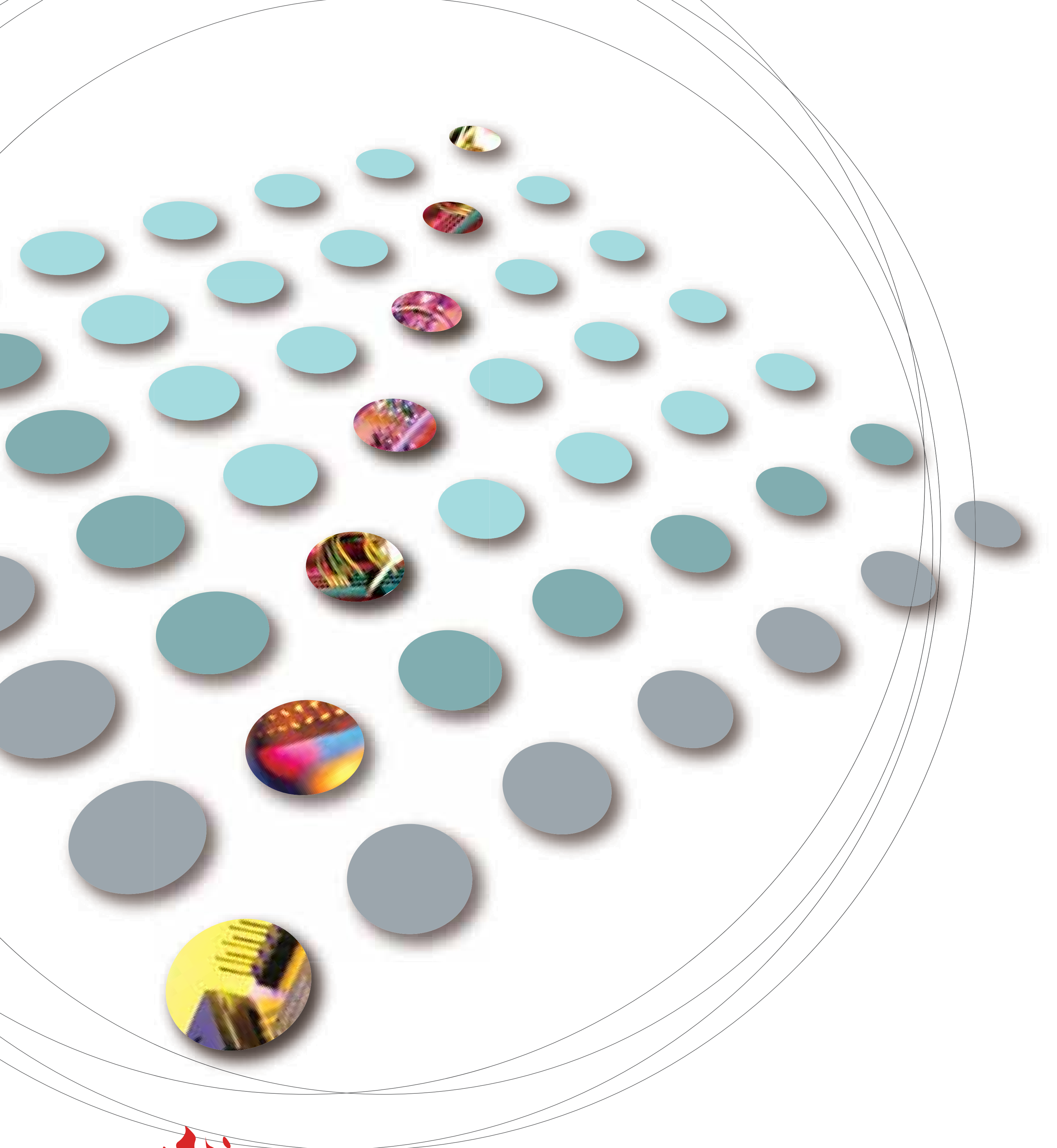

Sun East Technology (Holdings) Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 365

Annual Report 2009

Contents

Expressed in Hong Kong dollars ("HK$")

Board of Directors

Executive Directors

Mr. BUT Tin Fu *(Chairman)*

Mr. BUT Tin Hing

Mr. LEUNG Cheong *(Chief Executive Officer)*

Mr. LEUNG Kuen, Ivan

Independent Non-executive Directors

Mr. SEE Tak Wah

Prof. XU Yang Sheng

Mr. LI Wanshou

Members of the Audit Committee

Mr. SEE Tak Wah

Prof. XU Yang Sheng

Mr. LI Wanshou

Company Secretary

Mr. TSE Ka Yi

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

Unit H, 1st Floor, Phase 4

Kwun Tong Industrial Centre

Nos. 436 – 446 Kwun Tong Road

Kwun Tong

Kowloon

Hong Kong

Principal Banker

DBS Bank (Hong Kong) Limited

Units 1208-18 Miramar Tower

132-134 Nathan Road

Tsimshatsui, Kowloon

Hong Kong

Auditors

Grant Thornton

Certified Public Accountants

Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited

Bank of Bermuda Building

6 Front Street

Hamilton HM 11

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Hong Kong

During the period, the global financial tsunami has a severe impact on the Group's largest customer bases – electronic manufacturing and export-oriented enterprises, resulting in a decreased demand for the Group's products and a significantly lowered operating results comparing to last year. Nevertheless, we remain optimistic about the development prospect of equipment manufacturing. In view of the current economic environment and circumstances, while adhering to our established business development directions, we will adjust our internal operational structure timely, optimize resource allocation and operation procedures to improve efficiency and lower costs. We will also increase our effort on technology research and development and allocate more resources for new product development, actively explore the emerging environmental and new energy sectors, and recruit and build up a talent pool. All these will enhance our core competitiveness and lay a solid foundation in preparation for the coming economic recovery.

Prospects

2009 is a year of challenge and opportunities for the Group. The operating environment of 2009 remains severe and the impact of financial crisis on the real economy is beginning to be seen. The positive side is that the price of raw materials has dropped significantly from late 2008, enabling the Group to develop business with lower costs. As for state policies, the "Restructuring and Development Plan for the Equipment Manufacturing Industry", "Restructuring and Development Plan for the Automobile Industry" and various plans for the increase of infrastructure construction and stimulation of domestic demand announced by the PRC government will help improve the industry development environment and product demand of the Group and provide extensive room for its development. In April 2009, our subsidiary 日東電子科技(深圳)有限公司 has been listed among the top 100 key development enterprises of equipment manufacturing industry, which will significantly increase the influence of the Sun East brand as a leader in the specialized equipment manufacturing sector and is beneficial to our marketing effort. The Group will build on and improve its existing business model. Leveraging on its years of experience in process technology, and through cooperation with strategic partners in the development of application module system, the Group will promptly launch new products to take market share. The Group is fully aware that the focus of our work in 2009 is to lower operating costs and risks. It will therefore implement various measures including improvement in risk management for account receivables, strict cost control and comprehensive in-depth management to improve our operating results generally.

Chairman's Statement

Difficulties and hardship may provide the foundation for great successes. The difficulties confronting us in 2009 are also the opportunities for the Group to enhance its overall management level. The Group will continue integrating various resources and advantages, taking environmental and new energy sector as a target, enhancing corporate governance standard, as well as strengthening our overall profitability to provide remarkable return to shareholders.

But Tin Fu
Chairman

Hong Kong
23 July 2009

Financial Results

Summary of the financial results of the Group for the year ended 31 March 2009 are as follows:

- Turnover was approximately HK$375 million (2008: HK$434 million), represented a decrease of approximately 13.7%.

- Loss before income tax was approximately HK$57.8 million (2008: HK$1.0 million).

- Loss for the year was approximately HK$57.1 million (2008: Profit for the year of HK$0.5 million).

- Basic loss per share was approximately HK10.88 cent (2008: Earnings per share HK0.10 cent).

Business Review

As a result of financial tsunami, the Group has being suffered from the poor economic cycle and resulted in a drop to net loss of HK$57.1 million as compared to net profit of HK$0.5 million in last year. During the year, the Group recorded a revenue of HK$375 million with a drop of approximately 13.7% as compared to last year (2008: HK$434 million).

Production costs have been significantly pushed up by the increased prices in the first half of the financial year of certain raw materials such as steel and metal, which were caused by the soaring oil price. Unfortunately, the financial tsunami, started from the second half of the financial year, has resulted in a great pressure on the selling prices as well as the sales orders. Beside, as a result of appreciation of Renminbi (RMB), the increase of the cost of raw material and wages of the domestic labour force have negative effect of the gross profit margin. The Gross Profit has thus resulted in a drop of HK$37.8 million to HK$25.9 million (2008: HK$ 63.7 million).

Moreover, a provision of HK$4.1 million of obsolete stocks and HK$8.7 million new provision for impairment of receivables have been recorded. Futhermore, HK$6.0 million share of loss of a jointly-controlled entity has been provided due to the voluntary winding up being in process.

The above factors have all been taken into account in the financial year.

However, the Group enjoys a leading position in China as a manufacturing enterprise of intelligent electronic equipment and a solution provider for industrial automatic systems. The Group has strived to continuously enhance competitiveness and profitability through:

1. Actively developing new markets, and comprehensive improvement of after-sales service

In response to the global market downturn, while we focus on strengthening the competitive advantages of our SMT integrated solution, we have actively developed the domestic market for high growth sectors such as LED lighting and communication. Our sales in the northern region increased over 9% as compared to last year amid a generally declining market. Through the implementation of "1-2-1" service strategy (which means to respond to the clients' needs in one hour, arrive on-site in two hours and solve the problem in one day), establishment of client error files and further improvement of speedy problem solving mechanism, we have significantly raised client satisfaction.

2. Increasing effort on technology research and development and allocating more resources for new product development, ensuring leading position in technology and responding timely to customers' need for business adjustment

I. Electronics Assembly Equipment:

As there is an increasing requirement in the EMS circuit board assembly market for assembling techniques in respect of products with high precision components, fine pitch and miniaturization, the Group has actively invested, despite of the market weakness, in developing integrated solution to meet customer demands. We leveraged on our advantages in process technology built over years, and conducted joint development with strategic partners with specific advantages in various modules to satisfy the demand from various customers for comprehensive solution. This enabled us to launch a complete series of high-end to low-end products with balanced features, functions, reliability, safety and costs, and maximized our share in the EMS market.

