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 2006

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 2006 ("the Period"). The Unaudited Results have not been audited, but have been reviewed by the Company's Audit Committee on 20 December 2006:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**300,881**	272,306
Cost of sales		**(243,362)**	(226,094)
Gross profit		**57,519**	46,212
Other income and gains		**815**	1,165
Selling and distribution expenses		**(16,476)**	(8,409)
General and administrative expenses		**(28,051)**	(35,520)
Finance costs	*4*	**(884)**	(724)
Share of results of:			
A jointly-controlled entity		**213**	(757)
An associate		**–**	(12)
PROFIT BEFORE TAX	*5*	**13,136**	1,955
Tax	*6*	**(3,173)**	(962)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		**9,963**	993
Interim dividend	*7*	**–**	–
EARNINGS PER SHARE	*8*		
– Basic		**2.66 cents**	0.26 cents
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2006	31 March 2006
		(Unaudited)	(Audited)
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**135,973**	139,895
Investment property		**2,020**	2,020
Prepaid land lease payment		**6,672**	6,752
Intangible assets		**2,901**	5,967
Interest in a jointly-controlled entity		**7,826**	5,570
Interest in an associate		**1,010**	1,010
Other deposits and receivables		**–**	1,850
		156,402	163,064
CURRENT ASSETS			
Inventories		**101,567**	94,958
Accounts receivable	*10*	**134,286**	95,713
Prepayments, deposits and other receivables		**16,892**	23,676
Pledged cash and bank balances		**45,470**	2,000
Cash and cash equivalents		**27,236**	70,742
		325,451	287,089
CURRENT LIABILITIES			
Accounts and bills payable	*11*	**92,686**	84,528
Accruals and other payables		**44,058**	41,354
Interest-bearing bank and other borrowings		**26,652**	21,201
Tax payable		**32,961**	22,011
Amount due to directors		**7**	383
		196,364	169,477
NET CURRENT ASSETS		**129,087**	117,612
TOTAL ASSETS LESS CURRENT LIABILITIES		**285,489**	280,676
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**–**	6,778
Deferred tax liabilities		**3,365**	3,896
		3,365	10,674
		282,124	270,002
CAPITAL AND RESERVES			
Issued capital		**37,500**	37,500
Reserves		**244,624**	232,502
		282,124	270,002

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 2006, 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 2006. 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 Six months ended 30 September (Unaudited)		Brand name production equipment Six months ended 30 September (Unaudited)		Consolidated Six months ended 30 September (Unaudited)	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**194,713**	174,576	**106,168**	97,730	**300,881**	272,306
Segment results	**3,071**	(1,868)	**14,197**	14,366	**17,268**	12,498
Interest and unallocated income					**788**	295
Unallocated expenses					**(4,249)**	(9,345)
Finance costs					**(884)**	(724)
Share of results of						
a jointly-controlled entity					**213**	(757)
an associate					**–**	(12)
Tax					**(3,173)**	(962)
Net profit for the period					**9,963**	993

4. FINANCE COSTS

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**841**	667
Interest on finance leases	**43**	57
	884	724

5. PROFIT BEFORE TAX

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Cost of inventories sold and services provided	**243,362**	226,094
Depreciation	**7,676**	6,375
Amortisation of technical know-how	**2,990**	2,750
Staff costs (including directors' remunerations)		
– wages and salaries	**21,308**	19,641
– retirement benefits scheme contributions	**445**	429

6. TAX

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**3,531**	–
Elsewhere	**173**	962
Deferred	**(531)**	–
Tax charge for the period	**3,173**	962

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 (2005: Nil). 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 2006, there was no significant unprovided deferred tax liability (2005: Nil).

7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2006 (2005: 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$9,963,000 (2005: HK$993,000), and the weighted average number of 375,000,000 (2005: 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 2006.

10. ACCOUNTS RECEIVABLE

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 aged analysis of the accounts receivable balance as at the balance sheet date, based on the invoice date, is as follows:

	30 September 2006 (Unaudited) *HK$'000*	31 March 2006 (Audited) *HK$'000*
Within 90 days	**77,623**	49,017
91 to 120 days	**7,876**	7,931
121 to 180 days	**12,075**	8,340
181 to 360 days	**23,940**	19,970
Over 360 days	**12,772**	10,455
	134,286	95,713

11. ACCOUNTS AND BILLS PAYABLE

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

	30 September 2006 (Unaudited) *HK$'000*	31 March 2006 (Audited) *HK$'000*
Within 90 days	**72,379**	56,104
91 to 120 days	**6,705**	8,410
Over 120 days	**13,602**	20,014
	92,686	84,528

12. CONTINGENT LIABILITIES

As detailed in the Company's 2006 Annual Report, 廣州寶龍集團輕型汽車製造有限公司(「寶龍」) has filed a civil complaint against a subsidiary of the Company (the "Action") claiming, among other things, RMB1,000,000 as compensation. The subsidiary was defending against the Action and had counter-claimed 寶龍 approximately RMB6,116,000 as compensation. In October 2006, it was held by the Intermediate People's Court of Guangzhou, Guangdong Province, the PRC that 寶龍 should within 10 days from the date of the judgment pay to the subsidiary a sum of RMB3,487,280 together with interests and the subsidiary has applied to the court for enforcement of the judgment. Accordingly, the Directors consider that no further material liability will result therefrom.

