# Sun East Technology (Holdings) Limited
# 日 東 科 技（控 股）有 限 公 司 *

*(incorporated in Bermuda with limited liability)*

**(Stock code: 365)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

## ANNUAL RESULTS

The Board of Directors (the "Board") of Sun East Technology (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2016 together with the comparative figures of the corresponding last year as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2016*

| | *Notes* | **2016**<br>***HK$'000*** | 2015<br>*HK$'000* |
|---|---|---|---|
| **Revenue** | *4* | **726,975** | 838,203 |
| Cost of sales | | **(628,705)** | (731,685) |
| **Gross profit** | | **98,270** | 106,518 |
| Other income and gains | *4* | **18,271** | 28,600 |
| Selling and distribution costs | | **(46,276)** | (63,540) |
| Administrative expenses | | **(59,007)** | (55,777) |
| Other expenses | | **(13,091)** | (6,886) |
| Finance costs | *5* | **(7,036)** | (4,594) |
| **(Loss)/Profit before income tax** | *6* | **(8,869)** | 4,321 |
| Income tax credit/(expense) | *7* | **433** | (1,786) |
| **(Loss)/Profit for the year attributable to owners of the Company** | | **(8,436)** | 2,535 |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)**
*For the year ended 31 March 2016*

| | Notes | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Surplus on revaluation of properties held for own use | | **2,058** | 4,491 |
| Deferred tax relating to revaluation surplus | | **(314)** | 4,015 |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange (loss)/gain on translation of financial statements of foreign operations | | **(17,180)** | 106 |
| **Other comprehensive income for the year, net of tax** | | **(15,436)** | 8,612 |
| **Total comprehensive income for the year attributable to owners of the Company** | | **(23,872)** | 11,147 |
| **(Loss)/Earnings per share for profit attributable to owners of the Company** | *8* | | |
| – Basic | | **HK(0.82) cents** | HK0.25 cents (restated) |
| – Diluted | | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **151,892** | 167,349 |
| Prepaid land lease payments | | **10,275** | 11,181 |
| Finance lease receivables | | **1,776** | – |
| | | **163,943** | 178,530 |
| **Current assets** | | | |
| Inventories | | **112,717** | 166,263 |
| Trade and bills receivables | 9 | **338,329** | 373,628 |
| Prepayments, deposits and other receivables | | **45,867** | 47,533 |
| Finance lease receivables | | **3,107** | – |
| Derivative financial instruments | | **183** | – |
| Tax reserve certificates | | **3,600** | 3,600 |
| Taxes recoverable | | **191** | 191 |
| Pledged and restricted deposits | | **14,680** | 2,934 |
| Cash and bank balances | | **71,905** | 51,700 |
| | | **590,579** | 645,849 |
| **Current liabilities** | | | |
| Trade and bills payables | 10 | **166,194** | 178,612 |
| Other payables and accruals | | **80,633** | 150,769 |
| Bank and other borrowings | 11 | **143,219** | 105,447 |
| Finance lease liabilities | | **98** | 93 |
| Taxes payable | | **31,871** | 33,263 |
| | | **422,015** | 468,184 |
| **Net current assets** | | **168,564** | 177,665 |
| **Total assets less current liabilities** | | **332,507** | 356,195 |
| **Non-current liabilities** | | | |
| Finance lease liabilities | | **164** | 262 |
| Deferred tax liabilities | | **13,163** | 12,881 |
| | | **13,327** | 13,143 |
| **Net assets** | | **319,180** | 343,052 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **52,500** | 52,500 |
| Reserves | | **266,680** | 290,552 |
| **Total equity** | | **319,180** | 343,052 |

*Notes:*

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

During the year, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting year and relevant to the Group. The adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies.

