

STRONG MARKET GROWTH

Interim Report 2013



Sun East Technology (Holdings) Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 365



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

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 2013 (“the Period”). The Results have not been audited but they have been reviewed by the Company’s Audit Committee on 21 November 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Notes	Six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	4, 5	441,394	286,225
Cost of sales		(378,237)	(242,522)
Gross profit		63,157	43,703
Other income and gains	4	8,282	7,123
Selling and distribution expenses		(32,386)	(23,206)
General and administrative expenses		(22,228)	(21,886)
Other expenses		(11,372)	(1,164)
Finance costs	6	(693)	(911)
Profit before income tax	7	4,760	3,659
Income tax expense	8	(575)	(644)
Profit for the Period attributable to owners of the Company		4,185	3,015
Other comprehensive income, including reclassification adjustments and net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		2,459	(1,099)
Total comprehensive income for the Period attributable to owners of the Company		6,644	1,916
Earnings per share for profit attributable to owners of the Company	10		
– Basic		0.80 cents	0.57 cents
– Diluted		N/A	N/A

INTERIM FINANCIAL INFORMATION



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		158,694	159,972
Prepaid land lease payments		9,823	9,788
		168,517	169,760
Current assets			
Inventories		92,826	85,293
Trade and bills receivables	11	231,771	172,173
Prepayments, deposits and other receivables		31,974	19,564
Tax reserve certificates		3,600	3,600
Taxes recoverable		191	191
Time deposits with original maturity over three months		13,086	6,586
Pledged deposits		5,177	53,563
Structured bank deposit		15,125	14,581
Cash and bank balances		110,956	131,360
		504,706	486,911
Current liabilities			
Trade and bills payables	12	180,639	109,490
Other payables and accruals		125,906	132,678
Bank borrowings		–	48,296
Derivative financial instruments		–	1,343
Taxes payable		32,231	31,811
		338,776	323,618



INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2013

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Notes		
Net current assets	165,930	163,293
Total assets less current liabilities	334,447	333,053
Non-current liabilities		
Deferred tax liabilities	15,121	15,121
Net assets	319,326	317,932
EQUITY		
Equity attributable to owners of the Company		
Share capital	52,500	52,500
Reserves	266,826	265,432
Total equity	319,326	317,932

INTERIM FINANCIAL INFORMATION



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	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 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
Balance at 1 April 2013 (Audited)	52,500	87,728	4,800	49,835	21,770	7,635	93,664	317,932
Profit for the Period	-	-	-	-	-	-	4,185	4,185
Other comprehensive income								
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	2,459	-	-	2,459
Total comprehensive income for the Period	-	-	-	-	2,459	-	4,185	6,644
Dividend approved in respect of the previous year	-	-	-	-	-	-	(5,250)	(5,250)
Balance at 30 September 2013 (Unaudited)	52,500	87,728	4,800	49,835	24,229	7,635	92,599	319,326



INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH USED IN		
OPERATING ACTIVITIES	(6,083)	(315)
NET CASH FROM INVESTING ACTIVITIES	38,950	14,817
NET CASH USED IN		
FINANCING ACTIVITIES	(54,239)	(56,986)
NET DECREASE IN CASH AND		
CASH EQUIVALENTS	(21,372)	(42,484)
Cash and cash equivalents at 1 April	131,360	165,310
Effect of foreign exchange rate changes on cash and cash equivalents	968	(262)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	110,956	122,564



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 2013 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 2013.

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 2013.

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Statements
HKAS 27 (2011)	Separate Financial Statements
HKFRSs (Amendments)	Annual Improvement 2009-2011 Cycle



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendments require the Group to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly.

In addition, the Group has chosen to use the new titles "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

Amendments to HKFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Unaudited Condensed Interim Financial Information because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.



INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 10, Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Continued)****3. PRINCIPAL ACCOUNTING POLICIES (Continued)****HKFRS 13, Fair Value Measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not result in significant impact on the disclosure of the Group's financial instruments.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and now also discloses segment liabilities.

The application of the new and revised standards, amendments and interpretation in the Period has had no material effect on the Results and financial position 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 HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ²
HKFRS 9	Financial Instruments ²

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

² 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.



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue – sale of goods	441,394	286,225
Other income:		
Rental income	14	7
Bank interest income	1,637	1,840
Recovery of trade receivables previously written off	449	1,874
Government grant	205	379
Others	2,333	1,884
	4,638	5,984
Gains		
Exchange gains, net	3,644	1,139
	8,282	7,123



INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

5. SEGMENT INFORMATION

	Production lines and production equipment		Brand name production equipment		Six months ended 30 September (Unaudited)	
	Six months ended 30 September (Unaudited)		Six months ended 30 September (Unaudited)		Six months ended 30 September (Unaudited)	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Segment revenue:						
Sales to external customers	228,782	168,593	212,612	117,632	441,394	286,225
Other revenue – external	4,149	3,187	2,497	445	6,646	3,632
Reportable segment revenue	232,931	171,780	215,109	118,077	448,040	289,857
Reportable segment Results	1,823	620	1,994	459	3,817	1,079
Depreciation and amortisation	5,153	5,604	–	–	5,153	5,604
Provision for impairment of trade and bills receivables	11,372	1,164	–	–	11,372	1,164