II. *Liquid Crystal Modules Packaging Equipment:*

There is an increasing market demand for LCM modules in the PRC, standards for the size of laminates and chips, and the techniques in assembling components are getting higher, as such, further upgrade in the Group's processing procedures, the technology and technique in COG packaging equipment has become necessary, and the development of equipment of larger scale with several laminates and chips has become a trend. The Group has planned ahead and taken preemptive measures, and we are preparing to launch the semi-automatic COG300 series for large-sized equipment with several laminates and chips and a fully automatic 1-12 inches COG packaging equipment. Such equipment is capable of meeting market demands for vehicle mounted displays, digital photo frames and notebook. Their features are of world class standard, and as the Group enjoys great advantages in respect of product price, localization and government policies, we expect to take a market share of 15-20%.

III. *Automated Equipment Mainly for Automobile Manufacturing Industry:*

The Group's techniques in automobile component assembly have been maturing and have earned awareness in the PRC. Installation of the automobile assembly line in Shanghai was completed in 2008, while the automobile manufacturing line for Shanghai General Motors has been delivered to the customer in 2009, and commenced production, marking the Group's successful entrance into the whole-car assembly line market. In February 2009, the Group signed a contract with BYD, Shenzhen for engine testing machine. Testing equipment is an area demanding more technology among automobile equipment, and the Group will capture the opportunity to power into the high-end automobile equipment market.

IV. *Automatic Storage and Logistics Equipment:*

We have been investing in logistics technology for a long period and established a logistics business chain with proprietary intellectual property. During the period, the Group's logistics chain achieved continuing increase in sales for three consecutive years. In customer acquisition, we have constructed our first project for the steel industry, which is also the first modern accessories distribution center of the industry. The Group also secured a project in the domestic electronic sector covering a most modern logistics distribution center. The project will achieve automation in operations from procurement, storage and distribution, custody and distribution of semi-finished products, to finished products delivery, as well as integrating information flows with logistics. In addition to a continual expansion of market reach into different industries, the Group's logistics business also made progress in cooperating with international renowned enterprises. In early 2009, in collaboration with SIEMENS, Sun East secured a project of the UPS transshipment center for Asia Pacific supplying a majority of the logistics equipment.

3. Integrating our manufacturing resources for machining, sheet metal fabrication, software development and design to enhance manufacturing capabilities and processing efficiency

With the aim of enhancing our designing and manufacturing capabilities and overall competitiveness, the Group integrated its separate internal resources for sheet metal fabrication, machining, assembly and software development, streamlined operation structure and processes, resulting in significant enhancement of manufacturing capabilities and processing efficiency. In addition, the Group's OEM (Original Equipment Manufacturer) solely for sheet metal processing has been transformed into an ODM (Original Design Manufacturer) operation, forming an indispensable part of the industry chain. During the period, the Group in cooperation with GRG Banking Equipment, a leading ATM manufacturer of the PRC, completed the ticketing machines project for the Beijing Olympic Games.

4. Implementing comprehensive in-depth management to lower costs. Adhering to solid financial policies, ensuring balance of income and expenditure and maintaining a sufficient cash reserve to resist the impact of financial turmoil

In the course of implementing comprehensive in-depth management to lower costs, the Group assigned various business targets to each department and related staff and combined target management and performance management to ensure the cost of the Group was controlled effectively. Income and expenditure of our subsidiaries are monitored and controlled to ensure the Company has maintained a sufficient level of cash flow. The Group has effectively prevented the impact of the financial crisis by relying on its solid financial strategies. It also strengthened its centralized management on the finance of its subsidiaries, regulated and standardized the financial management system, optimized the accounting procedures, increased the overall operating efficiency and profitability by sharing and optimizing the allocation of resources. The Group has also further improved the internal audit system and internal control process, and regularly conducted internal audit and risk assessment towards our subsidiaries to effectively prevent operational risks.

5. Implementing staff brand name management, building comprehensive brand strength

While establishing excellent brand name for our enterprise, products and distribution channels, the Group focused on implementing staff brand name management during the period to achieve enhancement of staff value and extension of brand name. Total number of staff was streamlined from 1,400 to the current approximately 1,000. In addition to eliminating low-end staff not appropriate to the enterprise's development, we strengthened cooperation with various well-known colleges and recruited talents despite of the adversary environment in order to build up a talent reserve in preparation for opportunities ahead. The Group also actively established and perfected its strategic human resources, and promotes the growth and maturation of staff through the establishment of system for maintaining and nurturing of a talent pool, performance appraisal system, personnel training and development system and remuneration allocation and incentive system, to achieve enhancement of staff value.

Liquidity and Capital Structure

As at 31 March 2009, the Group had current assets of HK$218 million (2008: HK$324 million) mainly comprising prepayments, deposits and other receivables of HK$17 million (2008: approximately HK$13 million), inventories of HK$71 million (2008: approximately HK$116 million), trade and bill receivables of HK$68 million (2008: approximately HK$117 million) and cash and cash equivalents and pledged bank balances of HK$62 million (2008: HK$79 million). The Group had current liabilities of HK$117 million (2008: approximately HK$185 million). The current ratio were 1.87 for the year ended 31 March 2009 (2008: 1.75).

As at 31 March 2009, the Group had total assets of HK$367 million (2008: approximately HK$495 million) and total liabilities of HK$121 million (2008: approximately HK$191 million). The gearing ratio (calculated as a percentage of debt to equity) was 0.16% (2008: 9%).

Financial Resources

As at 31 March 2009, the Group had interest-bearing bank and other borrowings of HK$0.4 million (2008: approximately HK$26 million), of which Nil (2008: HK$25 million) is denominated in Renminbi. Except finance lease liabilities, there are no other bank borrowings as at the year end.

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. For the year ended 31 March 2009, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars and US dollars were relatively stable under the current peg system. Further, with the natural hedging of the revenue and costs denominated in Renminbi, the Group's foreign exchange exposure in Renminbi was limited. No hedging for foreign currency transactions has been carried out during the year under review.

As at 31 March 2009, cash and cash equivalents and pledged bank balances amounted to HK$62 million (2008: approximately HK$79 million), of which HK$25 million (2008: approximately HK$28 million) are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

Charges on group assets

The banking facilities including the Group's import/export, letter of credit, documentary credits, trust receipt and bank loans as at balance sheet date are secured by:

(i) a first legal charge on certain of the Group's leasehold land and buildings, which had an aggregate net book amount at the balance sheet date of HK$2,870,000 (2008: HK$2,870,000);

(ii) As at 31 March 2008, pledged bank deposits of HK$2,261,000; and

(iii) corporate guarantees provided by the Company.

Employees and Remuneration Policies

As at 31 March 2009, the Group employed approximately 1,000 full time employees in the PRC and approximately 25 were in the Hong Kong office.

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 pension scheme and performance related bonuses.

Corporate Governance Practices

The Board of Directors and the management of the Company recognize the importance and benefits of good corporate governance practices and have adopted certain corporate governance and disclosure practices aiming at a high level of transparency and accountability. The Company is committed to continuously improving its corporate governance practices as part of its own corporate culture.

The Company has complied with the code provisions set out in Appendix 14 of the Code on Corporate Governance Practices (the 'CG Code') under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2009 except for the deviations from the code provision A.4.1 as set out below.

The Board

The Board, headed by the Chairman, is responsible for the oversight of the management of the business and affairs of the Company with the objective of enhancing shareholder value. It is responsible for the formulation and the approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, recommendation of dividend, and supervision of management in accordance with the governing rules. The management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board of the Company comprises a total of 7 Directors, with four Executive Directors and three Independent Non-executive Directors. More than one-third of the Board is Independent Non-executive Directors and more than one of them have appropriate professional qualifications or accounting or related financial management expertise. The composition of the Board is shown on page 12 under the subject Board Meeting attendance records. Biographies of the Directors which include relationship among members of the Board are set out on pages 17 to 18 under the subject Directors Profile.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

The Board (Continued)

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.

Regular Board meetings are scheduled to be held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Details of Directors' attendance records of Board meetings held during the year are as follows:

Composition of the Board	**Attended**
Executive Directors	
Mr. But Tin Fu *(Chairman)*	4/4
Mr. But Tin Hing	4/4
Mr. Leung Cheong *(Chief Executive Officer)*	4/4
Mr. Leung Kuen, Ivan	4/4
Independent Non-executive Directors	
Mr. See Tak Wah	2/4
Prof. Xu Yang Sheng	2/4
Mr. Li Wanshou	1/4

The Board (Continued)

All Directors have full access to accurate, relevant and timely information of the Group through management and are able to obtain independent professional advices on issues whenever deemed necessary by the Directors.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated. Mr. But Tin Fu is the Chairman and Mr. Leung Cheong is the Chief Executive Officer of the Group.

Remuneration Committee

The Company has a remuneration committee which was established in accordance with the requirements of the Code for the purpose of reviewing the remuneration policy and fixing the remuneration package for all Directors. The remuneration committee currently comprises three members, namely Prof. Xu Yang Sheng and Mr. Li Wanshou who are independent non-executive directors, and Mr. But Tin Fu, who is an executive director. The committee has met once during the year with all members present to review the remuneration packages for all Directors.

Audit Committee

The existing Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Li Wanshou, Mr. See Tak Wah and Prof. Xu Yang Sheng.

The principal duties of the Audit Committee include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence, monitor compliance with statutory and listing requirements, and to engage independent legal or other advisers as it determines necessary.

During the year, two meetings were held. All members of the Audit Committee with the exception of Mr. Li Wanshou attended the meetings.

Audit Committee (Continued)

In discharging its responsibility, the Audit Committee has performed the following work during the year:

(i) reviewed the draft annual and interim financial statements and draft results announcements during the year;

(ii) reviewed, in conjunction with the auditors, the development of accounting standards and assessed their potential impacts on the Group's financial statements.

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 to 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.

Auditors' Remuneration

For the year ended 31 March 2009, the remuneration paid to the Company's auditors, Grant Thornton, is set out as follows:

Services rendered	**Fee paid/payable**
	HK$'000
Audit services	850
Non-audit services	–
	850

Financial Reporting

The Directors acknowledge their responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the Group's results and its cash flows.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and it is appropriate to adopt the going concern basis in preparing the financial statements.

