



Sun East Technology (Holdings) Limited

日東科技（控股）有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 365)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

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 2007 (“the Period”). The Unaudited Results have not been audited, but have been reviewed by the Company’s Audit Committee on 20 December 2007:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2007	2006
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	3	271,352	300,881
Cost of sales		(227,144)	(243,362)
Gross profit		44,208	57,519
Other income and gains		393	815
Selling and distribution expenses		(16,551)	(16,476)
General and administrative expenses		(21,039)	(28,051)
Finance costs	4	(985)	(884)
Share of results of:			
A jointly-controlled entity		(1,679)	213
An associate		—	—
PROFIT BEFORE TAX	5	4,347	13,136
Tax	6	(830)	(3,173)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		3,517	9,963
Interim dividend	7	—	—
EARNINGS PER SHARE	8		
– Basic		0.67 cent	2.66 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		149,344	143,064
Investment property		2,350	2,350
Prepaid land lease payment		6,900	6,900
Intangible assets		—	467
Interest in a jointly-controlled entity		6,391	9,676
Interest in an associate		1,030	1,030
Other deposits and receivables		—	—
		<u>166,015</u>	<u>163,487</u>
CURRENT ASSETS			
Inventories		111,980	112,908
Trade and bill receivables	10	100,255	112,159
Prepayments, deposits and other receivables		8,547	8,717
Pledged cash and bank balances		2,110	2,110
Cash and cash equivalents		98,806	77,827
		<u>321,698</u>	<u>313,721</u>
CURRENT LIABILITIES			
Trade and bills payables	11	93,786	93,502
Accruals and other payables		49,657	49,049
Interest-bearing bank and other borrowings		22,476	17,628
Tax payable		17,728	19,206
Amount due to directors		—	—
		<u>183,647</u>	<u>179,385</u>
NET CURRENT ASSETS		<u>138,051</u>	<u>134,336</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>304,066</u>	<u>297,823</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		2,381	690
Deferred tax liabilities		5,432	5,432
		<u>7,813</u>	<u>6,122</u>
		<u>296,253</u>	<u>291,701</u>
CAPITAL AND RESERVES			
Issued capital		52,500	52,500
Reserves		243,753	239,201
		<u>296,253</u>	<u>291,701</u>

NOTES TO CONDENSED CONSOLIDATED 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 consolidated interim financial information is prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 March 2007, except that the Group adopted all the new standards, amendments to standards and interpretations (new/revised HKFRSs) which are effective for accounting periods commencing on 1 April 2007. The adoption of these new/revised HKFRSs did not have material financial impact to the result of the Group.

3. SEGMENT INFORMATION

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

	Production lines and production equipment		Brand name production equipment		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	(Unaudited)		(Unaudited)		(Unaudited)	
	2007	2006	2007	2006	2007	2006
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment revenue	<u>161,717</u>	<u>194,713</u>	<u>109,635</u>	<u>106,168</u>	<u>271,352</u>	<u>300,881</u>
Segment results	<u>1,900</u>	<u>3,071</u>	<u>4,614</u>	<u>14,197</u>	<u>6,514</u>	<u>17,268</u>
Interest and unallocated income					497	788
Unallocated expenses					–	(4,249)
Finance costs					(985)	(884)
Share of results of						
a jointly-controlled entity					(1,679)	213
an associate					–	–
Tax					(830)	(3,173)
Net profit for the period					<u>3,517</u>	<u>9,963</u>

4. FINANCE COSTS

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	905	841
Interest on finance leases	80	43
	<u>985</u>	<u>884</u>

5. PROFIT BEFORE TAX

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:		
Cost of inventories sold and services provided	227,144	243,362
Depreciation	7,729	7,676
Amortisation of technical know-how	467	2,990
Staff costs (including directors' remunerations)		
– wages and salaries	20,507	21,308
– retirement benefits scheme contributions	1,070	445
	<u>1,070</u>	<u>445</u>

6. TAX

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	830	3,531
Elsewhere	–	173
Deferred	–	(531)
	<u>830</u>	<u>3,173</u>
Tax charge for the period	<u>830</u>	<u>3,173</u>

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the period (2006: 17.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

As at 30 September 2007, there was no significant unprovided deferred tax liability (2006: Nil).

7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2007 (2006: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to equity holders for the period of approximately HK\$3,517,000 (2006: HK\$9,963,000), and the weighted average number of 525,000,000 (2006: 375,000,000) 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 2007.

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.

