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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 2015

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 2015 (“the Period”). The Results have not been audited but they have been reviewed by the Company’s Audit Committee on 21 November 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	4, 5	446,214	481,706
Cost of sales		(385,510)	(414,167)
Gross profit		60,704	67,539
Other income and gains	4	9,862	12,088
Selling and distribution expenses		(32,879)	(35,486)
General and administrative expenses		(28,624)	(28,810)
Other expenses		—	(3,746)
Finance costs	6	(3,325)	(1,476)
Profit before income tax	7	5,738	10,109
Income tax expense	8	(102)	(1,126)
Profit for the Period attributable to owners of the Company		5,636	8,983
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		(12,266)	(156)
Total comprehensive income for the Period attributable to owners of the Company		(6,630)	8,827
Earnings per share for profit attributable to owners of the Company	10		
– Basic		1.07 cents	1.71 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		161,271	167,349
Prepaid land lease payments		8,917	11,181
		<u>170,188</u>	<u>178,530</u>
Current assets			
Inventories		139,565	166,263
Trade and bills receivables	11	387,544	373,628
Prepayments, deposits and other receivables		45,750	47,533
Tax reserve certificates		3,600	3,600
Taxes recoverable		191	191
Pledged deposits		16,911	2,934
Cash and bank balances		91,949	51,700
		<u>685,510</u>	<u>645,849</u>
Current liabilities			
Trade and bills payables	12	249,802	178,612
Other payables and accruals		137,664	150,769
Bank borrowings		85,281	105,447
Finance lease liabilities		—	93
Taxes payable		33,340	33,263
		<u>506,087</u>	<u>468,184</u>
Net current assets		<u>179,423</u>	<u>177,665</u>
Total assets less current liabilities		<u>349,611</u>	<u>356,195</u>
Non-current liabilities			
Finance lease liabilities		307	262
Deferred tax liabilities		12,881	12,881
		<u>13,188</u>	<u>13,143</u>
Net assets		<u>336,423</u>	<u>343,052</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	52,500	52,500
Reserves		283,923	290,552
Total equity		<u>336,423</u>	<u>343,052</u>

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 2015 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).

3. PRINCIPAL ACCOUNTING POLICIES

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

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which comprises all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2015.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Company’s financial year beginning on 1 April 2015, the accounting policies applied in preparing this Interim Financial Information are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in the annual financial statements. The application of these new and revised HKFRSs has had no material impact on the Interim Financial Information of the Group.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the Interim Financial Information of the Group.

The preparation of Interim Financial Information requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by the Company’s management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2015.

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue – sale of goods	<u>446,214</u>	<u>481,706</u>
Other income:		
Bank interest income	152	1,621
Recovery of trade receivables previously written off	–	252
Government grant	10,067	7,004
Others	<u>1,962</u>	<u>1,893</u>
	12,181	10,770
Gain		
Exchange gains, net	<u>(2,319)</u>	<u>1,318</u>
	<u>9,862</u>	<u>12,088</u>

5. SEGMENT INFORMATION

	Production lines and production equipment		Brand name production equipment		Six months ended 30 September	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	(Unaudited)		(Unaudited)		(Unaudited)	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	264,832	232,655	181,382	249,051	446,214	481,706
Other revenue – external	<u>3,947</u>	<u>1,605</u>	<u>5,763</u>	<u>8,862</u>	<u>9,710</u>	<u>10,467</u>
Reportable segment revenue	<u>268,779</u>	<u>234,260</u>	<u>187,145</u>	<u>257,913</u>	<u>455,924</u>	<u>492,173</u>
Reportable segment Results	<u>3,622</u>	<u>2,867</u>	<u>5,289</u>	<u>7,097</u>	<u>8,911</u>	<u>9,964</u>
Depreciation and amortisation	5,347	5,165	–	–	5,347	5,165
Provision for impairment of trade and bills receivables	–	3,746	–	–	–	3,746
Write-off of property, plant and equipment	<u>–</u>	<u>300</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>300</u>

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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reportable segment Results	8,911	9,964
Interest and other income	152	1,621
Finance costs	(3,325)	(1,476)
	<u>5,738</u>	<u>10,109</u>
Profit before income tax	<u><u>5,738</u></u>	<u><u>10,109</u></u>

6. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	<u><u>3,325</u></u>	<u><u>1,476</u></u>

