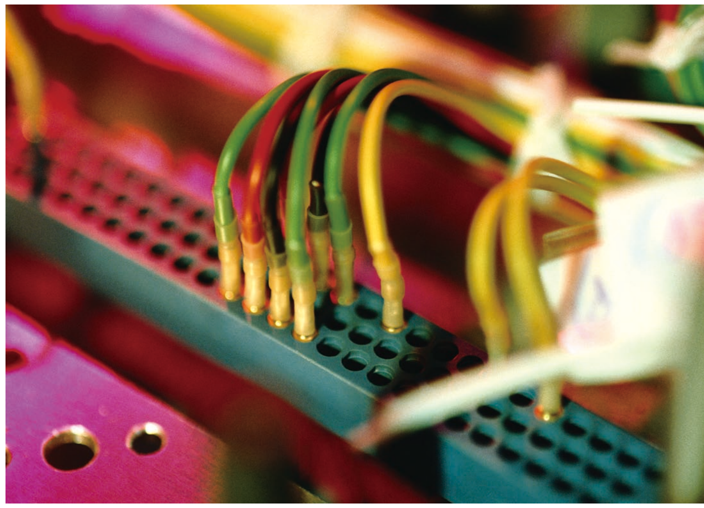
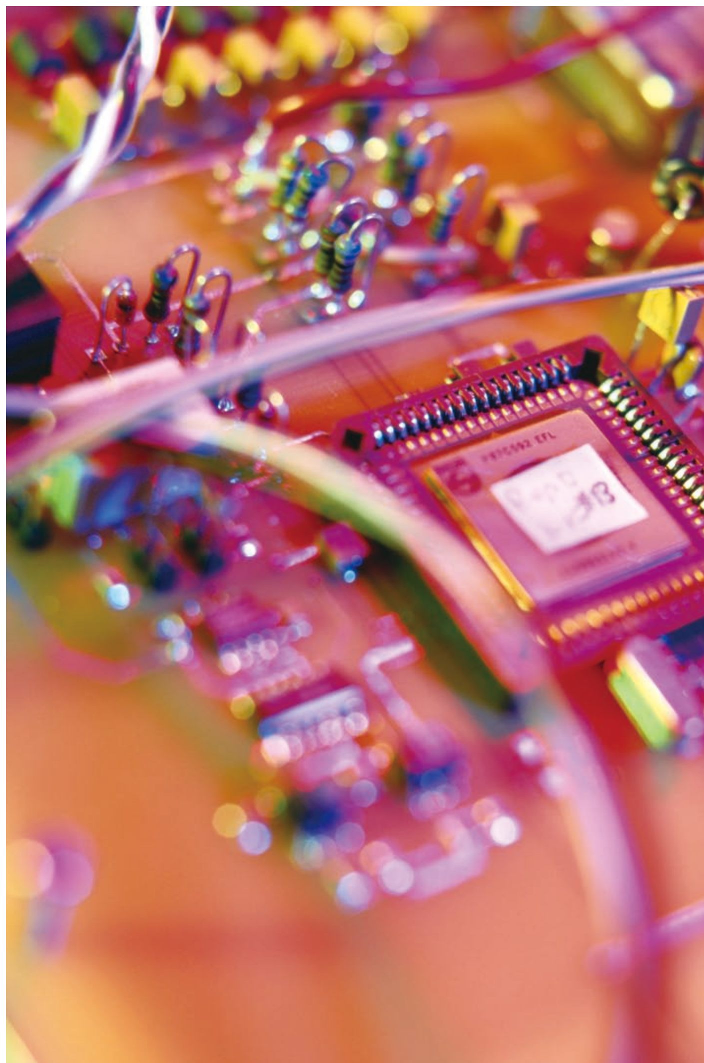
Sun East Technology (Holdings) Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 365

annual report 2010





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Expressed in Hong Kong dollars ("HK$")

Corporate Information

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

The Group experienced operational difficulties in the first half of the year under the continual impact of the global financial crisis. However, the prompt implementation of a series of state policies to expand domestic demand has provided Sun East the opportunity to overcome the difficult environment. In the second half of 2009 when the economy started to improve, domestic orders increased significantly; at the same time, the Group internally consolidated its operational structure and optimized and integrated its resources, and externally changed its marketing strategy to one that was more market oriented in line with the state policies. Through a series of reform measures, the Group has bottomed out and the business results have gradually improved.