Internal Control

The Board is responsible for maintaining effective internal control systems of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to evaluate the Group's risk, achieve the division goals and business objectives, maintain proper accounting records for the provision of financial information for internal analysis or for publication, comply with relevant legislation and regulations.

During the year, the Directors had conducted a review of the effectiveness of the systems of internal control in respect of the financial, operational ,compliance controls and risk management function of the Group.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 March				
	2009	2008	2007	2006	2005
RESULTS	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**374,860**	434,412	500,426	458,296	521,928
(Loss)/Profit before income tax	**(57,825)**	(1,011)	828	(38,184)	34,199
Income tax credit/(expense)	**688**	1,516	1,369	1,004	(1,958)
(Loss)/Profit for the year attributable to equity holders	**(57,137)**	505	2,197	(37,180)	32,241

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**366,878**	495,127	477,208	450,153	499,797
TOTAL LIABILITIES	**(120,961)**	(191,315)	(185,507)	(180,151)	(191,448)
	245,917	303,812	291,701	270,002	308,349

Executive Directors

Mr. BUT Tin Fu, aged 51, is the Chairman of the Group. Mr. But is responsible for overall strategic planning and the management of the Group. He joined the Group in May 1987 and has over 22 years of experience in the electronics industry. He is a brother of Mr. But Tin Hing.

Mr. BUT Tin Hing, aged 53, is a Technical Director of the Group. He established the Group in 1984 and is responsible for the Group's product development. Mr. But has over 25 years of experience in the electronics industry. He is a brother of Mr. But Tin Fu.

Mr. LEUNG Cheong, aged 48, is the Managing Director and the Chief Executive Officer of the Group and is responsible for the sales and marketing of the Group in the PRC and Hong Kong. Mr. Leung joined the Group in May 1987 and has over 22 years of experience in the electronics industry. He is a brother of Mr. Leung Kuen, Ivan.

Mr. LEUNG Kuen, Ivan, aged 52, is the Marketing Director of the Group and is responsible for research and development of equipment for production lines. He joined the Group in August 1991 and has over 18 years of experience in the mechanical engineering field. Mr. Leung holds a masters degree in precision engineering from the Hong Kong Polytechnic University. He is a brother of Mr. Leung Cheong.

Independent Non-executive Directors

Mr. LI Wanshou, aged 45, obtained PhD in Economic from China Academy of Social Sciences and PhD in Philosophy from Xi'an Jiaotong University. He is currently guest professor of Nankai University, part time professor at Shenzhen Graduate School, Chinese Academy of Social Sciences and deputy director of the Venture Capital Research Center at Fudan University. Mr. Li is currently the President of Shenzhen Capital Group Co., Ltd.

Independent Non-executive Directors (Continued)

Prof. XU Yang Sheng, aged 51, graduated from the Zhejiang University in 1982 with a bachelor's degree in mechanical engineering and a master degree in mechanical engineering therefrom in 1984. Prof. Xu obtained his doctorate degree from the University of Pennsylvania of the United States in 1989. From 1989 to 1997, he worked in Carnegie Mellon University in the United States. Prof. Xu is Professor of Automation and Computer-Aided Engineering of the Chinese University of Hong Kong. Prof. Xu is an Academician of Chinese Academy of Engineering, Academician of International Eurasian Academy of Sciences and fellow of Institute of Electrical and Electronics Engineers.

Mr. SEE Tak Wah, aged 46, graduated from the Management School of Waikato University of New Zealand with a first class honour in Bachelor of Management Studies and is a member of the Institute of Chartered Accountants of New Zealand and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. See has over 19 years' experience in financial and general management where he previously worked as the regional business controller of Nokia Mobile Phones Asia Pacific, the managing director of Nokia Mobile Phones Hong Kong, the chief operating officer of First Mobile Group Holdings Ltd and held key management position in the North Asia office of Philips and Siemens.

The directors present their report and the audited financial statements of Sun East Technology (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2009.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design, manufacture and distribution of production lines and production equipment, and the distribution of brand name production equipment. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's loss for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 104.

The directors do not recommend the payment of any dividend in respect of the year.

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 16. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year is set out in note 15 to the financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 29 and 30 to the financial statements respectively.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 March 2009, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$88,263,000. In addition, the Company's share premium account, in the amount of HK$87,728,000, may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 12% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 55% of total purchases for the year and purchases from the largest supplier included therein amounted to approximately 51%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers during the year.

Directors

The directors of the Company during the year were:

Executive directors

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*

* Members of the audit committee

Directors (Continued)

In accordance with clauses 87 and 88 of the Company's bye-laws, Messrs But Tin Fu, Leung Cheong and Leung Kuen, Ivan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

The Company has received annual confirmations of independence from all independent non-executive directors and as at the date of this report still considers them to be independent.

Directors' Biographies

Biographical details of the directors of the Company are set out on pages 17 to 18 of the annual report.

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 September 2000 which has continued thereafter until termination by three months' notice in writing served by either party to the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' Interests in Shares and Underlying Shares

At 31 March 2009, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(i) Long position in the shares

Name of Directors	Number of the ordinary shares beneficially held	Capacity/ Nature	Approximate percentage of total shareholding %
But Tin Fu ("BTF")	26,226,000	Beneficial owner	5.00
But Tin Hing ("BTH")	1,050,000	Beneficial owner	0.20
	220,605,840	Interest of controlled corporation (Note)	42.02
	221,655,840		42.22
Leung Cheong ("LC")	1,442,280	Beneficial owner	0.27
Leung Kuen, Ivan ("LKI")	4,536,520	Beneficial owner	0.86

Note:

BTH is the beneficial owner of 50% of the issued shares in Mind Seekers Investment Limited ("Mind Seekers") and therefore BTH is deemed, or taken to be interested in the 220,605,840 Shares held by Mind Seekers for the purposes of the SFO. The entire issued share capital of Mind Seekers is beneficially owned by BTH, BTF, LC and LKI, as to 50%, 20%, 20% and 10% respectively.

The interests of the directors in the share options of the Company are separately disclosed in note 30 to the financial statements.

Save as disclosed above, as at 31 March 2009, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Interests in Shares and Underlying Shares (Continued)

(ii) Long position in the underlying shares of equity derivatives – Share Options

Name of Directors	Date of grant of Share Options	Exercise period of Share Options	Exercise price per Share Option HK$	Number of share options: Adjusted number after rights issue	Lapsed during the year (Note)	At 31 March 2009
BTF	31/08/2005	31/8/2005-29/8/2008	0.558	8,806,452	(8,806,452)	–
BTH	31/08/2005	31/8/2005-29/8/2008	0.558	8,806,452	(8,806,452)	–
LC	31/08/2005	31/8/2005-29/8/2008	0.558	8,806,452	(8,806,452)	–
LKI	31/08/2005	31/8/2005-29/8/2008	0.558	8,806,450	(8,806,450)	–
				35,225,806	(35,225,806)	–

Note:

No options have been granted, exercised, cancelled, and all lapsed during the year ended 31 March 2009.

Save as disclosed above none of the directors or any of their associates had any personal, family, corporate or other beneficial interests in the issued share capital of the Company or any of its associated corporations, as recorded in the register required to be kept under Section 352 of the SFO as at 31 March 2009.

Directors' Rights to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholder's Interest in Shares and Underlying Shares

As at 31 March 2009, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long position in the shares

Name of Shareholder		Nature of interest	Number of the ordinary shares held	Approximate percentage of total shareholding %
Substantial Shareholder				
Mind Seekers		Beneficial owner	221,655,840	42.22
Tang Lin Mui Irene	Note	Interest of spouse	221,655,840	42.22

Note: Tang Lin Mui Irene is the spouse of BTH, and therefore she is deemed or taken to be interested in the 221,655,840 Shares that BTH is or deemed to be interested for the purposes of the SFO.

Save for the interests disclosed above, the directors are not aware of any person who had, directly or indirectly, registered an interest in the issued share capital and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

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.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors' Remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

Grant Thornton will retire at the conclusion of the Company's forthcoming annual general meeting and a resolution for the reappointment of Grant Thornton as auditors of the Company will be proposed at the said meeting.

ON BEHALF OF THE BOARD

But Tin Fu

Chairman

Hong Kong

23 July 2009

Grant Thornton 均富

Member of Grant Thornton International Ltd

To the members of Sun East Technology (Holdings) Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sun East Technology (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 28 to 104, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Auditors' responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

23 July 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	6	**374,860**	434,412
Cost of sales		**(348,934)**	(370,754)
Gross profit		**25,926**	63,658
Other income and gains	6	**4,522**	9,422
Selling and distribution costs		**(25,497)**	(23,872)
Administrative expenses		**(44,777)**	(43,581)
Other operating expenses		**(10,779)**	(1,681)
Finance costs	8	**(1,219)**	(1,363)
Share of losses of:			
Jointly-controlled entity		**(6,000)**	(3,584)
Associate		**(1)**	(10)
Loss before income tax	7	**(57,825)**	(1,011)
Income tax credit	11	**688**	1,516
(Loss)/Profit for the year		**(57,137)**	505
(Loss)/Earnings per share	14		
– Basic		**(HK10.88) cents**	HK0.10 cent
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**138,147**	154,148
Prepaid land lease payments	16	**9,932**	10,007
Intangible assets	17	**–**	–
Interests in jointly-controlled entity	19	**–**	6,000
Interests in associate	20	**1,019**	1,020
		149,098	171,175
Current assets			
Inventories	21	**70,560**	115,559
Trade and bill receivables	22	**68,067**	116,825
Prepayments, deposits and other receivables		**17,368**	12,859
Taxes recoverable		**191**	18
Pledged bank balances	23	**–**	2,261
Cash and cash equivalents	23	**61,594**	76,430
		217,780	323,952
Current liabilities			
Trade and bill payables	24	**62,420**	88,797
Other payables and accruals		**35,535**	51,211
Interest-bearing bank and other borrowings	25	**256**	25,752
Taxes payable		**18,501**	19,127
		116,712	184,887
Net current assets		**101,068**	139,065
Total assets less current liabilities		**250,166**	310,240