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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reportable segment Results	3,817	1,079
Interest and other income	1,636	3,491
Finance costs	(693)	(911)
	4,760	3,659

6. FINANCE COST

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	693	911



INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit before income tax has been arrived at after charging (credit):		
Cost of inventories sold	378,237	242,522
Depreciation	5,002	5,455
Staff costs (including directors' remunerations)		
– wages and salaries	54,111	45,597
– defined contribution scheme	3,934	2,869
Amortisation of prepaid land lease payments	151	149
Research and development costs	2,871	2,655
Loss/(Gain) on disposal of property, plant and equipment	31	(127)
Minimum lease payments under operation lease in respect of leasehold land and buildings	440	418
Fair value gain on derivative financial instruments	(1,343)	(1,828)
Provision for impairment of trade and bills receivables	11,372	1,164



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

8. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Hong Kong	–	–
Elsewhere	575	644
Total income tax expense	575	644

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 (2012: 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 (2012: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period of approximately HK\$4,185,000 (2012: HK\$3,015,000) attributable to owners of the Company and 525,000,000 (2012: 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 the 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 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Within 90 days	123,232	87,846
91 to 120 days	27,909	7,528
121 to 180 days	12,974	19,906
181 to 360 days	18,314	20,799
Over 360 days	49,342	36,094
	231,771	172,173

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 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Within 90 days	164,571	84,839
91 to 120 days	8,589	9,324
Over 120 days	7,479	15,327
	180,639	109,490



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

13. SHARE CAPITAL

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (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 2013: 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 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Within one year	223	377
In the second to fifth years, inclusive	–	81
	223	458



INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

14. COMMITMENTS (Continued)

Capital Commitments

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	350	807

15. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 September 2013 and 31 March 2013.

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	
	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000
Short-term employee benefits	4,355	3,814
Post-employment benefits	73	59
	4,428	3,873



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Due to national policy and the market trend, China's increasing labor costs and difficulty in recruiting talents are an undeniable fact. In order to reduce costs and increase competitiveness, entrepreneurs are more willing to invest more resources in automation equipment. Based on this trend, in 2013/14 there is a marked improvement in the first half year for the smart device market especially in SMT production line operations and logistics business. Group sales in the first half has reached the beginning of the development goals, amounted to approximately HK\$441.4 million compared to same period last year, and increased by approximately 54.2%.

Production Line Equipment Business

The sale amount in Production Line Equipment Business increased from HK\$197.5 million to HK\$299.5 million, representing an increase of approximately 51.6%. The increase mainly due to the China government increased the capital investment during past half year to keep it 7.5% increase of GDP.

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, the sales decreased from HK\$39.8 million to HK\$33.5 million, representing a decrease of approximately 15.8%. Due to the increasing of production cost, the Group tried to accept some orders with higher profits and avoid lower profit orders.

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. To facility this change, the Group had employed some sale staff to focus on PRC market.



INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Automated and Logistic Business

The sales figure and profit of automated and logistic business showed an upward trend in the past six months due to external factors. Compared with the corresponding period last year, the sale amount increased from approximately HK\$48.9 million to approximately HK\$108.4 million, representing an increase of approximately 121.7%. The increase was mainly due to expansion of project management and production team resulting in production capacity increase.

OUTLOOK

Traditionally, the second half year of the enterprise's investment in fixed assets is more judicious. China's economic uncertainties and the end of June "money shortage" of funds will allow the market to remain tense and deter corporate sentiment of investment of fixed assets. Therefore, the management thinks that the second half year of the market will decline, and the relative sales will also decline.

In response to the market decline, the Group will make relative adjustment in the internal management and talent recruitment. On the management side, the Group will synergize actual situation with future development needs, internal management adjustments to further improve and strengthen management, encourage scientific decision-making and increase efficiency. In regards to recruitment, the Group plans to recruit high-end technological, research and development staff for new innovative products. In the long-term, it will reflect in the Group's profit and competitiveness.

With China's new leader coming into power, smart manufacturing systems and equipment will push the industry further. The Group must seize this opportunity to create value for shareholders. The Group will continue to uphold the steady growth strategy and focus on recurring earnings growth achieved and maintained a strong financial position. If we minus the unforeseeable adverse developments of the Chinese market, we lie our confidence in the positive prospects of the Group and will continue to achieve our goals.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW

Turnover and Gross Profit

During the Period, turnover of the Group reached approximately HK\$441.4 million, representing an increase of approximately HK\$155.2 million as compared with approximate HK\$286.2 million in the correspondence Period under review. The increase was primarily attributable to the recovery in both segments which increased approximately HK\$60.2 million in Production Lines and Production Equipment and increased approximately HK\$95.0 million in Brand Name Production Equipment respectively.