At the date of this results announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

**HKFRS 9 (2014) – Financial Instruments**

The standard is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

## 2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

**HKFRS 15 – Revenue from Contracts with Customers**

The standard is effective for accounting periods beginning on or after 1 January 2018. The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

**HKFRS 16 – Leases**

From the perspective as a lessee, under the existing standard, leases are classified as either finance lease or operating lease, resulting in different accounting treatment. Finance leases are required to be accounted for "On Balance Sheet" (i.e. lease asset and corresponding liabilities are recognised in the statement of financial position); while operating lease is accounted for "Off Balance Sheet" where no asset or liabilities are recognised and the lease expenses are recognised on a straight-line basis along the lease period. Under the new standard, "On Balance Sheet" accounting treatment is required for all leases, except for certain short-term leases and leases of low-value assets. The statement of financial position will be "inflated" by their rights and obligations relating to their existing operating leases. In addition, the recognition of operating lease expenses will change from the existing straight-line model to a "front-loaded" model as finance lease, i.e. during the initial period of the lease term, the lease expenses (asset depreciation plus interest) under the new standard are higher compared to the operating lease expenses recognised under the existing standard.

From the perspective as a lessor, the accounting stays almost the same. However, the HKICPA has updated the guidance on the definition of a lease, sub-lease, as well as the guidance on the combination and separation of contracts, lessors will also be affected by the new standard.

HKFRS 16 will be effective for accounting period beginning on 1 January 2019. The directors of the Company anticipate that the application of HKFRS 16 in the future will have impact on the amounts reported in respect of the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group performs a detailed review.

## 3. SEGMENT INFORMATION

The executive directors have identified the Group's two product lines as reportable segments:

(i) Production lines and production equipment – Design, manufacture and sale of production lines and production equipment

(ii) Brand name production equipment – Trading and distribution of brand name production equipment

| | Production lines and production equipment | | Brand name production equipment | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Segment revenue: | | | | | | |
| Sales to external customers | **384,060** | 416,103 | **342,915** | 422,100 | **726,975** | 838,203 |
| Other revenue – external | **9,938** | 11,829 | **7,996** | 13,463 | **17,934** | 25,292 |
| Reportable segment revenue | **393,998** | 427,932 | **350,911** | 435,563 | **744,909** | 863,495 |
| Reportable segment results | **18,649** | 12,149 | **(6,855)** | 5,085 | **11,794** | 17,234 |
| Depreciation and amortisation | **10,483** | 10,606 | **–** | – | **10,483** | 10,606 |
| Loss on disposal of property, plant and equipment | **45** | 8 | **–** | – | **45** | 8 |
| Bad debts written off | **87** | 97 | **–** | – | **87** | 97 |
| Provision for impairment of trade and bills receivables | **1,373** | 6,749 | **–** | – | **1,373** | 6,749 |
| Write-back of inventories to net realisable value | **(785)** | (788) | **–** | – | **(785)** | (788) |
| Write-off of property, plant and equipment | **–** | 40 | **–** | – | **–** | 40 |
| **Reportable segment assets** | **500,186** | 529,795 | **154,305** | 226,668 | **654,491** | 756,463 |
| Capital expenditure | **876** | 9,837 | **–** | – | **876** | 9,837 |
| **Reportable segment liabilities** | **196,256** | 273,528 | **47,434** | 54,043 | **243,690** | 327,571 |

## 3. SEGMENT INFORMATION *(Continued)*

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Reportable segment results | **11,794** | 17,234 |
| Rental income | **12** | 17 |
| Interest and other corporate income | **325** | 3,291 |
| Corporate expenses | **(13,964)** | (11,627) |
| Finance costs | **(7,036)** | (4,594) |
| **(Loss)/Profit before income tax** | **(8,869)** | 4,321 |
| Segment assets | | |
| Production lines and production equipment | **500,186** | 529,795 |
| Brand name production equipment | **154,305** | 226,668 |
| | **654,491** | 756,463 |
| Finance lease receivables | **4,883** | – |
| Derivative financial instruments | **183** | – |
| Tax reserve certificates | **3,600** | 3,600 |
| Taxes recoverable | **191** | 191 |
| Pledged and restricted deposits | **14,680** | 2,934 |
| Cash and bank balances | **71,905** | 51,700 |
| Other corporate assets | **4,589** | 9,491 |
| **Total assets** | **754,522** | 824,379 |
| Segment liabilities | | |
| Production lines and production equipment | **196,256** | 273,528 |
| Brand name production equipment | **47,434** | 54,043 |
| | **243,690** | 327,571 |
| Bank and other borrowings | **143,219** | 105,447 |
| Finance lease liabilities | **262** | 355 |
| Deferred tax liabilities | **13,163** | 12,881 |
| Other corporate liabilities | **35,008** | 35,073 |
| **Total liabilities** | **435,342** | 481,327 |