Consolidated Balance Sheet (Continued)

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Interest-bearing bank and other borrowings	25	**136**	390
Deferred tax liabilities	28	**4,113**	6,038
		4,249	6,428
Net assets		**245,917**	303,812
EQUITY			
Equity attributable to Company's equity holders			
Share capital	29	**52,500**	52,500
Reserves	31(a)	**193,417**	251,312
Total equity		**245,917**	303,812

But Tin Fu
Director

Leung Cheong
Director

Balance Sheet

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**151**	189
Interests in subsidiaries	18	**115,668**	115,668
		115,819	115,857
Current assets			
Due from subsidiaries	18	**111,862**	149,417
Prepayments		**534**	461
Taxes recoverable		**–**	18
Cash and cash equivalents	23	**1,318**	475
		113,714	150,371
Current liabilities			
Due to a subsidiary	18	**–**	105
Other payables and accruals		**1,042**	1,112
		1,042	1,217
Net current assets		**112,672**	149,154
Net assets		**228,491**	265,011
EQUITY			
Share capital	29	**52,500**	52,500
Reserves	31(b)	**175,991**	212,511
Total equity		**228,491**	265,011

But Tin Fu
Director

Leung Cheong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Share capital	Share premium*	Contributed surplus*	Asset revaluation reserve*	Exchange reserve*	Reserve and enterprise expansion funds*	Share based payment reserve*	Retained profits*	Total equity
	HK$'000	HK$'000	HK$'000 (note 31(a))	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2007	52,500	87,728	4,800	7,821	3,769	1,997	4,992	128,094	291,701
Surplus on revaluation	–	–	–	9,425	–	–	–	–	9,425
Exchange realignment	–	–	–	–	4,255	–	–	–	4,255
Deferred tax relating to revaluation of leasehold land and buildings (note 28)	–	–	–	(2,074)	–	–	–	–	(2,074)
Total income and expenses for the year recognised directly in equity	–	–	–	7,351	4,255	–	–	–	11,606
Net profit for the year	–	–	–	–	–	–	–	505	505
Total recognised income and expenses for the year	–	–	–	7,351	4,255	–	–	505	12,111
Appropriations	–	–	–	–	–	248	–	(248)	–
Balance at 31 March 2008	52,500	87,728	4,800	15,172	8,024	2,245	4,992	128,351	303,812

For the year ended 31 March 2009

	Share capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000 (note 31(a))	Asset revaluation reserve* HK$'000	Exchange reserve* HK$'000	Reserve and enterprise expansion funds* HK$'000	Share based payment reserve* HK$'000	Retained profits* HK$'000	Total equity HK$'000
Balance at 1 April 2008	52,500	87,728	4,800	15,172	8,024	2,245	4,992	128,351	303,812
Deficit on revaluation	–	–	–	(5,497)	–	–	–	–	(5,497)
Exchange realignment	–	–	–	–	3,373	–	–	–	3,373
Deferred tax relating to revaluation of leasehold land and buildings (note 28)	–	–	–	1,366	–	–	–	–	1,366
Total income and expenses for the year recognised directly in equity	–	–	–	(4,131)	3,373	–	–	–	(758)
Net loss for the year	–	–	–	–	–	–	–	(57,137)	(57,137)
Total recognised income and expenses for the year	–	–	–	(4,131)	3,373	–	–	(57,137)	(57,895)
Lapse of share options	–	–	–	–	–	–	(4,992)	4,992	–
Balance at 31 March 2009	**52,500**	**87,728**	**4,800**	**11,041**	**11,397**	**2,245**	**–**	**76,206**	**245,917**

* These reserve accounts comprise the consolidated reserves of HK$193,417,000 (2008: HK$251,312,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
Cash flows from operating activities		
Loss before income tax	**(57,825)**	(1,011)
Adjustments for:		
Finance costs	**1,219**	1,363
Share of losses of jointly-controlled entity and associate	**6,001**	3,594
Interest income	**(710)**	(1,695)
Depreciation	**15,261**	15,257
Amortisation of technical know-how	**–**	467
Amortisation of prepaid land lease payments	**241**	183
Loss on disposals of property, plant and equipment	**10**	38
Changes in fair value of an investment property	**–**	(812)
Provision for impairment of trade and bill receivables	**8,689**	1,308
Write-down of inventories to net realisable value	**4,120**	428
Operating (loss)/profit before working capital changes	**(22,994)**	19,120
Decrease/(increase) in inventories	**40,879**	(3,079)
Decrease/(increase) in trade and bill receivables	**40,069**	(5,974)
Increase in prepayments, deposits and other receivables	**(4,451)**	(4,190)
Decrease in trade and bill payables	**(26,377)**	(4,705)
(Decrease)/increase in other payables and accruals	**(15,676)**	2,162
Cash generated from operations	**11,450**	3,334
Interest paid	**(1,189)**	(1,307)
Hong Kong profits tax (paid)/refunded	**(486)**	489
Overseas taxes paid	**(184)**	(467)
Net cash generated from operating activities	**9,591**	2,049

Consolidated Cash Flow Statement (Continued)

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
Cash flows from investing activities		
Interest received	**710**	1,695
Purchases of property, plant and equipment	**(2,893)**	(6,495)
Land lease prepayments	**–**	(2,531)
Proceeds from disposals of property, plant and equipment	**531**	172
Proceeds from disposals of an investment property	**–**	3,162
Decrease/(increase) in pledged bank balances with original maturity of more than three months when acquired, pledged as securities for trade finance facilities	**2,261**	(151)
Net cash generated from/(used in) investing activities	**609**	(4,148)
Cash flows from financing activities		
Proceeds from bank loans	**–**	18,087
Repayments of bank loans	**(25,297)**	(10,163)
Interest element on finance lease rental payments	**(30)**	(56)
Capital elements of finance lease rental payments	**(453)**	(680)
Net cash (used in)/generated financing activities	**(25,780)**	7,188
Net (decrease)/increase in cash and cash equivalents	**(15,580)**	5,089
Cash and cash equivalents at beginning of the year	**76,430**	77,827
Effect of foreign exchange rate changes, net	**744**	(6,486)
Cash and cash equivalents at end of the year	**61,594**	76,430
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**60,110**	61,225
Non-pledged time deposits with original maturity of less than three months when acquired	**1,484**	15,205
	61,594	76,430

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").

The principal activities of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. There were no significant changes in the operations during the year.

The financial statements on pages 28 to 104 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"). The 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").

The financial statements for the year ended 31 March 2009 were approved for issue by the board of directors (the "Directors") on 23 July 2009.

2. Adoption of New and Amended HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by HKICPA, which are effective for the Group's financial statements for the annual period beginning on 1 April 2008:

HKAS 39 and HKFRS 7 (Amendments)	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Interpretation 12	Service Concession Arrangements
HK(IFRIC)-Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The new HKFRSs had no material effect on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

2. Adoption of New and Amended HKFRSs (Continued)

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32, HKAS 39 and HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendments)	Financial instruments: Recognition and Measurement-Eligible Hedged Items [2]
HKFRS 1 and HKAS 27 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate [1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 2 (Amendments)	Share-based Payment – Amendments Relating to Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations – Comprehensive Revision on Applying the Acquisition Method [2]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Interpretation 2 (Amendments)	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives [6]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes [7]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation [3]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [2]
HK(IFRIC) – Interpretation 18	Transfer of Assets from Customers [4]
Various	Annual Improvements to HKFRS 2008 (May 2008) [5]
Various	Annual Improvements to HKFRS 2009 (April 2009) [8]

2. Adoption of New and Amended HKFRSs (Continued)

Notes:

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 October 2008

[4] Effective for transfers received on or after 1 July 2009

[5] Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

[6] Effective for annual periods ending on or after 30 June 2009

[7] Effective for annual periods beginning on or after 1 July 2008

[8] Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS

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.

Amongst these new standards and interpretations, HKAS 1 (Revised) *Presentation of Financial Statements* is expected to materially change the presentation of the Group's financial statements. These amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendments do not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 *Operating Segments* may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. Summary of Significant Accounting Policies

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost convention except for land and buildings which are stated at their fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

3. Summary of Significant Accounting Policies (Continued)

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the estimation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3. Summary of Significant Accounting Policies (Continued)

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any indentified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 3.11) of the associate and its carrying amount.

3. Summary of Significant Accounting Policies (Continued)

3.5 Jointly-controlled entity

A jointly-controlled entity is a joint venture under a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In consolidated financial statements, investment in jointly-controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the jointly-controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the jointly-controlled entity's net assets less any indentified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the jointly-controlled entity for the year, including any impairment loss on goodwill relating to the investment in jointly-controlled entity recognised for the year.

When the Group's share of losses in an jointly-controlled entity equals or exceeds its interest in the jointly-controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly-controlled entity. For this purpose, the Group's interest in the jointly-controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly-controlled entity.

Unrealised gains on transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interest in the jointly-controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the jointly-controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the jointly-controlled entity's accounting policies to those of the Group when the jointly-controlled entity's financial statements are used by the Group in applying the equity method.

3. Summary of Significant Accounting Policies (Continued)

3.5 Jointly-controlled entity (Continued)

At each balance sheet date, the Group determines whether there is any objective evidence that the investment in jointly-controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 3.11) of the jointly-controlled entity and its carrying amount.

3.6 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rate are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity.

3. Summary of Significant Accounting Policies (Continued)

3.7 Borrowing costs

All borrowing costs are expensed as incurred.

3.8 Research and development costs

Costs associated with research activities are expensed in the income statement as they occur. Expenditure incurred on projects to develop new products is capitalised and deferred only when they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) the Group has the intention to complete the development and use or sell the new products;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured

All other development costs are expensed as incurred.

3. Summary of Significant Accounting Policies (Continued)

3.9 Property, plant and equipment

Leasehold land and buildings (where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease) are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined through appraisals by external professional valuers on a regular basis to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Any surplus arising on revaluation of leasehold land and buildings is credited to the asset revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 3.11. To the extent that any decrease has previously been recognised in the income statement, a revaluation increase is credited to income statement with the remaining part of the increase dealt with in the asset revaluation reserve. A decrease in net carrying amount of leasehold land and buildings arising on revaluations or impairment testing is charged against any revaluation surplus in the asset revaluation reserve relating to the same asset and the remaining decrease is recognised in the income statement.