Future Prospects

In 2010, the overall global economy improved swiftly, and the operating environment has gradually turned more favourable. For the Sun East Group, this is a year of rapid development with great opportunities as well as challenges. Taking advantages of the economic recovery to expand market share and improve the Group's overall efficiency quickly has become the Group's focus of work in 2010. Guided by the state policies, we will set up a modern corporate governance system and a professional management team that is responsible and can put ideas into execution, implement the management philosophy that is people-oriented, integrity and credibility come first, and based on technological know-hows to achieve the goal of management efficiency. Externally, following the "Developing businesses in new industries by leveraging on the platform of the existing businesses" direction, we will enter the solar photovoltaic business as planned and launch the automatic and logistics equipment business into the central and western regions to make strong business allies, implement and further negotiate with BOSCH for strategic cooperation in the SMT industry, consolidate the existing market and at the same time join force to create favourable conditions for our long term development.

But Tin Fu
Chairman

Hong Kong
22 July 2010

Financial Results

A summary of the financial results of the Group for the year ended 31 March 2010 is as follows:

- Turnover was approximately HK$455 million (2009: HK$375 million), represented an increase of approximately 21.3%.

- Loss before income tax was approximately HK$4.1 million (2009: HK$57.8 million).

- Loss for the year was approximately HK$8.2 million (2009: HK$57.1 million).

- Basic loss per share was approximately HK1.56 cents (2009: HK10.88 cents).

Business Review

(A) Adhering to policy guidance and closely follow the market trend

1. *Optimizing business structure for entering the solar photovoltaic business*

   We have optimized the overall SMT solution and sharpened our competitive edge within the industry; more efforts were put in the fast-growing industries of LED energy-saving lighting, communication, automobiles, home appliances, semiconductors and Tri-network convergence in the country; we have also formally entered the solar photovoltaic business, together with experts from the country and overseas, to research, design and manufacture internationally advanced solar photovoltaic production equipment including fully automatic silk screening production machine, washing machine, texturing equipment, plasma etcher, high-temperature sintering furnace, diffusion oven, complete production line and PECVD, etc.

2. *Consolidating the market in South China, eyeing the North and overseas markets, and increasing our market share.*

   With South China as our base, we have promptly extended the market focus to the North. The results of the northern market for the six months ended September 2009 showed that there is unlimited potential in the North and it will be the key region for continuing development in the future. As activities in the international market resume gradually, we will accelerate the pace of domestic market expansion while at the same time develop the overseas market progressively in phases and by region.

3. *Increasing the technology level in its products and setting standards for the industry.*

As a high-tech enterprise, Sun East always takes the lead in the industry development with its outstanding products. We keep investing in product research and development and have achieved concrete results:

For the lead-free wave soldering system, our knock-out product, we developed 2 brand new technologies in 2009, namely "reducing oxidation sludge" and "automatic optimizing system for the path of soldering flux", which were considered as breakthroughs among the international players of the industry.

Besides the innovation on the original technology of the products, we also developed two new products, namely IPC810 lead-free hot air reflow system and PEAK-2010 lead-free wave soldering machine, which have passed the examination carried out by the expert team of welding equipment as reaching the international standards of such products.

The Company cooperated with IPC organizations in US in relation to SMT segment and developed the test method for reflow soldering, which is by far the only test standard related to equipment within the industry and provides guiding effects on regulating the industrial market and encouraging self-innovation.

4. *Providing value-added services and creating new value chain*

By providing value-added services to our products, we have avoided the over reliance on processing and staying at the low end of the value chain.

We are the first to provide technical support service, i.e. providing free technical training to customers. This service greatly helped our customers to reduce costs and strengthen their competiveness in combating the financial crisis and allowed them to rapidly grasp the opportunities in increasing production. Very positive feedback has been received from our customers in respect of such service, which helped to improve the image of Sun East.

"Green Service", a project launched with our strategic partner, SAMSUNG to provide free equipment inspection, maintenance and repairmen service. With the launch of the project, the useful lives of our products have been substantially prolonged, which added value to our products and showed our determination to pass this difficult time together with customers. We have already got satisfactory return from this project.

(B) Structural adjustments in internal operation

1. *Optimizing organizational structure and further consolidating resources*

Under the impact of the financial crisis, to alleviate the risk of market competition, we further adjusted the organizational structure in 2009 and reconsolidated our resources, which materially enhanced the coordination of each internal unit, corporate operational efficiency and internal resources utilization efficiency and reduced our internal operating cost.