An 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 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within 90 days	77,997	73,447
91 to 120 days	4,234	4,809
121 to 180 days	6,295	7,789
181 to 360 days	8,345	15,072
Over 360 days	3,384	11,042
	100,255	112,159

11. TRADE AND BILLS PAYABLE

An ageing analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within 90 days	53,196	63,298
91 to 120 days	7,666	16,514
Over 120 days	32,924	13,690
	93,786	93,502

BUSINESS REVIEW AND OUTLOOK

During the six months ended 30 September 2007, turnover amounted to approximately HK\$271 million (30 September 2006: HK\$301 million), representing a decrease of 10% as compared to that of the same period of the previous year. Gross profit amounted to HK\$44 million, decreased HK\$13 million or 23% as compared to that of the previous year. Profit attributable to equity holders amounted to approximately HK\$3,517,000 for the period (30 September 2006: HK\$9,963,000).

During the period, in accordance with industry development trends and changes in market environment, the Group established its new development strategies and completed adjustment in its production structure and positioning. Sun East Tech Development Ltd., a subsidiary of the Group, principally engages in the manufacturing, sales and value-added services of SMT assembly equipment and semiconductor packaging equipment, focusing on establishment of the Sun East brand. While our subsidiary 日東電子發展公司 will primary focus on automatic equipment for automobile manufacturing and logistics equipment, targeting precision mold and precision parts processing for its future development, and actively pursue research and development of high-end products and accumulate technological capability to gradually become an enterprise integrating R&D and production. Our another subsidiary, Fureach Precision Ltd. will leverage on its technological and management strength in sheet metal and spraying operation to become a regional leader in processing. Through the above structural adjustment and various measurements for improvement, the Group recorded significant improvement in its primary business development and better operating results.

BUSINESS REVIEW

The Group enjoys a leading position in China as a solution provider for intelligent electronics assembly equipment and automatic production line for electronic products. The Group has strived to continuously enhance competitiveness and profitability through:

1. Improving market positioning and market segments division of its subsidiaries, strengthening marketing and brand promotion, to increase our market share while enhancing our profit margin. For the purpose of promoting the SMT industrial craftsmanship and equipments for advanced high-end electronics assembly industry throughout the country, the Group organized a series of activity named “2007 日東－中國質量萬里” in 13 cities in PRC during March to September 2007 to conduct comprehensive and deep communication with over 450 clients, enhancing the competitiveness of the clients. Currently, the PRC market is the primary market of the Group which provide the foundation for active development of international markets to extend the market share in overseas regional markets.
2. Enhancement of the initiative of research and development activities to create more advanced products by effective market driving and years of technological research and development.
 1. Electronics Assembly Equipment: For the PCBA (Printed Circuit Board Assembly) equipment, the Group adopted new materials, new technology and craftsmanship to improve and perfect the functions and efficiency of products such as wave soldering system, reflow system and printing machines, enhance the speed, preciseness, reliability and safety, and meet the demand for

equipments from different manufacturing craftsmanship of different clients. The idea of module design of wave soldering system and reflow system was firstly established in the PRC, in order to achieve new values for the clients.

2. **Semiconductor Packaging Equipment:** Based on the COG of LCD, the Group reinforced its technological co-operation and communication with several Japanese and Korean enterprises in respect of LCD equipment. It helped to establish strong technological support, providing technological security for development of the relevant business in the PRC. On this basis, the Group's independent development drove the improvement of manual and semi-automatic COG and began to cooperate with famous Korean Enterprises and Guangdong University of Technology to conduct the research and development of automatic COG. It raised the awareness of the Group's brand name and lowered the costs and thus seized the PRC market step by step. Meanwhile, the Group actively explored its wire bonding machine business. The Group has conducted extensive technical co-operation with renowned Korean manufacturers to actively prepare for the joint research and development of accessories for die bonders together, and finally perfect the variety of its current products.
3. **Automated Equipment Mainly for Automobile Manufacturing Industry:** For provide complete ancillary services, in addition to supply electronics assembly equipment, the Group adjusted the business of its subsidiaries and established the automobile equipment sales department. In the area of automated equipment for automobile manufacturing industry, the Group achieved three key breakthroughs, i.e. initial assembly line for engine, parts and components assembly line for assembly factory and assembly line for tyre, therefore increase the profits of automated equipment business.
4. **Solutions for automatic warehouse and supply chain logistics:** as there is a huge growth potential from supply chain demand for integrated logistics and distribution center in the China market, the Group expects a promising growth in our logistics operation in the future.
3. **For sheet metal fabrication,** the Group consolidated the Japanese and European markets, strengthened and optimized the market in PRC as well as emphasized the business in the North American market. Our sheet metal fabrication concentrated on businesses such as office automation, financial and communication, transformed from sole sheet metal processing model to processing and assembly model, and gradually penetrated into the sheet metal market of automobile industry with great business opportunities and market potential. Meanwhile, the significant increase in the construction of metro/light rail provided abundant orders for our customers and in turn provided great opportunities of development for the products produced by the Group.
4. **Implementation of in-depth budget management** to combine budget control and target management effectively, exploring more income sources while tightening cost control to tackle challenges from the market. Sun East Group strived to explore internal potential and strengthened internal management. The headcount of the Group was streamlined from 1,600 in April to the current 1,500, which significantly improved our cost effectiveness. The Group regarded expense control as a key project to study, commencement and carry on effectively, and apply in each of the procurement management, operating expense management, construction design management, production

management, human resources management and fuel and energy management procedures, to maintain the overall expense of the Group in a reasonable, appropriate and effective level.