Depreciation is provided to write off the cost or revalued amounts less their residual values over their estimated useful lives. Except for leasehold land and buildings which are depreciated on the straight-line method, all items of property, plant and equipment are depreciated on the reducing balance basis. The principal annual rates used for this purpose are as follows:

3. Summary of Significant Accounting Policies (Continued)

3.9 Property, plant and equipment (Continued)

Leasehold land and buildings	The shorter of the lease terms and 22 years
Machinery and equipment	9% to 25%
Furniture, fixtures and leasehold improvements	18% to 25%
Motor vehicles	25%

The assets' estimated residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity is transferred to retained profits on the disposal of leasehold land and buildings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3.10 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire long term interest in the usage of the land. The payments are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis to write off the up-front payments over the lease terms.

3. Summary of Significant Accounting Policies (Continued)

3.11 Impairment of non-financial assets

Intangible assets, property, plant and equipment, prepaid land lease payments, interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing.

Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy (refer to note 3.9 for details). The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses recognised for cash-generating units is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

3. Summary of Significant Accounting Policies (Continued)

3.11 Impairment of non-financial assets (Continued)

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.12 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. Summary of Significant Accounting Policies (Continued)

3.13 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as finance leases liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

3. Summary of Significant Accounting Policies (Continued)

3.13 Leases (Continued)

(iii) *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on the straight line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

(iv) *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in the income statement on the straight-line method over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.14 Financial assets

The Group mainly classifies its financial assets into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

3. Summary of Significant Accounting Policies (Continued)

3.14 Financial assets (Continued)

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the receivables/investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any of such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

3. Summary of Significant Accounting Policies (Continued)

3.14 Financial assets (Continued)

Impairment of financial assets (Continued)

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

3.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis, where work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3. Summary of Significant Accounting Policies (Continued)

3.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, time deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.17 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

3. Summary of Significant Accounting Policies (Continued)

3.17 Income taxes (Continued)

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.18 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a time-proportion basis over the lease terms.

Service income is recognised when the service is rendered.

3.19 Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

3. Summary of Significant Accounting Policies (Continued)

3.19 Employee benefits (Continued)

Share-based payment transactions (Continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

3. Summary of Significant Accounting Policies (Continued)

3.19 Employee benefits (Continued)

Share-based payment transactions (Continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3. Summary of Significant Accounting Policies (Continued)

3.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.21 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3. Summary of Significant Accounting Policies (Continued)

3.22 Financial liabilities

The Group's financial liabilities include trade and bill payables, other payables and accruals and interest-bearing bank and other borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(i) *Bank and other borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(ii) *Trade and bill payables, other payables and accruals*

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3.23 Intangible assets – technical know how

Intangible assets are technical know how and are recognised initially at cost. After initial recognition, intangible assets are carried at cost less any impairment losses and are amortised on the straight-line method over its estimated useful life of five years, commencing from the date when the new products are available for use.

Intangible assets are tested for impairment as described in note 3.11.

3.24 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium reserve (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3. Summary of Significant Accounting Policies (Continued)

3.25 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs include corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of intangible assets, property, plant and equipment, prepaid land lease payments, inventories and receivables and mainly exclude corporate assets, tax recoverable and operating cash. Segment liabilities comprise operating liabilities and exclude items such as tax payable and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment and prepaid land lease payments.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

4. Critical Accounting Estimates and Judgements

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

(i) Impairment of property, plant and equipment

Property, plant and equipment (note 15) is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgements and estimates. The carrying amounts of property, plant and equipment of the Group as at 31 March 2009 were approximately HK$138,147,000 (2008: HK$154,148,000).

4. Critical Accounting Estimates and Judgements (Continued)

Estimation uncertainty (Continued)

(ii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

(iii) Income taxes

The Group is subject to income taxes in Hong Kong and Mainland China. Significant judgement is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the tax outcome is finalised.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses the estimations at the balance sheet date.

4. Critical Accounting Estimates and Judgements (Continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purpose. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether the portion used by the Group for the production of goods or administrative purposes are so significant that a property does not qualify as investment property.

5. Segment Information

In accordance with the Group's internal financial reporting, the Group has determined that business segment be presented as the primary reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of its operations and the products and services it provides. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Details of the business segments are as follows:

(a) the production lines and production equipment segment consists of the design, manufacture and sale of production lines and production equipment; and

(b) the brand name production equipment segment consists of the trading and distribution of brand name production equipment;

5. Segment Information (Continued)

In determining the Group's geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

(a) Business segments

The following tables present revenue, (loss)/profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 March 2009 and 2008.

	Production lines and production equipment		Brand name production equipment		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**221,177**	268,145	**153,683**	166,267	**374,860**	434,412
Other revenue – external	**2,824**	6,067	**–**	–	**2,824**	6,067
Total	**224,001**	274,212	**153,683**	166,267	**377,684**	440,479
Segment results	**(59,318)**	(14,135)	**7,015**	14,726	**(52,303)**	591
Interest and unallocated income					**1,698**	3,355
Finance costs					**(1,219)**	(1,363)
Share of losses of:						
Jointly-controlled entity	**(6,000)**	(3,584)	**–**	–	**(6,000)**	(3,584)
Associate	**(1)**	(10)	**–**	–	**(1)**	(10)
Loss before income tax					**(57,825)**	(1,011)
Income tax credit					**688**	1,516
(Loss)/Profit for the year					**(57,137)**	505

5. Segment Information (Continued)

(a) Business segments (Continued)

	Production lines and production equipment		Brand name production equipment		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**235,620**	333,487	**65,494**	72,561	**301,114**	406,048
Interests in jointly-controlled entity	**–**	6,000	**–**	–	**–**	6,000
Interests in associate	**1,019**	1,020	**–**	–	**1,019**	1,020
Unallocated assets					**64,745**	82,059
Total assets					**366,878**	495,127
Segment liabilities	**48,422**	75,089	**47,537**	63,423	**95,959**	138,512
Unallocated liabilities					**25,002**	52,803
Total liabilities					**120,961**	191,315
Other segment information:						
Depreciation and amortisation	**15,502**	15,907	**–**	–	**15,502**	15,907
Capital expenditure	**2,893**	9,606	**–**	–	**2,893**	9,606
Provision for impairment of trade and bill receivables	**8,689**	1,308	**–**	–	**8,689**	1,308
Write down of inventories to net realisable value	**4,120**	428	**–**	–	**4,120**	428
Loss on disposals of items of property, plant and equipment	**10**	38	**–**	–	**10**	38

5. Segment Information (Continued)

(b) Geographical segments

The following table presents revenue for the Group's geographical segments.

Segment revenue:

	2009 HK$'000	2008 HK$'000
Mainland China	**335,930**	368,564
Hong Kong	**19,207**	31,175
Europe (principally Spain and Germany)	**11,738**	18,316
Others (principally Japan and Singapore)	**7,985**	16,357
	374,860	434,412

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and prepaid land lease payments, analysed by the geographical area in which the assets are located.

	Segment assets		Capital expenditure	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Mainland China	**223,643**	327,204	**1,820**	3,457
Hong Kong	**141,320**	163,206	**1,073**	6,149
Europe (principally Spain and Germany)	**657**	2,543	**–**	–
Others (principally Japan and Singapore)	**1,258**	2,174	**–**	–
	366,878	495,127	**2,893**	9,606

6. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents 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:

	2009 HK$'000	2008 HK$'000
Revenue – sale of goods	**374,860**	434,412
Other income:		
Gross rental income	**988**	62
Bank interest income	**710**	1,695
Service income	**10**	3,022
Bad debt recovery	**737**	–
Others	**2,077**	2,233
	4,522	7,012
Gains:		
Changes in fair value of investment properties	**–**	812
Exchange gain, net	**–**	1,598
	–	2,410
	4,522	9,422

7. Loss Before Income Tax

	2009 HK$'000	2008 HK$'000
Loss before income tax is arrived at after charging:		
Cost of inventories sold	**279,470**	302,469
– including write-down of inventories to net realisable value	**4,120**	428
Depreciation		
– owned assets	**15,041**	14,677
– leased assets	**220**	580
Research and development costs	**3,402**	896
Minimum lease payments under operating leases in respect of leasehold land and buildings	**511**	1,330
Auditors' remuneration	**850**	900
Staff costs (including directors' remuneration (note 9))		
– Wages and salaries	**55,468**	57,803
– Defined contribution scheme	**2,104**	2,477
	57,572	60,280
Amortisation of technical know-how *	**–**	467
Amortisation of prepaid land lease payments	**241**	183
Provision for impairment of trade and bill receivables	**8,689**	1,308
Loss on disposals of property, plant and equipment	**10**	38
Exchange loss, net	**1,608**	–

* Amortisation of technical know-how was included in cost of sales on the face of the consolidated income statement.

8. Finance Costs

	2009 HK$'000	2008 HK$'000
Interest on bank loans	**1,189**	1,307
Interest on finance leases	**30**	56
Total interest on financial liabilities stated at amortised cost	**1,219**	1,363

9. Directors' Remuneration

Remuneration of the Directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2009 HK$'000	2008 HK$'000
Fees:		
Independent non-executive directors	**360**	355
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**4,553**	4,437
Pension scheme contributions	**48**	48
	4,961	4,840

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009 HK$'000	2008 HK$'000
Mr. See Tak Wah	**120**	120
Prof. Xu Yang Sheng	**120**	120
Mr. Yau Wing Keung, Frankie	**–**	110
Mr. Li Wanshou	**120**	5
	360	355

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

Mr. Yau Wing Keung, Frankie resigned as an independent non-executive director on 15 March 2008 and Mr. Li Wanshou was appointed as an independent non-executive director on the same date.