13. SUBSEQUENT EVENT

On 17 November 2006, it was announced that the Company proposed to raise approximately HK$17,100,000 after expenses by way of a rights issue of 150,000,000 shares at a price of HK$0.12 per share on the basis of two shares for every five existing shares of the Company (the "Rights Issue"). The net proceeds from the Rights Issue are intended to be utilised as the Company's general working capital. It is expected that the Rights Issue will be completed on 9 January 2007.

BUSINESS REVIEW AND OUTLOOK

Turnover for the period amounted to approximately HK$301 million (30 September 2005: HK$272 million), representing an increase of 11% as compared to that of the same period of the previous year. Gross profit amounted to HK$58 million, representing an increase of 24% as compared to that of the same period of the previous year. Profit attributable to equity holders amounted to approximately HK$9,963,000 for the period (30 September 2005: HK$993,000).

During the period, the Group adopted various measures to adjust and improve its business in response to changes of market environment and industry development. These include strengthening marketing and expansion efforts as to accelerate industrial deployments in emerging economic regions such as the Yangtze River Delta; strengthening cooperation with Samsung Techwin of Korea as well as domestic and overseas research institutes as to enhance product quality and technological development capability; implementing an overall budget management system and tightening control over manufacturing costs and operation expenses, and strengthening the management team by continuously recruiting quality technical and managerial staff. After half year's efforts, the Group's main operation divisions have recorded improved business performance and made a turnaround from loss to profit.

Business Review

The Group enjoys a leading position in China as a manufacturing enterprise of intelligent electronic equipment and supplier of manufacturing solutions on automatic electronic products. For electronic assembly equipment business, the Group has strived to continuously enhance competitiveness and profitability through:

a. *Strengthening marketing and expansion efforts as to accelerate industrial deployments in emerging economic regions*

To enhance marketing and expansion capability, the Group has adjusted its sales system structure and marketing strategy, and carried out strategic consolidation over its existing products with a strategy combining brand management, high added-value, large clients and standardized production. The Group also recruited specialized business development managers, introduced a client relationship management (CRM) system and established training programs and incentive schemes for sales staff, which effectively contributed to the increase in market share.

Meanwhile, the Group accelerated industrial deployments and business expansion into emerging economic regions such as the Yangtze River Delta and the Beijing-Tianjin-Tangshan economic zone around the Bohai region, as well as actively built up overseas sales channels, which effectively expanded the Group's business scopes and subsequent development potential.

b. *Strengthening technological research and development and cooperation as to enhance product quality and technological development capability*

The Group jointly established the Shenzhen Samsung Surface Mounting Technology (SMT) Technology Center (深圳三星SMT技術中心) with Samsung Techwin of Korea. Specialists were sent by Samsung Techwin to Sun East on long-term basis to provide excellent pre-sale product planning, after-sale solutions, technical support and trainings for clients. This enhanced clients' confidence in the pick and place machines of Sun East and Samsung apart from solidifying the cooperation with these long-standing clients.

To further upgrade the products' technological level and consolidate its leading market position, the Group formed partnership with various renowned universities and high-tech companies in China and abroad. The Group cooperated with the Chinese University of Hong Kong to develop intelligent temperature control systems for the reflow system to improve the real-time temperature control system for the new-generation of reflow soldering equipment. The Group also developed core modules for high-speed precision movement control system and 3D high-definition graphic identification system jointly with universities and colleges including Beijing Han Wang Technology Co. Ltd, and it will transplant such core modules to a new-generation of soldering machines and screen printers etc as to enhance the movement control precision and graphic identification capabilities of Sun East products.

c. *Create further streams of profit growth by developing new products and introducing new products for distribution*

To cater for market demand and provide the most satisfactory soldering equipment for EMS enterprises, the Group has developed the Genesis lead-free hot-air reflow system. With a powerful dual-module cooling system and all-stainless-steel solder recycling system, the product effectively alleviates high-temperature impact from lead-free solder and solder pollution, enhances product quality and achieves green production.