2. *Rebuilding systems and optimizing performance assessment*

In respect of the readjustment of the organizational structure and the reconsolidation of resources, we rationalized each management system and operation flow and reshaped those systems considered not appropriate for the new organizational structure and operation flow. We redefined and enriched the organizational function and duty of each unit by adding developing requirements under new circumstances. We carried out an overall performance assessment scheme through continuously optimizing the performance assessment and introducing KPI index to include non-manufacturing staff in the performance assessment so that all staff would undergo the appraisal process. Through these efforts, we ensured the normal operation of organizational structure and further strengthened the production efficiency.

3. *Widening the channels of recruitment, developing training centers and building an efficient management team to provide manpower for the sustainable development of the Company*

We have actively promoted the management philosophy of "People-oriented, Integrity and Creditability come first", under which we continued to strengthen the cooperation with technical schools and colleges in manpower cultivation and the introduction of high-end technical experts from famous colleges in order to widen the channels of recruitment. Also, we have engaged management staff and skilled technicians through the cooperation with external headhunters and technician recruitment agencies. Besides, the Sun East Training Centre was established for optimizing our manpower pool training system, manpower cultivation system, remuneration system and assessment system while introducing the internationally leading program, "Corporate Coaching" to enhance the concept and the quality of management staff. We intend to build a responsible and executive management team and train up skillful technicians and quality staff in 2 to 3 years time to maintain sufficient and reliable manpower for the sustainable development of the Company.

Liquidity and Capital Structure

As at 31 March 2010, the Group had current assets of HK$309 million (2009: HK$218 million), mainly comprising inventories of HK$61 million (2009: approximately HK$71 million), trade and bills receivables of HK$91 million (2009: approximately HK$68 million), prepayments, deposits and other receivables of HK$15 million (2009: approximately HK$17 million), tax reserve certificates of HK$3 million (2009: Nil) and cash and cash equivalents of HK$139 million (2009: HK$62 million). The Group had current liabilities of HK$203 million (2009: approximately HK$117 million). The current ratio was 1.53 for the year ended 31 March 2010 (2009: 1.87).

Compared with the corresponding last year, the cash and cash equivalents as at 31 March 2010 have increased by HK$77 million to HK$ 139 million (2009: HK$62 million). This increase is mainly attributable to the robust of the business in the second half of the year under review, which contributed to the inflow of cash by swift settlement of the trade receivables.

Meanwhile, the trade and bills payables as at 31 March 2010 have increased by approximately HK$65 million to HK$127 million (2009: HK$62 million). The increase reflects the strong purchase of the Group during the second half of the year to satisfy the thriving business. Tapping the prosperous market condition, the Group succeeded in exercising its competitive negotiating power to secure favourable credit terms from those major suppliers. Therefore, the trade and bills payables at the year end are within the credit terms granted and they will be settled in due course.

As at 31 March 2010, the Group had total assets of HK$451 million (2009: approximately HK$367 million) and total liabilities of HK$208 million (2009: approximately HK$121 million). The gearing ratio (calculated as a percentage of finance lease obligations to equity) was 0.06% (2009: 0.16%).

Financial Resources

As at 31 March 2010, 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 2010, 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 2010, cash and cash equivalents amounted to HK$139 million (2009: approximately HK$62 million), of which approximately HK$68 million (2009: approximately HK$25 million) are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

Charges on Group Assets

As at 31 March 2010, the Group's banking facilities including its import/export, letter of credit, documentary credits, trust receipt and bank loans 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 reporting date of HK$71,875,000 (2009: HK$2,870,000);

(ii) corporate guarantees provided by the Company.

Employees and Remuneration Policies

As at 31 March 2010, the Group employed approximately 1,200 full time employees in the PRC and approximately 27 were in the Hong Kong office.

The Group remunerates its employees based on the industry's practice. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including pension scheme and performance related bonuses.

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 2010 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 10 under the subject Board Meeting attendance records. Biographies of the Directors which include relationship among members of the Board are set out on pages 15 to 16 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	3/4
Prof. Xu Yang Sheng	2/4
Mr. Li Wanshou	2/4

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 Professor Xu Yang Sheng attended all 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 2010, 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				
	2010	2009	2008	2007	2006
RESULTS	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**455,199**	374,860	434,412	500,426	458,296
(Loss)/Profit before income tax	**(4,114)**	(57,825)	(1,011)	828	(38,184)
Income tax (expense)/credit	**(4,079)**	688	1,516	1,369	1,004
(Loss)/Profit for the year attributable to owners of the Company	**(8,193)**	(57,137)	505	2,197	(37,180)

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**450,842**	366,878	495,127	477,208	450,153
TOTAL LIABILITIES	**(207,754)**	(120,961)	(191,315)	(185,507)	(180,151)
	243,088	245,917	303,812	291,701	270,002

Executive Directors

Mr. BUT Tin Fu, aged 52, 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 23 years of experience in the electronics industry. He is a brother of Mr. But Tin Hing.