## 3. SEGMENT INFORMATION *(Continued)*

The Group's revenue from external customers and segment assets are divided into the following geographical areas:

| | Revenue from external customers | | Non-current assets (excluded finance lease receivables) | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Mainland China (domicile) | **703,957** | 804,221 | **136,698** | 152,269 |
| Hong Kong | **7,202** | 9,242 | **25,469** | 26,261 |
| Europe (principally Spain) | **10,301** | 13,000 | **–** | – |
| Others (principally Japan) | **5,515** | 11,740 | **–** | – |
| | **726,975** | 838,203 | **162,167** | 178,530 |

The geographical location of customers is based on the location at which the goods delivered. The geographical location of non-current assets is based on the physical location of the assets. The Company is an investment holding company where the Group has majority of its operation and workforce in Mainland China, and therefore, Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

## 4. REVENUE, OTHER INCOME AND GAINS

The Group's turnover represents revenue from its principal activities, measured at the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of revenue, other income and gains is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue – sale of goods** | **726,975** | 838,203 |
| Other income: | | |
| Rental income | **12** | 17 |
| Bank interest income | **325** | 2,971 |
| Impairment loss on trade receivables written back | **353** | 2,260 |
| Government grants* | **9,881** | 16,827 |
| Sales of scrap | **1,850** | 2,516 |
| Discount received on the settlement of other payables | **–** | 1,740 |
| Interest income from finance leases | **203** | – |
| Over-accrual of commission payables | **3,906** | – |
| Others | **1,741** | 1,949 |
| | **18,271** | 28,280 |
| Gains: | | |
| Exchange gain, net | **–** | 320 |
| **Other income and gains** | **18,271** | 28,600 |

* Non-refundable government subsidies from the PRC government for subsidising the Group in conducting and launching projects relating to research and development activities, development of the high-tech operating system and imports of the high-tech equipments. There are no unfulfilled conditions or contingencies relating to these grants.

## 5. FINANCE COSTS

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank and other borrowings, wholly repayable within one year | **7,022** | 4,587 |
| Finance lease charges | **14** | 7 |
| Total interest on financial liabilities stated at amortised cost | **7,036** | 4,594 |

## 6. (LOSS)/PROFIT BEFORE INCOME TAX

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The Group's (loss)/profit before income tax is arrived at after charging/(crediting): | | |
| Cost of inventories sold | **491,757** | 570,625 |
| – including write-back of inventories to net realisable value | **(785)** | (788) |
| Depreciation | | |
| – Owned | **10,106** | 10,279 |
| – Held under finance leases | **90** | 30 |
| Fair value loss on derivative financial instruments | **131** | 1,103 |
| Research and development costs | **6,299** | 6,128 |
| Minimum lease payments under operating leases in respect of leasehold land and buildings | **3,304** | 2,652 |
| Loss on disposal of property, plant and equipment | **45** | 8 |
| Auditor's remuneration | **990** | 950 |
| Exchange loss/(gain), net | **10,349** | (320) |
| Staff costs (including directors' remuneration) | | |
| – Wages and salaries | **118,624** | 130,687 |
| – Defined contribution scheme | **9,794** | 8,913 |
| | **128,418** | 139,600 |
| Amortisation of prepaid land lease payments | **287** | 297 |
| Provision for impairment of trade and bills receivables | **1,373** | 6,749 |
| Bad debts written off | **87** | 97 |
| Write-off of property, plant and equipment | **–** | 40 |

## 7. INCOME TAX (CREDIT)/EXPENSE

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax – Elsewhere | | |
| – Tax for the year | **1,257** | 1,810 |
| – Over-provision in prior year | **(1,658)** | – |
| | **(401)** | 1,810 |
| Deferred tax | **(32)** | (24) |
| Income tax (credit)/expense | **(433)** | 1,786 |

No Hong Kong profits tax was provided as the Group did not generate any assessable profits arising from its operations in Hong Kong during the current and prior years. Taxes assessable in elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

The PRC enterprise income tax for foreign enterprises have been calculated on the estimated assessable profits for the year at 25% except that 日東電子科技(深圳)有限公司 and 日東電子發展(深圳)有限公司 are granted the tax benefit for the National High-Tech Enterprise for three years starting from the year ended 31 December 2014. It is subject to income tax rate of 15%.