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before income tax has been arrived at after charging/(credit):		
Cost of inventories sold	385,510	414,167
Depreciation	5,201	5,034
Staff costs (including directors' remunerations)		
– wages and salaries	59,596	68,954
– defined contribution scheme	5,469	4,847
Amortisation of prepaid land lease payments	146	134
Research and development costs	2,993	3,378
Gain/loss on disposal of property, plant and equipment	(42)	22
Minimum lease payments under operation lease in respect of leasehold land and buildings	1,436	1,248
Provision for impairment of trade and bills receivables	–	3,746
Write-off of property, plant and equipment	–	300
	<u><u>385,510</u></u>	<u><u>414,167</u></u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Hong Kong	—	—
Elsewhere	102	1,126
Total income tax expense	<u>102</u>	<u>1,126</u>

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 (2014: 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 (2014: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period of approximately HK\$5,636,000 (2014: HK\$8,983,000) attributable to owners of the Company and 525,000,000 (2014: 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.

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 the date of revenue recognition and net of provision, is as follows:

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Within 90 days	295,376	148,552
91 to 120 days	8,509	33,903
121 to 180 days	22,463	34,988
181 to 360 days	42,336	73,439
Over 360 days	18,860	82,746
	<u>387,544</u>	<u>373,628</u>

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 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Within 90 days	232,762	166,744
91 to 120 days	3,667	2,686
Over 120 days	13,373	9,182
	<u>249,802</u>	<u>178,612</u>

13. SHARE CAPITAL

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 525,000,000 (31 March 2015: 525,000,000) ordinary shares of HK\$0.10 each	<u>52,500</u>	<u>52,500</u>

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 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Within one year	1,777	1,313
In the second to fifth years, inclusive	<u>67</u>	<u>92</u>
	<u>1,844</u>	<u>1,405</u>

Capital Commitments

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	<u>3</u>	<u>100</u>

15. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 September 2015 and 31 March 2015.

CHAIRMAN'S STATEMENT

Though this year the Chinese economy is overshadowed by growth seen in previous years, nevertheless, the increase in demand for automatic intelligent equipment from enterprises has provided many opportunities for the Group. The transformation of the Chinese economy is still underway while the European and U.S. economies have not fully recovered, which negatively affected the Group's operation. For the first half of the year, the Group recorded decrease in profit mainly due to decrease of sales and increase of finance costs.

In the past six months, the world economy was still in a stage of significant adjustment after the global financial crisis, while the economic development of China has entered into the "new norm" which is an important strategic period full of opportunities and will provide new room for the Group's development. As the development of industrial automation and technology of computer integrated manufacturing system gradually progress and flexible manufacturing system, automatic three-dimensional warehouse, robot and AGV are extensively applied, producers and suppliers of intelligent equipment and "software industry 4.0" service providers are pursuing opportunities to integrate supply chains. The Group has also sought breakthrough amid steady development in the first half of the year.

In the past two years, in addition to allocating resources in launching and R&D of new products, the Group allocated substantial resources in informatization to seek breakthrough in the migration from traditional equipment to intelligent equipment, embarked on solutions for "industry 4.0" sectors and promoted the integration of cloud computing and big data with modern manufacturing sectors, in its efforts of enhancing the competitiveness of the Company.

The Group will take a "people-oriented" approach in the future. It is now an era for mass innovation and mass entrepreneurship in China. The Group will go with the tide and provide a platform for the development of capable and loyal staff so as to attract and retain talents. The great era will come where enterprises and their talents will share achievements.

For internal management, the Group will advance informatization comprehensively and optimise the Company's existing platform of informatised office to increase management effectiveness and efficiency.

Finally, I would like to thank shareholders for their continued support for the Group.

BUSINESS REVIEW

Brand Production Equipment Business

Due to the slowdown China economy, demand for SMT machines and semi-conductor has been reduced in the past half year comparing to the same period of last year. Following the introduction of the R&D subsidies program by the Guangdong Shenzhen, enterprise are encouraged to make capital investment to up-grade equipment and machineries, which we believe will boost the market demand overall. In addition, the Group has achieved breakthroughs in the research and development of new products, particularly for the function improvement and launching of new models of selective soldering and screen machine products, which we believe will improve our revenue growth over time.

The sales of SMT and welding related equipment amounted to approximately HK\$273.1 million, representing a decrease of approximately 19.1% when compared to approximately HK\$337.5 million in same period of last year. The gross profit margin was 15.1%, increase by 0.3% from last year 14.8%.

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, sales decreased from approximately HK\$33.8 million to HK\$22.8 million.