The newly developed Peak350 fully-automatic lead-free wave soldering system is a new all-around module design and intelligent convey system. Clients are benefitted from with lower operating costs and increased market competitiveness through switching to a lead-free manufacturing process, which was achieved by individual module replacements and easy equipment maintenance with less product oxidation. The two new types of tin soldering equipment have become the Group's new streams of profit growth.

In addition to the demand for lead-free green soldering production, electronic products also require increasingly high technological precision and quality as they become increasingly micro and light-weighted. Sun East timely introduced the high-precision AOI (Automatic Optic Inspection) equipment from Israel, which both met clients' demanding requirement for soldering techniques and enhanced the technological level of the turn-key solution for Sun East SMT production lines.

For automated production line business, the Group's products of automated warehouses, system integration and convey system sieve products achieved more technological contents and further improved functions through the control of critical technical check-points, and the implementation of standardization and regulation. The products were awarded 'Renowned Logistics Brands in China for Year 2006-2007' (2006-2007年度中國物流知名品牌) by the authoritative logistics technological association in China. The Group aimed to generate more profit from the automated production line solution business with its existing market and brand advantages.

For sheet metal fabrication, apart from supplying metal parts for internal consumption, the sheet metal fabrication business has been manufacturing metal parts for various world-renowned clients in Japan and the United States. During the review period, sheet metal fabrication business recorded strong growth in Europe, in addition to the well-established conventional markets in Japan and the United States. Through the addition of intelligent soldering robots equipment, the sheet metal fabrication workshops have relied less on workers while the quality and efficiency for the sheet metal fabrication process were raised, and it is now capable of handling orders of large quantity, better quality and high added value.

Prospects

Development of SMT and the entire electronic packaging technology are enormously driven by the emergence of micro systems such as micro electronic components, system integration plan (SIP) integrated circuits, Micro Electro-Mechanical Systems (MEMS) and Micro Optical Electro-Mechanical Systems (MOEMS) etc. To capitalize on the development trend and capture the huge business opportunity, the Group has increased investment in the SMT manufacturing equipment technology. Meanwhile, the Group actively cooperated with a Korean partner in manufacturing whole sets of TFT-LCD manufacturing equipment. In view of technological advancement in electronic products such as video handsets, broad-cast television, MP4 and 3G handsets in China, and the wide application of the new generation of high-definition module technology in such products, with its existing COG and COF rear-end equipment, the Group has accelerated the introduction of TFT-LCD equipment technologies in an effort to securing its position in the FDP panel display equipment market in China.

The Group will continue to consolidate its sales system and teams, improve and enrich the existing product lines and steadily enhance the Group's share in electronic manufacturing equipment market. Meanwhile, the Group will actively expand the precision manufacturing business, accomplish adjustment and transformation toward a strategy of attaining medium to high technological level and high value-added products, in order to reinforce the Group's overall profitability and bring promising investment returns to the shareholders.

LIQUIDITY

As at 30 September 2006, the Group had net current assets of HK$129 million (31 March 2006: HK$118 million), mainly comprising cash and bank balances of approximately HK$73 million (31 March 2006: HK$73 million), prepayments, deposits and other receivables of approximately HK$17 million (31 March 2006: HK$23 million), inventories of approximately HK$102 million (31 March 2006: HK$95 million), and trade receivables of approximately HK$134 million (31 March 2006: HK$96 million) and current liabilities of approximately HK$196 million (31 March 2006: HK$169 million). The current ratio was approximately 1.7 as at 30 September 2006 (31 March 2006: 1.7).

As at 30 September 2006, the Group had total assets of approximately HK$482 million (31 March 2006: HK$450 million) and total liabilities of approximately HK$200 million (31 March 2006: HK$180 million). The gearing ratio calculated as a percentage of debt to equity was 9% (31 March 2006: 10%).

FINANCIAL RESOURCES

As at 30 September 2006, the Group had floating interest-bearing bank borrowings of approximately HK$27 million (31 March 2006: HK$26 million), of which HK$26 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 2006.

As at 30 September 2006, cash and bank balances amounted to HK$73 million, approximately HK$5 million are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

EMPLOYEES

At 30 September 2006, the Group employed approximately 1,600 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 2006 (2005: 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 2006.

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 the three independent non-executive directors of the Company. The Group's interim results for the period ended 30 September 2006 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:	*Independent Non-Executive Directors:*
Mr. But Tin Fu *(Chairman)*	Mr. See Tak Wah
Mr. But Tin Hing	Prof. Xu Yang Sheng
Mr. Leung Cheong	Mr. Yau Wing Keung, Frankie
Mr. Leung Kuen, Ivan	

For and on behalf of the Board
But Tin Fu
Chairman

Hong Kong, 20 December 2006

* *For identification purpose only*