9. Directors' Remuneration (Continued)

(b) Executive directors

	Group			
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2009				
Mr. But Tin Fu	**–**	**1,131**	**12**	**1,143**
Mr. But Tin Hing	**–**	**1,264**	**12**	**1,276**
Mr. Leung Cheong	**–**	**1,027**	**12**	**1,039**
Mr. Leung Kuen, Ivan	**–**	**1,131**	**12**	**1,143**
	–	**4,553**	**48**	**4,601**
2008				
Mr. But Tin Fu	–	1,100	12	1,112
Mr. But Tin Hing	–	1,234	12	1,246
Mr. Leung Cheong	–	1,003	12	1,015
Mr. Leung Kuen, Ivan	–	1,100	12	1,112
	–	4,437	48	4,485

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. Five Highest Paid Employees

The five highest paid employees during the year included four (2008: four) directors, details of whose remuneration are set out in note 9 above. The remuneration of the remaining one (2008: one) highest paid employee for the year is set out as follows:

	2009	2008
	HK$'000	HK$'000
Salary, allowances and benefits in kind	**651**	551
Pension scheme contributions	**11**	12
	662	563

11. Income Tax Credit

No Hong Kong profits tax has been provided during the year as the Group did not generate any assessable profits arising from its operations in Hong Kong (2008: 17.5%). Taxes assessable in Mainland China have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	2009	2008
	HK$'000	HK$'000
Current – Hong Kong		
Tax for the year	**–**	205
Overprovision in prior years	**(313)**	(463)
Deferred tax (note 28)	**(559)**	(1,468)
Income tax credit	**(872)**	(1,726)
Current – Mainland China		
Tax for the year	**184**	210
Income tax expense	**184**	210
Total income tax credit	**(688)**	(1,516)

11. Income Tax Credit (Continued)

A reconciliation of the income tax credit applicable to loss before income tax using the statutory rates for the tax jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax credit at the effective tax rates is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Loss before income tax	**(57,825)**	(1,011)
Tax at the statutory tax rate	**(9,388)**	(154)
Different tax rate for specific provinces or local authority	**(662)**	(312)
Overprovision in prior years	**(313)**	(463)
Income not subject to tax	**(532)**	(2,551)
Expenses not deductible for tax	**4,026**	1,484
Tax losses utilised from previous years	**(4)**	(321)
Tax losses not recognised	**5,913**	1,023
Others	**272**	(222)
Income tax credit	**(688)**	(1,516)

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. In addition, pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress in March 2007, effective from 1 January 2008, enterprise income tax rates for domestic enterprise and wholly foreign-owned enterprise has been unified at 25%. Certain subsidiaries that previously enjoyed a preferential tax rate prior to 1 January 2008 gradually transit to the new tax rate over five years from 1 January 2008. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rates.

12. (Loss)/Profit Attributable to Equity Holders of the Company

Of the consolidated loss for the year attributable to the equity holders of the Company of HK$57,137,000 (2008: consolidated profit of HK$505,000), loss of HK$36,520,000 (2008: HK$887,000) which has been dealt with in the financial statements of the Company.

13. Dividends

No dividend has been paid or declared by the Company during the years presented in these financial statements.

14. (Loss)/Earnings Per Share

The calculation of basic (loss)/earnings per share is based on the net loss for the year of approximately HK$57,137,000 (2008: profit of HK$505,000) attributable to equity holders of the Company, and the number of 525,000,000 (2008: 525,000,000) ordinary shares in issue during the year.

There has been no dilutive effect on the basic (loss)/earnings per share for the years ended 31 March 2009 and 2008 as the exercise prices of the outstanding share options were higher than the average market price of the Company's shares during the years.

15. Property, Plant and Equipment

Group

	Leasehold land and buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 March 2009					
At 1 April 2008					
Cost or valuation	105,060	90,073	30,603	8,977	234,713
Accumulated depreciation	–	(55,895)	(19,290)	(5,380)	(80,565)
Net book amount	105,060	34,178	11,313	3,597	154,148
Year ended 31 March 2009					
Opening net book amount	105,060	34,178	11,313	3,597	154,148
Additions	–	1,340	1,008	545	2,893
Disposals	–	(514)	(27)	–	(541)
Deficit on revaluation	(5,497)	–	–	–	(5,497)
Depreciation	(5,801)	(5,643)	(3,304)	(513)	(15,261)
Exchange realignment	1,878	259	205	63	2,405
Closing net book amount	95,640	29,620	9,195	3,692	138,147
At 31 March 2009					
Cost or valuation	95,640	90,677	32,084	9,644	228,045
Accumulated depreciation	–	(61,057)	(22,889)	(5,952)	(89,898)
Net book amount	95,640	29,620	9,195	3,692	138,147
Analysis of cost or valuation:					
At cost	–	90,677	32,084	9,644	132,405
At 2009 valuation	95,640	–	–	–	95,640
	95,640	90,677	32,084	9,644	228,045

15. Property, Plant and Equipment (Continued)

Group (Continued)

	Leasehold land and buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 March 2008					
At 1 April 2007					
Cost or valuation	93,440	84,334	26,210	8,370	212,354
Accumulated depreciation	–	(48,880)	(15,445)	(4,965)	(69,290)
Net book amount	93,440	35,454	10,765	3,405	143,064
Year ended 31 March 2008					
Opening net book amount	93,440	35,454	10,765	3,405	143,064
Additions	–	4,164	2,331	580	7,075
Disposals	–	(136)	(3)	(71)	(210)
Surplus on revaluation	9,425	–	–	–	9,425
Depreciation	(5,630)	(6,391)	(2,665)	(571)	(15,257)
Exchange realignment	7,825	1,087	885	254	10,051
Closing net book amount	105,060	34,178	11,313	3,597	154,148
At 31 March 2008					
Cost or valuation	105,060	90,073	30,603	8,977	234,713
Accumulated depreciation	–	(55,895)	(19,290)	(5,380)	(80,565)
Net book amount	105,060	34,178	11,313	3,597	154,148
Analysis of cost or valuation:					
At cost	–	90,073	30,603	8,977	129,653
At 2008 valuation	105,060	–	–	–	105,060
	105,060	90,073	30,603	8,977	234,713

15. Property, Plant and Equipment (Continued)

Company

	Machinery and equipment HK$'000
At 1 April 2007	
Cost	160
Accumulated depreciation	(80)
Net book amount	80
Year ended 31 March 2008	
Opening net book amount	80
Addition	139
Depreciation	(30)
Closing net book amount	189
At 31 March 2008	
Cost	299
Accumulated depreciation	(110)
Net book amount	189
Year ended 31 March 2009	
Opening net book amount	189
Depreciation	(38)
Closing net book amount	151
At 31 March 2009	
Cost	299
Accumulated depreciation	(148)
Net book amount	151

15. Property, Plant and Equipment (Continued)

The net book value of the Group's property, plant and equipment held under finance leases includes certain machinery and equipment of HK$1,030,000 (2008: HK$1,288,000) at 31 March 2009.

The Group's leasehold land and buildings situated in Hong Kong and Mainland China were revalued individually at the balance sheet date by RHL Appraisal Limited (2008: Castores Magi Surveyors Limited), independent professional qualified valuers, at fair value of HK$5,640,000 (2008: HK$5,790,000) on open market basis and at fair value of HK$90,000,000 (2008: HK$99,270,000) on depreciated replacement cost method. Open market basis was estimated based on recent market transactions and the depreciated replacement cost method was estimated based on the current cost of replacement of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Revaluation deficits of HK$5,497,000, resulting from the above valuations, during the year, have been debited to the asset revaluation reserve (2008: revaluation surplus of HK$9,425,000 had been credited to the asset revaluation reserve).

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$86,746,000 (2008: HK$87,069,000).

The Group's leasehold land and buildings are held under medium term leases and are further analysed as follows:

	2009	2008
	HK$'000	HK$'000
Hong Kong	**5,640**	5,790
Mainland China	**90,000**	99,270
	95,640	105,060

As at 31 March 2009, certain of the Group's leasehold land and buildings with net book value of approximately HK$2,870,000 (2008: HK$2,870,000) were pledged to secure general banking facilities granted to the Group (note 25).

16. Prepaid Land Lease Payments

	Group	
	2009	2008
	HK$'000	HK$'000
Carrying amount at beginning of the year	**10,190**	7,060
Additions	**–**	2,531
Recognised during the year	**(241)**	(183)
Exchange realignment	**224**	782
Carrying amount at end of the year	**10,173**	10,190
Current portion included in prepayments, deposits and other receivables	**(241)**	(183)
Non-current portion	**9,932**	10,007

Prepaid land lease payments are held under medium term leases and the balance relates to the land situated in Mainland China.

17. Intangible Assets

	Group	
	2009	2008
	HK$'000	HK$'000
Cost	**27,498**	27,498
Accumulated amortisation	**(27,498)**	(27,498)
Net carrying amount	**–**	–

The Directors consider the useful lives of the above technical know-how are five years. Intangible assets had already been fully amortised for the year ended 31 March 2008.

18. Interests in Subsidiaries

	Company 2009 HK$'000	Company 2008 HK$'000
Unlisted shares, at cost	**115,668**	115,668
Due from subsidiaries	**174,844**	175,879
Less: Provision for impairment	**(62,982)**	(26,462)
	111,862	149,417
Due to a subsidiary	**–**	(105)
	227,530	264,980

Amounts due from and to subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from and to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries at 31 March 2009 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interest attributable to the Company: Direct	Percentage of equity interest attributable to the Company: Indirect	Principal activities
i-System Investment Company Limited	British Virgin Islands ("BVI")	US$2,000	100	–	Investment holding
Sun East Electronic Equipment Company Limited	Hong Kong	HK$5,000,000	–	100	Trading of machinery
Fureach Precision Limited	Hong Kong	HK$10,000	–	100	Trading of machinery

18. Interests in Subsidiaries (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
日東電子發展（深圳）有限公司#	Mainland China	HK$81,000,000	–	100	Manufacture and trading of machinery
Eastern Century Speed Inc.	BVI	US$1	–	100	Development of the electrical interconnection technique
Surfacetech Surface Treatment System Engineering Co., Ltd	Hong Kong	HK$10,000	–	100	Trading of machinery
Frontier Precision System Co., Ltd	Hong Kong	HK$10,000	–	100	Manufacture and trading of machinery
Sun East Tech Development Limited	Hong Kong	HK$10,000	–	100	Trading of machinery
天力精密系統（深圳）有限公司#	Mainland China	HK$15,300,000	–	100	Manufacture and trading of machinery
日東電子科技（深圳）有限公司#	Mainland China	HK$25,000,000	–	100	Manufacture and trading of machinery
日東自動化設備（上海）有限公司#	Mainland China	US$2,750,000*	–	100	Trading of machinery

18. Interests in Subsidiaries (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Registered as a wholly-owned foreign investment enterprises in Mainland China.

