFORMATION

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2012, 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")	39,916,000	Beneficial owner	7.60
But Tin Hing ("BTH")	1,050,000	Beneficial owner	0.20
	220,605,840	Interest of controlled corporation (Note)	42.02
	<hr/>		<hr/>
	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.

INTERIM FINANCIAL INFORMATION

DISCLOSURE OF INTERESTS (Continued)

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 2012, 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 were as follow:

Long position in the shares

Name of Shareholder	Nature of interest	Number of the ordinary shares held	Approximate percentage of total shareholding %
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Substantial Shareholder

Mind Seekers	Beneficial owner	220,605,840	42.02
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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.

INTERIM FINANCIAL INFORMATION

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding directors' securities transactions. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied, with the required standards set out in the Model Code throughout the six months ended 30 September 2012.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavors to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Corporate Governance Code (the "Code") as set out in Appendix 28 to the Listing Rules.

The Stock Exchange has made certain amendments ("Amendments") to the Listing Rules, which are related to the Code, practices and the reporting. Such Amendments took effect (or, as the case may be, would take effect) from 1 January 2012, 1 April 2012 or 31 December 2012 respectively.

With the introduction of the Code as revised with effect from 1 April 2012 ("Revised Code"), the Board adopted a policy statement in line with the principles and code provisions of the Revised Code.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code and the Revised Code. Save and except as hereinafter mentioned, the Company was in compliance with the Code and the Revised Code for the six months ended 30 September 2012 except for the derivations from the Code Provision A.4.1 and A.6.7 as set out below.

INTERIM FINANCIAL INFORMATION

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

CORPORATE GOVERNANCE PRACTICES (Continued)

Revised Code Provision A.4.1

Revised 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.

Revised Code Provision A.6.7

Pursuant to the Revised Code Provision A.6.7, the Independent Non-Executive Directors of the Company should attend general meetings. However, Two Independent Non-Executive Directors were absent from the annual general meeting held on 20 August 2012 due to other business commitments. To ensure compliance with the Revised Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors can attend the general meetings.

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 six months ended 30 September 2012 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.

INTERIM FINANCIAL INFORMATION

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 (www.hkex.com.hk) and the website of the Company (www.suneasthk.com) and be 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

By Order of the Board of Directors
Sun East Technology (Holdings) Ltd
But Tin Fu
Chairman

Hong Kong, 21 November 2012

* *For identification purpose only*