Automated and Logistic Business

Continuing the good momentum of last year, the sales of automated and logistic business remain hot in the past six months. Compared with the corresponding period last year, sale amount increased by 36.1% from approximately HK\$110.4 million to approximately HK\$150.3 million. The gross profit ratio recorded at around 7.3%. As previously expected, domestic enterprises increased investment in automation and intelligent to reduce their reliance on labour, and as a result, the automated and logistic business achieved good development.

FINANCIAL REVIEW

Turnover and Gross Profit

During the period under review, the turnover of the Group reached approximately HK\$446.2 million and represented a decrease of 7.36% when compared with approximately HK\$481.7 million in last period. The decrease of the sale amount mainly came from Brand Production Equipment business which recorded a decrease of 19.1%.

During the period under review, the gross profit ratio was approximately 13.6%, representing a slightly decrease of approximately 0.4%, as compared with the corresponding period approximately at 14.0%.

Other Income and Gains

During the period under review, the Group recorded other income and gains of approximately HK\$9.9 million. It mainly represents approximately HK\$5.6 million government grant under import discount interest refund scheme and approximately HK\$3.4 million R&D subsidies.

Selling and Distribution Expenses

During the year, the Group recorded a selling and distribution cost at approximately HK\$32.9 million and it represents 7.4% of the turnover which is almost the same as the last period under review.

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. During the period under review, the administrative expenses were approximately HK\$28.6 million and it decreased approximately HK\$0.2 million compared to last period under review approximately HK\$28.8 million.

Finance Costs

Finance costs for the period under review amounted to approximately HK\$3.3 million, representing an increase of approximately HK\$1.8 million, as compare with approximately HK\$1.5 million in last period under review.

Profit for the Period

As result of the foregoing, the profit attributable to the owners of the Company for the Period under review was approximately HK\$5.6 million, representing a decrease of approximately HK\$3.4 million, as compared with approximately HK\$9.0 million in corresponding period. The net profit margin was approximately 1.3% for the period under review as compared with approximately 1.9% in corresponding period.

EBITDA

The following table illustrates the Group's EBITDA for the respective Periods. The Group's EBITDA margin was 3.2% for the period under review as compared with 3.5% in corresponding Period.

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK'000	HK'000
Profit for Period attributable to owners of the Company	5,636	8,983
Finance cost	3,325	1,476
Income tax expenses	102	1,126
Depreciation and amortization	5,347	5,168
EBITDA	14,410	16,753

Financial Resource, Liquidity and Gearing Ratio

During the Period, there was no material change in the Group's treasury policy but the increase of number of single-large contracts and extension of construction period created pressure on Group's capital. As at 30 September 2015, 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\$179 million and healthy current ratio at 1.35 times. The gearing ratio of the Group was 25.3%. (31 March 2015: 30.7%).

Working Capital Management

The Group continued to maintain a healthy financial position. As at 30 September 2015, the Group held approximately HK\$91.9 million cash and bank balances, which increased by HK\$40.2 million from HK\$51.7 million at the beginning of the Period. The group's average inventory turnover days was approximately 72 days (31 March 2015 approximately 71 days). The Group's average debtors turnover days was approximately 156 days (31 March 2015 approximately 139 days). The Group's average creditors turnover days was approximately 102 days (31 March 2015 approximately 84 days). The Group remains confident that the net cash position will improve further given continuing profitability and management's continued focus on close working control.

Capital Expenditure on Property, Plant and Equipment

Total capital expenditure for the year was approximately HK\$0.39 million, out of which approximately HK\$0.12 million was spent on the acquisition of machinery and equipment, HK\$0.07 million on acquisition of furniture, fixture and leasehold improvement and HK\$0.2 million on acquisition of motor vehicles.

Charges on Group Assets

As at 30 September 2015, the Group's banking facilities including its import/export, letter of credit documentary credits, and trust receipt and bank borrowings are secured by:

- (i) a first legal charge on certain of the Group's leasehold land and buildings, which had an aggregate net carrying amount at the reporting date of HK\$144.4 million;
- (ii) bank deposits approximately HK\$16.9 million;
- (iii) cross guarantee provided by subsidiaries in the Group; and
- (iv) corporate guarantees provided by the Company.

EMPLOYEES

At 30 September 2015, the Group employed approximately 1,196 staff and workers in the PRC and approximately 14 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.

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 2015.

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 2015 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 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 14.

Code Provision A.6.7

Pursuant to the Code Provision A.6.7, all Directors of the Company should attend general meetings. However, one Independent Non-Executive Directors was absent from the annual general meeting held on 20 August 2015 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 2015 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.

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 2015 and the corresponding period in 2014 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 announcement 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 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. Li Wanshou

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

Hong Kong, 21 November 2015

* *For identification purpose only*