The gross profit ratio (GP ratio) for the Period was approximately 14.3%, representing a decrease of approximately 0.9%, as compared with the corresponding Period under review approximately 15.2%. 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, Mainland China allocated unused fiscal funds to expedite infrastructure investment projects and People's Bank of China injected liquidity in short term and used of fiscal deposit auction to temporary relief tightening financial conditions. All these soared demand for production equipment industry and boosted up the sale volume. However the labor cost continuously increased due to minimum wage adjustments and a shortage of workers continued to create margin pressures.

Other Income and Gains

During the Period under review, the Group recorded the other income at approximately HK\$8.3 million, which represented an increase of approximately HK\$1.2 million as compared with approximately HK\$7.1 million last year. The increase was largely due to the exchange gains in the Period.



INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Selling and Distribution Expenses

During the Period, the Group incurred approximately HK\$32.4 million selling and distribution cost, which represents 7.3% of sale amount. In contrast 8.1% was incurred in the comparative Period. Even the percentage maintained at steady level, the absolute figure soared by HK\$9.2 million. The increase was mainly due to the rise in sale commission and outbound transportation cost.

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 at approximately HK\$22.2 million. Compared to last period at approximately HK\$21.9 million, the slightly increase was mainly due to the rise in staff cost.

Finance Costs

Finance costs for the Period under review amounted to approximately HK\$0.7 million, representing a reducing of approximately HK\$0.2 million, as compare with approximately HK\$0.9 million in the correspondence Period. The drop was mainly attributable to the decline in bank borrowings under the hedging arrangements. This interest expense will be compensated by approximately HK\$0.8 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\$4.2 million, representing an increasing of approximately HK\$1.2 million, as compared with approximately HK\$3.0 million in corresponding Period. The net profit margin was approximately 1.0% for the Period under review as compared with approximately 1.1% in corresponding Period.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

EBITDA

The following table illustrates the Group's EBITDA for the respective Periods. The Group's EBITDA margin was 2.4% for the year under review as compared with 3.6% in corresponding Period.

	Six months ended 30 September	
	2013 (Unaudited) HK'000	2012 (Unaudited) HK'000
Profit for Period attributable to owners of the Company	4,185	3,015
Finance cost	693	911
Income tax expenses	575	644
Depreciation and amortization	5,153	5,604
EBITDA	10,606	10,174

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 2013, 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\$165.9 million and healthy quick ratio at 1.2 times. There was no borrowings for the Group as at 30 September 2013.



INTERIM FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Working Capital Management

The Group continued to maintain a sound financial position. As at 30 September 2013, the Group held approximately HK\$139.2 million structured bank deposit, cash and bank balances, structured bank deposit and time deposits with original maturity over three months which declined HK\$13.3 million from HK\$152.5 million at the beginning of the Period. The group's average inventory turnover days was approximately 43 days (31 March 2013 approximately 59 days). The Group's average debtors turnover days was approximately 84 days (31 March 2013 approximately 102 days). The Group's average creditors turnover days was approximately 70 days (31 March 2013 approximately 80 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\$9.2 million, out of which approximately HK\$7.5 million was spent on the acquisition of machinery and equipment, HK\$0.7 million on acquisition of furniture, fixture and leasehold improvement and HK\$1 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 consider to use NDF to minimize the exchange risk related to those transactions if needed. 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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Charges on Group's Assets

As at 30 September 2013, 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\$10.7 million;
- (ii) bank deposits approximately HK\$5.2 million;
- (iii) cross guarantee provided by a subsidiary in the Group; and
- (iv) corporate guarantees provided by the Company.

EMPLOYEES

At 30 September 2013, the Group employed approximately 1,498 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 FINANCIAL INFORMATION

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2013, 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")	45,746,000	Beneficial owner	8.71
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")	2,252,280	Beneficial owner	0.43
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.



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 2013, 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 2013.

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 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. Save and except as hereinafter mentioned, the Company was in compliance with the Code for the six months ended 30 September 2013 except for the derivations from the Code Provision A.4.1 and A.6.7 as set out below.

Code Provision A.4.1

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 By-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 14.



CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

CORPORATE GOVERNANCE PRACTICES (Continued)

Code Provision A.6.7

Pursuant to the Code Provision A.6.7, all Directors of the Company should attend general meetings. However, two Executive Directors and two Independent Non-Executive Directors were absent from the annual general meeting held on 5 August 2013 due to other business commitments. To ensure compliance with the 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 2013 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.

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.



INTERIM FINANCIAL INFORMATION

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 September 2013 and the corresponding period in 2012 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

This report contains forward-looking statements regarding the objectives and expectations of the Group with respect to its opportunities and business prospects. Such forward-looking statements do not constitute guarantees of future performance of the Group and are subject to factors that could cause the Company's actual results, plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but not limited to, general industry and economic conditions, shifts in customer demands, and changes in government policies. The Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

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) Limited
But Tin Fu
Chairman

Hong Kong, 21 November 2013

* *For identification purpose only*