## 8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the year of approximately HK$8,436,000 (2015: profit of approximately HK$2,535,000) attributable to owners of the Company, and 1,023,750,000 (2015: 1,023,750,000 as restated) ordinary shares in issue during the year after the adjustment of the bonus elements in the shares issued under the share subscription completed subsequent to the reporting date but before the issuance of these financial statements.

The comparative figures for the basic earnings per share for the year ended 31 March 2015 are restated to take into account of the effect of the bonus elements arising from the above share subscription as if they had taken place since the beginning of the comparative period.

Diluted (loss)/earnings per share for the year ended 31 March 2016 and 2015 are not presented as there were no potential ordinary shares in issue during the year.

## 9. TRADE AND BILLS RECEIVABLES

The normal credit period granted by the Group to its customers, each of which has a maximum credit limit, ranges from 30 to 180 days (2015: 30 to 180 days).

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 90 days | **85,150** | 148,552 |
| 91 to 120 days | **16,368** | 33,903 |
| 121 to 180 days | **34,152** | 34,988 |
| 181 to 360 days | **74,823** | 73,439 |
| Over 360 days | **127,836** | 82,746 |
| | **338,329** | 373,628 |

## 10. TRADE AND BILLS PAYABLES

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 90 days | **89,198** | 166,744 |
| 91 to 120 days | **23,266** | 2,686 |
| Over 120 days | **53,730** | 9,182 |
| | **166,194** | 178,612 |

Trade and bills payables are non-interest bearing and are normally settled within 90 to 270 days (2015: 90 to 180 days).

## 11. BANK AND OTHER BORROWINGS

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current portion | | |
| – Secured bank loans due for repayment within one year (note i) | **127,093** | 78,639 |
| – Asset-backed financing (note ii) | **16,126** | 20,493 |
| – Unsecured bank loans due for repayment within one year | **–** | 6,315 |
| | **143,219** | 105,447 |

*Notes:*

(i) These bank borrowings are secured by the Group's leasehold land and buildings, prepaid land lease payments, trade receivables, pledged deposits of USD200,000 (equivalent to HK$1,551,000) and corporate guarantees provided by the Company and its subsidiaries (2015: secured by the Group's leasehold land and buildings, prepaid land lease payments and corporate guarantees provided by the Company and its subsidiaries).

(ii) The asset-backed financing represents the amount of financing obtained in factoring transactions which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bills receivables.

As at 31 March 2016 and 2015, all bank and other borrowings are due for repayment within one year.

The interest-bearing bank and other borrowings are carried at amortised cost.

As at 31 March 2016, the bank and other borrowings included bank and other loans of approximately USD2,556,000 and RMB103,531,000 (2015: USD1,998,000 and RMB71,227,000).

Effective interest rate of the bank and other borrowings ranged from 3.83% to 7.09% (2015: from 1.73% to 19.20%) per annum for the year.

## 12. DIVIDENDS

No dividend was paid or proposed during the year of 2016, nor has any dividend been proposed since the end of reporting period (2015: Nil).

## 13. COMMITMENTS

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

### (a) Operating lease commitments – as lessee

The Group leases certain of its office premises or staff quarter under operating lease arrangements. Leases for these assets are negotiated for the terms ranging between one and three years (2015: one and three years).

At 31 March 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **1,673** | 1,313 |
| In the second to fifth years, inclusive | **1,334** | 92 |
| | **3,007** | 1,405 |

### (b) Capital commitments

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Commitments for the acquisition of property, plant and equipment | **–** | 100 |

## 14. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

During the year ended 31 March 2016, a subsidiary of the Group was in dispute with one of its customers in relation to the product quality. In 9 August 2015, the contractor instituted a proceeding against the subsidiary, to claim a compensation relating to the product quality dispute, totaling RMB8,500,000 (equivalent to approximately HK$10,130,000).