5. For raising the implementation and operation capabilities, the Group adopted various methods to attract talents to join the Group while emphasized on the training of management personnel to ensure the talent pool required for development. While actively deal with market changes, the Group also emphasizes the continuous perfection of strategic human resources, and promote the growth and maturation of staff through the establishment of promotion system for the talent pool, appraisal management system, personnel training and development system and remuneration allocation and incentive system. The Group further articulated the job requirements and responsibilities on the promotion of the talent pool for different classes of management, and prepared the “Promotion and Management Method of Each Class of Talent Pool for Sun East Group”. For matching up the strategic setting of the Group and enhancing the level of senior and middle management, in April 2007, the Group and the Faculty of Management of the University of Shenzhen jointly organized the one-year course of “MBA for senior and middle management of Sun East Group” in the industrial park of the Group to introduce MBA course system. The Group also emphasized the establishment of the internal trainer team and included the trainer’s qualification in the entry qualification management, established the training programs for the key technical staff position, as well as increased the business level and working ability for the staff through commencing targeted and effective management and business training.

Prospect

In face of opportunities and challenges, the Group has taken full advantage of the State’s policies for supporting equipment manufacturers in order to preserve and enhance its core competitiveness and market share and thus improve its results. It has in turn further boosted the Group’s cost advantage and competitiveness in the industry. For the research and development work, the Group emphasizes active initiation and innovation, and continued to recruit top technological experts to upgrade and innovate our products, striving to create products with its own intellectual property and proprietary technology. The Group has made over 10 applications for patents of manufacturing techniques in wave soldering system, screen printers and reflow system, which were accepted by State Intellectual Property Office. The Group also prepared to apply for various patents of its semiconductor packaging equipment such as the products of COB and COG. On the basis of completing the strategic setting, the Group continues to consolidate its strengths, take active action, speed up its response to the market, improve the quality of after-sales services, as well as enhance our comprehensive market competitiveness to boost the Group’s overall profitability so as to create the best value for its shareholders.

LIQUIDITY

As at 30 September 2007, the Group had net current assets of HK\$138 million (31 March 2007: HK\$134 million), mainly comprising cash and bank balances of approximately HK\$101 million (31 March 2007: HK\$80 million), prepayments, deposits and other receivables of approximately HK\$9 million (31 March 2007: HK\$9 million), inventories of approximately HK\$112 million (31 March 2007: HK\$113 million), and trade receivables of approximately HK\$100 million (31 March 2007: HK\$112 million) and current liabilities of approximately HK\$184 million (31 March 2007: HK\$179 million). The current ratio was approximately 1.8 as at 30 September 2007 (31 March 2007: 1.8).

As at 30 September 2007, the Group had total assets of approximately HK\$488 million (31 March 2007: HK\$477 million) and total liabilities of approximately HK\$191 million (31 March 2007: HK\$186 million). The gearing ratio calculated as a percentage of debt to equity was 8% (31 March 2007: 6%).

FINANCIAL RESOURCES

As at 30 September 2007, the Group had floating interest-bearing bank borrowings of approximately HK\$25 million (31 March 2007: HK\$18 million), of which HK\$24 million were denominated in Renminbi and HK\$1 million in Hong Kong dollars. The Group's bank borrowings are all repayable within five years. The Group's borrowings were secured by (i) first legal charges on certain of the Group's leasehold land and buildings and its investment property located in Hong Kong; (ii) pledge of certain bank balances and (iii) guarantees provided by the Company.

As a significant portion of the Group's sales and purchases are denominated in Hong Kong dollars and Renminbi, in view of the stability of exchange rate of Hong Kong dollars and Renminbi, the directors consider the Group has no significant exposure to foreign exchange fluctuation. During the Period under review, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30 September 2007.

As at 30 September 2007, cash and bank balances amounted to HK\$101 million, approximately HK\$7 million are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

EMPLOYEES

At 30 September 2007, the Group employed approximately 1,500 staff and workers in the PRC and approximately 50 staff in the Group's Hong Kong office. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. The Group also participates in retirement schemes for its staff in the PRC and Hong Kong.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2007 (2006: Nil).

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

Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “Model Code”). On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2007.

Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”), as set out in Appendix 14 of the Listing Rules during the interim period; except that CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All the existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG 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 2007 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. Yau Wing Keung, 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 announcement:

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. Yau Wing Keung, Frankie

For and on behalf of the Board

But Tin Fu

Chairman

Hong Kong, 20 December 2007

* *For identification purpose only*