* Registered capital of 日東自動化設備(上海)有限公司 is US$3,250,000. As at balance sheet date, US$2,750,000 of the total registered capital had been contributed and the Group therefore had an outstanding investment commitment of US$500,000 in this subsidiary.

19. Interests in Jointly-Controlled Entity

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**–**	6,000

Particulars of the jointly-controlled entity at 31 March 2009 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of Ownership interest (indirect)	Voting power	Profit sharing	Principal activities
Rehm Suneast International Limited ("Rehm")	Corporate	BVI/ Mainland China	50	50	50	Manufacture and trading of machinery

The Group's trade and bill receivable balance due from the jointly-controlled entity is disclosed in note 22 to the financial statements.

19. Interests in Jointly-Controlled Entity (Continued)

Included in the Group's prepayments, deposits and other receivables are amounts due from the jointly-controlled entity of HK$2,107,000 (2008: Nil) which is unsecured, interest free and repayable on demand. The carrying amounts approximate to their fair value.

Upon the petition of Rehm Thermal Systems Gmbh, the other shareholder of Rehm, on 29 January 2009, a voluntary winding up order was made against Rehm by the High Court of Hong Kong on 6 April 2009 and Rehm is now in the process of the liquidation. The Directors consider the recoverable amount from the investment cost was minimal.

20. Interests in Associate

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**1,019**	1,020

Particulars of the associate at 31 March 2009 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership (indirect)	Principal activities
Sun East Sanki Co., Ltd	Corporate	Hong Kong	50	Investment holding

Included in the Group's other payables and accruals are amounts due to the associate of HK$1,000,000 (2008: HK$1,000,000) which is unsecured, interest free and repayable on demand. The carrying amounts approximate to their fair values.

Pursuant to its application for deregistration of a defunct private company in February 2009, the associate has been deregistered from the Companies Registry on 12 June 2009 and dissolved from said date.

21. Inventories

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**27,747**	51,287
Work in progress	**16,101**	24,750
Finished goods	**26,712**	39,522
	70,560	115,559

22. Trade and Bill Receivables

Ageing analysis of trade and bill receivables as at the balance sheet dates, based on invoice date and net of provision, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 90 days	**30,132**	58,805
91 to 120 days	**423**	12,203
121 to 180 days	**12,394**	12,891
181 to 360 days	**11,890**	24,297
Over 360 days	**13,228**	8,629
	68,067	116,825

Impairment losses in respect of trade and bill receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bill receivables directly. Movement in the provision for impairment of trade and bill receivables is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
At beginning of the year	**34,194**	32,886
Amount written off during the year	**(3,200)**	–
Impairment loss recognised	**8,689**	1,308
Impairment loss reversed	**(737)**	–
At end of the year	**38,946**	34,194

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

22. Trade and Bill Receivables (Continued)

The carrying value of trade and bill receivables is considered as reasonable approximation of fair value. Impairment of trade and bill receivables is established when there is objective evidence that the Group is not able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicators that the trade and bill receivables are impaired. All of the Group's trade and bill receivables have been reviewed for indicators of impairment. As at 31 March 2009, the Group has determined trade receivables of HK$3,200,000 (2008: Nil) as individually written off and certain trade and bill receivables were found to be impaired and bad debts of HK$8,689,000 for the year ended 31 March 2009 (2008: HK$1,308,000) have been recognised. The impaired trade and bill receivables are mostly due from customers in the Group business-to-business market that encounter financial difficulties.

In addition, certain unimpaired trade and bill receivables are past due as at the balance sheet date. Ageing analysis of trade and bill receivables past due but not impaired is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**39,307**	58,805
1 to 30 days past due	**3,550**	12,203
31 to 90 days past due	**9,366**	12,891
91 to 270 days past due	**5,710**	24,297
271 to 360 days past due	**7,296**	1,885
Over 360 days past due	**2,838**	6,744
Total trade and bill receivables, net	**68,067**	116,825

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and bill receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade and bill receivables past due but not impaired.

22. Trade and Bill Receivables (Continued)

Included in the Group's trade and bill receivables are amounts due from the Group's jointly-controlled entity and associate of HK$3,212,000 (2008: HK$4,519,000) and Nil (2008: HK$10,000) respectively, which are unsecured, interest-free and repayable within 30 days.

23. Cash and Cash Equivalents and Pledged Bank Balances

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**60,110**	63,486	**1,297**	475
Time deposits	**1,484**	15,205	**21**	–
	61,594	78,691	**1,318**	475
Less: Pledged bank balances for trade finance facilities (note 25)	**–**	(2,261)	**–**	–
	61,594	76,430	**1,318**	475

At the balance sheet date, cash and bank balances of the Group denominated in RMB amounted to HK$24,557,000 (2008: HK$25,739,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange businesses.

23. Cash and Cash Equivalents and Pledged Bank Balances

(Continued)

Cash at bank earns interest at floating rates based on the daily bank deposits rates ranging between 0.5% and 3.6% (2008: 0.7% and 3.8%) per annum. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

24. Trade and Bill Payables

Ageing analysis of trade and bill payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 90 days	**30,949**	68,661
91 to 120 days	**4,554**	6,825
Over 120 days	**26,917**	13,311
	62,420	88,797

The trade and bill payables are non-interest bearing and are normally settled within 90 to 180 days.

25. Interest-bearing Bank and Other Borrowings

	Effective interest rate per annum		Maturity		Group	
	2009 (%)	2008 (%)	**2009**	2008	**2009 HK$'000**	2008 HK$'000
Current						
Finance lease liabilities (note 26)	**3**	3	**2009**	2008	**256**	455
Secured bank loans	**–**	6.6	**–**	2008	**–**	25,297
					256	25,752
Non-current						
Finance lease liabilities (note 26)	**3**	3	**2010-2011**	2009-2011	**136**	390
Total borrowings					**392**	26,142

	Group	
	2009 HK$'000	2008 HK$'000
Analysed of bank loans repayable:		
Within one year	**–**	25,297

The banking facilities including the Group's import/export loan, letter of credit, documentary credits, trust receipt and bank loans as at the balance sheet date are secured by:

(i) a first legal charge on certain of the Group's leasehold land and buildings, which had an aggregate net book value at the balance sheet date of HK$2,870,000 (2008: HK$2,870,000) (note 15);

(ii) As at 31 March 2008, pledged bank deposits of HK$2,261,000 (note 23); and

(iii) corporate guarantees provided by the Company (note 32).

The carrying amounts of the Group's borrowings approximate to their fair values. The fair value of the borrowings was calculated by discounting the expected future cash flows at prevailing interest rates.

26. Finance Lease Liabilities

The Group leases certain of its motor vehicles, machinery and equipment for its production lines and equipment business. These leases are classified as finance leases and have remaining the lease terms ranging between one and five years.

At 31 March 2009, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of finance lease liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**267**	484	**256**	455
In the second to fifth years, inclusive	**141**	406	**136**	390
Total minimum finance lease payments	**408**	890	**392**	845
Future finance charges	**16**	45		

27. Due to Directors

Included in the Group's other payables and accruals are amounts due to directors of approximately HK$1,996,000 (2008: HK$1,496,000) which are unsecured, interest-free and repayment on demand. The carrying amounts approximate to their fair values.

28. Deferred Tax Liabilities

Movement in the Group's deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Others HK$'000	Total HK$'000
At 1 April 2007	2,409	2,716	307	5,432
Credited to income statement during the year (note 11)	(1,161)	–	(307)	(1,468)
Deferred tax relating to revaluation of property, plant and equipment	–	2,074	–	2,074
At 31 March 2008 and 1 April 2008	**1,248**	**4,790**	**–**	**6,038**
Credited to income statement during the year (note 11)	**(559)**	**–**	**–**	**(559)**
Deferred tax relating to revaluation of property, plant and equipment	**–**	**(1,366)**	**–**	**(1,366)**
At 31 March 2009	**689**	**3,424**	**–**	**4,113**

At 31 March 2009, the Group has unrecognised deferred tax asset arising from tax losses of the subsidiaries operating in Hong Kong and in Mainland China of approximately HK$31,675,000 and HK$14,498,000 (2008: HK$10,633,000 and HK$2,314,000) respectively.

Deferred tax asset in respect of unused tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Mainland China can be carried forward for 5 years and tax losses of the companies within the Group operating in Hong Kong will not be expired under the current tax legislation.

At 31 March 2009, there was no significant unrecognised deferred tax liabilities (2008: Nil) that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture entity as the Group had no liabilities to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. Share Capital

	Group and Company	
	2009	2008
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
525,000,000 (2008: 525,000,000) ordinary shares of HK$0.10 each	**52,500**	52,500

30. Share Option Scheme

The Company operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included the Company's directors, including independent non-executive directors, employees of the Group and entities in which the Group has equity interests, suppliers of goods or services to the Group, customers of the Group and consultants, advisers, managers, officers or entities that provide technological support to the Group. The Scheme became effective on 30 August 2002 and, unless otherwise cancelled or amended, remained in force for six years until 30 August 2008.

The maximum number of unexercised share options currently permitted to be granted under the Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period was limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit was subject to shareholders' approval in a general meeting of the Company.

30. Share Option Scheme (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, were subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options might be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted to grantees (a) other than suppliers or customers should commence on the date of grant and expire on the earlier of the last year of (i) a six year period from the date of such grant and (ii) the expiration of the scheme; (b) who were suppliers or customers of the Group, such period should commence on the date of grant and expire on year thereafter.