Provision amounted to RMB1,000,000 (equivalent to approximately HK$1,192,000) had been provided for in respect of the claims as at 31 March 2016. As management has determined, on the basis of external legal advice from the Group that it is not probable that these claims would result in an outflow of economic benefits exceeding the provisions made by the Group. The management believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results and business of the Group.

According to the rulings made by the relevant courts, cash at bank totaling RMB8,500,000 (equivalent to approximately HK$10,130,000) of the subsidiary should be frozen or attached.

As at 31 March 2016, the Group has no other significant contingencies except for the abovementioned contingencies.

## 15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

The remuneration of the directors and other members of key management during the year were as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Short term employee benefits | **9,633** | 10,219 |
| Post-employment benefits | **132** | 148 |
| | **9,765** | 10,367 |

The remuneration of the 4 (2015: 5) members of senior management (excluding directors) were within the emolument band of nil to HK$1,000,000 for each of the years ended 31 March 2016 and 2015.

## 16. EVENTS AFTER THE REPORTING DATE

On 30 May 2016, the Company issued 930,000,000 ordinary shares at a subscription price of HK$0.4 per share and convertible bonds with an aggregate principal amount of HK$148,000,000, which can be converted into 370,000,000 ordinary shares at a conversion price of HK$0.4 per share. The Company received gross proceeds in an aggregate amount of HK$520 million in cash.

Details of the subscription of new shares and convertible bonds are set out in the Company's announcement dated 30 May 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Brand Production Equipment Business

Due to the slowdown in 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 in Shenzhen, Guangdong, enterprise are encouraged to make capital investment to up-grade equipment and machineries, which we believe will boost the overall market demand. 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$491.7 million, representing a decrease of approximately 16.8% when compared to approximately HK$590.9 million in same period of last year. The gross profit margin was 13.2%, increase by 0.5% from last year 12.7%.

### 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$61.0 million to HK$44.9 million.

### Automated and Logistic Business

Continuing the good momentum of last year, the sales of automated and logistic business remain hot in the past twelve months. Compared with the corresponding period last year, sale amount increased by 2.0% from approximately HK$186.5 million to approximately HK$190.2 million. The gross profit ratio recorded at around 13.2%. 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.

### Outlook

The Group will continue to develop SMT, automation and logistic businesses. It will participate in market competition through a strategy of differentiation, and will stringently control the operating costs to maintain a reasonable profit margin range. To raise the levels of precision and artificial intelligence of its products, the Group will also invest in researches in high technology areas like high performance electric motors, vision systems and IMS systems.

## FINANCIAL REVIEW

### Revenue and gross profit

Revenue of the Group reached approximately HK$727.0 million and represented a decrease of approximately HK$111.2 million and 13.3% when compared with approximately HK$838.2 million in last year. The downturn of sale amount was mainly due to the decrease in sales of SMT machine. It is because the price of SMT machine dropped. Sale turnover was pushed downward as competition in pricing and payment terms were getting more severe in the market place. In terms of other businesses, despite the Group's strategy of small profit margin relative to sales quantity and its effort in lengthening the ageing of major clients specifically, the business was affected given the keen competition.

During the year under review, the gross profit ratio for the year was approximately 13.5%, representing a slightly surge of approximately 0.8%, as compared with last year approximately 12.7%. Improved gross margin was achieved as a result of tighter cost control and better product mix in the SMT line machineries distribution.

### Other income and gains

During the year, the Group recorded other income and gains at approximately HK$18.3 million. The Group recorded recover of over-accural of commission payable at approximately HK$3.9 million, gain from scrap materials at approximately HK$1.9 million and government grant at approximately HK$9.9 million.

### Selling and distribution costs

During the year, the Group recorded selling and distribution costs at approximately HK$46.3 million and it represents 6.4% of the turnover when it was 7.6% in the same period last year. The decrease was the result of tighter control on selling expenses.

### Administrative expenses

The management of the Group implemented various methods to control its administrative expenses including departmental cost budgeting and enhancement of the efficiency by reviewing manpower. During the year, the administrative expenses were approximately HK$59.0 million and it increased by approximately HK$3.2 million compared to last year approximately HK$55.8 million. Such increase was mainly due to the increase in the cost of legal expense for new share subscription.

### Other Expenses

Other expenses for the year under review amounted to approximately HK$13.1 million, representing an increase of approximately HK$6.2 million as compared with approximately HK$6.9 million in the same period last year. The increase was mainly exchange loss of approximately HK$10.3 million caused by RMB depreciation versus USD.

**Finance costs**

Finance costs for the year under review amounted to approximately HK$7.0 million, representing an increase of approximately HK$2.4 million, as compared with approximately HK$4.6 million in the same period last year. The increase mainly came from increase in bank and other borrowings during the year.

**(Loss)/Profit for the period**

As result of the foregoing, the loss attributable to owners of the Company for the year under review was approximately HK$8.4 million, representing a decrease of approximately HK$10.9 million, as compared with profit of approximately HK$2.5 million in corresponding year. The net loss margin was approximately 1.2% for the year under review as compared with approximately 0.3% profit margin in the same period last year.

**EBITDA**

The following table illustrates the Group's EBITDA for the respective years. The Group's EBITDA margin was 1.2% for the year under review as compared with 2.3% in corresponding period in 2015.

| | **Year ended 31 March** | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK'000*** | *HK'000* |
| (Loss)/Profit for year attributable to owners of the Company | **(8,436)** | 2,535 |
| Finance costs | **7,036** | 4,594 |
| Income tax (credit)/expenses | **(433)** | 1,786 |
| Depreciation and amortisation | **10,483** | 10,606 |
| EBITDA | **8,650** | 19,521 |

**Financial resource, liquidity and gearing ratio**

During the past year, there was no material change in the Group's treasury policy. As there were more and more projects taken by the automated and logistics business and the capital being invested was also increasing, the cash level was in reducing trend. As at 31 March 2016, 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$168.6 million and healthy current ratio at 1.4 times. The total equity ratio attributable to the owners of the Company was calculated with reference to the total bank and other borrowings and finance lease liabilities (but discounted bank acceptance bills of approximately HK$16.1 million are not included) as at 31 March 2016. The gearing ratio of the Group was 39.9% (2015: 24.8%, the pledged deposit and bank borrowing under hedging purpose are excluded).

**Working capital management**

The Group continued to maintain a healthy financial position. As at 31 March 2016, the Group held cash and bank balances of approximately HK$71.9 million, which increased approximately HK$20.2 million from approximately HK$51.7 million at the beginning of the year. Meanwhile, the Group obtained bank loans of approximately HK$127.1 million (but discounted bank acceptance bills of approximately HK$16.1 million are not included). The group's average inventory turnover days was approximately 80 days (2015: 71 days). The Group's average debtors turnover days was approximately 178 days (2015: 139 days). The Group's average creditors turnover days was approximately 100 days (2015: 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 capital control.

**Capital Expenditure on property, plant and equipment**

Total capital expenditure for the year was approximately HK$0.9 million, out of which approximately HK$0.2 million was spent on the acquisition of machinery and equipment, HK$0.5 million on acquisition of furniture, fixture and leasehold improvement and HK$0.2 million on acquisition of motor vehicles.

**Charges on Group Assets**

As at 31 March 2016, the Group's banking facilities including its performance letter of guarantees, import/export loan, letter of credit, documentary credits, 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$111.8 million (2015: HK$105.0 million);

(ii) prepaid land lease payments approximately HK$8.9 million (2015: HK$8.1 million);

(iii) bank pledged deposits approximately HK$4.6 million (2015: HK$2.9 million);

(iv) trade receivables approximately HK$264.4 million (2015: Nil); and

(v) corporate guarantees provided by the Company and its subsidiaries.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed approximately 1,027 full time employees in the PRC and approximately 15 were in the Hong Kong office. The Group remunerates its employees based on the 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 pension scheme and performance related bonuses.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## 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 year ended 31 March 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, two Independent Non-Executive Directors were 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 which was established in accordance with the requirements of the Code for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the annual results for the year ended 31 March 2016. The audit committee comprises the three independent non-executive directors of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the year.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this announcement and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is 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). The annual report of the Company for the year ended 31 March 2016 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

## CAUTION STATEMENT

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. Qi Lian *(Chairman)*
Mr. Xia Yuan
Mr. But Tin Fu
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**
**Qi Lian**
*Chairman*

Hong Kong, 29 June 2016

* *For identification purpose only*