The exercise price of the share options was determined by the Directors, but should not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

30. Share Option Scheme (Continued)

The particulars in relation to the share option scheme of the Company are disclosed as follows:

Directors	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1 April 2008	Lapsed during the year	Outstanding at 31 March 2009
Mr. But Tin Hing	31 August 2005	0.558	31 August 2005 to 29 August 2008	8,806,452	(8,806,452)	–
Mr. But Tin Fu	31 August 2005	0.558	31 August 2005 to 29 August 2008	8,806,452	(8,806,452)	–
Mr. Leung Cheong	31 August 2005	0.558	31 August 2005 to 29 August 2008	8,806,452	(8,806,452)	–
Mr. Leung Kuen, Ivan	31 August 2005	0.558	31 August 2005 to 29 August 2008	8,806,450	(8,806,450)	–
				35,225,806	(35,225,806)	–

No additional options were granted for the year ended 31 March 2009. As at 31 March 2009, all share options were expired.

31. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on pages 32 to 33 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

31. Reserves (Continued)

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Share based payment reserve HK$'000	Retained Profits/ (Accumulated loss) HK$'000	Total HK$'000
At 1 April 2007	87,728	115,468	4,992	5,210	213,398
Net loss for the year	–	–	–	(887)	(887)
As at 31 March 2008 and 1 April 2008	**87,728**	**115,468**	**4,992**	**4,323**	**212,511**
Net loss for the year	**–**	**–**	**–**	**(36,520)**	**(36,520)**
Lapse of share options	**–**	**–**	**(4,992)**	**4,992**	**–**
At 31 March 2009	**87,728**	**115,468**	**–**	**(27,205)**	**175,991**

The Company's contributed surplus represents the excess of the then combined net asset value of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of its contributed surplus in certain circumstances.

32. Financial Guarantee Contracts – Company

The Company executed guarantees amounting to approximately HK$70,000,000 (2008: HK$126,487,000) with respect to the bank facilities granted to certain subsidiaries of the Group. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loan. At the balance sheet date, no provision for the Company's obligation under the guarantee contract has been made as the Directors consider that it is not probable that the repayment of the loan would be in default.

33. Commitments

At the balance sheet date, the Group had the following outstanding commitments:

Operating lease commitments – As lessor

The Group leases part of its factory premises under operating lease arrangements with the terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**398**	–
In the second to fifth years, inclusive	**497**	–
	895	–

33. Commitments (Continued)

Operating lease commitments – As lessee

The Group leases certain of its factory premises under operating lease arrangements. Leases for these assets are negotiated for the terms ranging between one and three years.

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**226**	213
In the second to fifth years, inclusive	**33**	639
	259	852

At the balance sheet date, the Company had no significant commitments (2008: Nil).

34. Related Party Transactions

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties.

		Group	
		2009	2008
		HK$'000	HK$'000
Sales to jointly-controlled entity	(i)	**1,693**	3,567
Purchases from jointly-controlled entity	(ii)	**–**	1,287

(i) Sales to the jointly-controlled entity were made according to the published prices and conditions offered to the major customers of the Group.

(ii) Purchases from the jointly-controlled entity were made according to the published prices and conditions offered by the jointly-controlled entity to its major customers.

34. Related Party Transactions (Continued)

(b) Outstanding balances with related parties

Details of the Group's balances with the associate, jointly-controlled entity and the directors as at the balance sheet date are disclosed in notes 19, 20, 22 and 27 to the financial statements.

(c) Compensation of key management personnel of the Group:

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

	Group	
	2009	2008
	HK$'000	HK$'000
Short term employee benefits	**5,564**	5,343
Post-employment benefits	**59**	60
	5,623	5,403

Further details of directors' emoluments are included in note 9 to the financial statements.

35. Risk Management Objectives and Policies

The Group does not have written risk management policies and guidelines. However, the Directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates, currency exchange rates, credit risk and liquidity risk. Generally, the Group employs conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group's principal financial instruments comprise cash and cash equivalents, trade and bill receivables, other receivables, trade and bill payables, other payables and accruals and finance lease liabilities. The most significant financial risks to which the Group is exposed are described below.

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates. A reasonably possible change in interest rate in the next twelve months is assessed, which could have immaterial change in the Group's loss after tax and retained profits. Changes in interest rates have no material impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

The Directors are of the opinion that the Group's sensitivity to the change in interest rate is low.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales that are denominated in currencies other than the functional currency of the operations to which they related. The currencies giving rise to this risk are US$, JPY and RMB. The Group reviews its foreign currency exposures on a regular basis and does not consider its foreign exchange risk to be significant.

35. Risk Management Objectives and Policies (Continued)

Foreign currency risk (Continued)

Foreign currency risk exposure

The following table details the Group's exposure at the balance sheet date to foreign currency risk from the financial assets and financial liabilities denominated in a currency other than the functional currency to which they relate:

	2009			2008		
	US$'000	JPY'000	RMB'000	US$'000	JPY'000	RMB'000
Trade and bill receivables	3,041	–	983	4,930	–	4,864
Cash and cash equivalents	1,948	52	–	2,380	4,026	–
Trade and bill payables	(1,129)	(49)	(5,751)	(4,368)	(3,695)	(5,319)
	3,860	3	(4,768)	2,942	331	(455)

Foreign currency risk sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax in response to reasonable possible strengthening/weakening in the following foreign currency rates to which the Group has significant exposure at the balance sheet date. There is no impact on other components of consolidated equity in response to the general increase/decrease in the following foreign currency rates.

35. Risk Management Objectives and Policies (Continued)

Foreign currency risk (Continued)

Foreign currency risk sensitivity analysis (Continued)

	2009		2008	
	Increase/ (Decrease) in foreign exchange rates	Effect on (loss)/profit after tax and retained earnings	Increase/ (Decrease) in foreign exchange rates	Effect on (loss)/profit after tax and retained earnings
	%	HK$'000	%	HK$'000
US$	0.58%	172	0.39%	89
	(0.58%)	(172)	(0.39%)	(89)
JPY	6.32%	–	17.34%	4
	(6.32%)	–	(17.34%)	(4)
RMB	2.21%	(120)	9.38%	(47)
	(2.21%)	120	(9.38%)	47

The sensitivity rate of 0.58%, 6.32% and 2.21% for US$, JPY and RMB respectively is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts the translation at the year end for the aforementioned change in foreign currency rates. The functional currency of the Group's major operating subsidiaries is HK$. A strengthening/weakening of the above foreign currencies against HK$ at the balance sheet date would have had a profit/(loss) effect respectively to the amounts shown above, on the basis that all other variables remain constant.

The Company is not exposed to any foreign currency risk.

35. Risk Management Objectives and Policies (Continued)

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Group	
	2009	2008
	HK$'000	HK$'000
Classes of financial assets – carrying amounts		
Trade and bill receivables	**68,067**	116,825
Other receivables	**8,756**	4,037
Pledged bank balances	**–**	2,261
Cash and cash equivalents	**61,594**	76,430
	138,417	199,553

	Company	
	2009	2008
	HK$'000	HK$'000
Classes of financial assets – carrying amounts		
Due from subsidiaries	**111,862**	149,417
Cash and cash equivalents	**1,318**	475
	113,180	149,892

35. Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

The Group's credit risk is primarily attributable to trade and bill receivables, other receivables, pledged bank balances and cash and cash equivalents. Management has a credit policy and the exposures to credit risks are monitored on an ongoing basis.

In respect of trade and bill receivables and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group's bank balances are all deposits with state-owned banks in the PRC and major banks in Hong Kong.

The Company's credit risk is primarily attributable to amount due from subsidiaries.

Fair values

The fair values of the Group's and the Company's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of borrowings is not disclosed because there are no balances at the balance sheet date and the carrying value was not materially different from the fair value.

35. Risk Management Objectives and Policies (Continued)

Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required.

As at 31 March 2009 and 31 March 2008, the remaining contractual maturity of the Group's and the Company's financial liabilities which are based on undiscounted cash flows are summarised below:

	Group				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 6 months HK$'000	6 to less than 12 months HK$'000	Over 1 year HK$'000
At 31 March 2009					
Trade and bill payables	–	62,420	–	–	–
Other payables and accruals	1,996	33,539	–	–	–
Interest-bearing bank and other borrowings	–	121	90	56	141
	1,996	96,080	90	56	141

35. Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

	Group				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 6 months HK$'000	6 to less than 12 months HK$'000	Over 1 year HK$'000
At 31 March 2008					
Trade and bill payables	–	88,797	–	–	–
Other payables and accruals	9,483	41,728	–	–	–
Interest-bearing bank and other borrowings	–	8,439	41	18,491	406
	9,483	138,964	41	18,491	406

	Company				
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 6 months HK$'000**	**6 to less than 12 months HK$'000**	**Over 1 year HK$'000**
At 31 March 2009					
Other payables and accruals	**–**	**1,042**	**–**	**–**	**–**
	–	**1,042**	**–**	**–**	**–**

35. Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

	Company				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 6 months HK$'000	6 to less than 12 months HK$'000	Over 1 year HK$'000
At 31 March 2008					
Due to a subsidiary	105	–	–	–	–
Other payables and accruals	–	1,112	–	–	–
	105	1,112	–	–	–

The carrying amounts of the Group's and the Company's financial assets and liabilities recognised at the balance sheet dates may also be categorised as follows. See notes 3.14 and 3.22 for explanations on how the category of financial instruments affects their subsequent measurement.

Financial assets

	Group	
	2009 HK$'000	2008 HK$'000
Loans and receivables:		
– Trade and bill receivables	**68,067**	116,825
– Other receivables	**8,756**	4,037
Pledged bank balances	**–**	2,261
Cash and cash equivalents	**61,594**	76,430
	138,417	199,553

35. Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

Financial assets (Continued)

	Company	
	2009	2008
	HK$'000	HK$'000
Loans and receivables:		
– Due from subsidiaries	**111,862**	149,417
Cash and cash equivalents	**1,318**	475
	113,180	149,892

Financial liabilities

	Group	
	2009	2008
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
– Trade and bill payables	**62,420**	88,797
– Other payables and accruals	**35,535**	51,211
– Interest-bearing bank and other borrowings	**392**	26,142
	98,347	166,150

	Company	
	2009	2008
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
– Due to a subsidiary	**–**	105
– Other payables and accruals	**1,042**	1,112
	1,042	1,217

36. Capital Management

The Group's objectives when managing capital are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) to support the Group's stability and growth; and

(c) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital. The amount of capital as at 31 March 2009 and 2008 amounted to approximately HK$245,917,000 and HK$303,812,000 respectively which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.