Mr. BUT Tin Hing, aged 54, 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 26 years of experience in the electronics industry. He is a brother of Mr. But Tin Fu.

Mr. LEUNG Cheong, aged 49, 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 23 years of experience in the electronics industry. He is a brother of Mr. Leung Kuen, Ivan.

Mr. LEUNG Kuen, Ivan, aged 53, 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 19 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 46, obtained PhD in Economics 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 52, 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 47, 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 20 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 2010.

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 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 106.

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 14. 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 13 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 26 and 27 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 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 March 2010, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$87,821,000. 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 approximately 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 69% of total purchases for the year and purchases from the largest supplier included therein amounted to approximately 34%.

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 Hing, See Tak Wah, Prof Xu Yang Sheng and Li Wanshou 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 15 to 16 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 2010, 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:

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 27 to the financial statements.

Save as disclosed above, as at 31 March 2010, 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' 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 2010, 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	220,605,840	42.02

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
22 July 2010

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 (collectively referred to as the "Group") set out on pages 25 to 106, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2010 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
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

22 July 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	6	**455,199**	374,860
Cost of sales		**(393,758)**	(348,934)
Gross profit		**61,441**	25,926
Other income and gains	6	**12,455**	4,522
Selling and distribution costs		**(28,535)**	(25,497)
Administrative expenses		**(42,122)**	(44,777)
Other expenses		**(7,323)**	(10,779)
Finance costs	8	**(11)**	(1,219)
Share of losses of:			
Jointly-controlled entity		**–**	(6,000)
Associate		**(19)**	(1)
Loss before income tax	7	**(4,114)**	(57,825)
Income tax (expense)/credit	10	**(4,079)**	688
Loss for the year attributable to the owners of the Company		**(8,193)**	(57,137)
Other comprehensive income, including reclassification adjustments			
Surplus/(deficit) on revaluation of properties held for own use	13	**6,573**	(5,497)
Income tax relating to revaluation surplus/deficit	25	**(1,364)**	1,366
Exchange gain on translation of financial statements of foreign operations		**155**	3,373
Other comprehensive income for the year, including reclassification adjustments and net of tax		**5,364**	(758)
Total comprehensive income for the year attributable to the owners of the Company		**(2,829)**	(57,895)
Loss per share for loss attributable to the owners of the Company	12		
— Basic		**(HK1.56) cents**	(HK10.88) cents
— Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**131,549**	138,147
Prepaid land lease payments	14	**9,704**	9,932
Interests in associate	17	**–**	1,019
		141,253	149,098
Current assets			
Inventories	18	**61,254**	70,560
Trade and bills receivables	19	**90,842**	68,067
Prepayments, deposits and other receivables		**15,078**	17,368
Tax reserve certificates		**3,000**	–
Taxes recoverable		**191**	191
Cash and cash equivalents	20	**139,224**	61,594
		309,589	217,780
Current liabilities			
Trade and bills payables	21	**127,280**	62,420
Other payables and accruals		**49,776**	33,539
Finance lease obligations	22	**108**	256
Due to directors	24	**2,972**	1,996
Taxes payable		**22,413**	18,501
		202,549	116,712
Net current assets		**107,040**	101,068
Total assets less current liabilities		**248,293**	250,166

Consolidated Statement of Financial Position

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Finance lease obligations	22	**28**	136
Deferred tax liabilities	25	**5,177**	4,113
		5,205	4,249
Net assets		**243,088**	245,917
EQUITY			
Equity attributable to Company's owners			
Share capital	26	**52,500**	52,500
Reserves	28(a)	**190,588**	193,417
Total equity		**243,088**	245,917

But Tin Fu	**Leung Cheong**
Director	*Director*

Statement of Financial Position

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**121**	151
Interests in subsidiaries	15	**115,668**	115,668
		115,789	115,819
Current assets			
Due from subsidiaries	15	**113,403**	111,862
Prepayments		**432**	534
Cash and cash equivalents	20	**386**	1,318
		114,221	113,714
Current liabilities			
Due to a subsidiary	15	**464**	–
Other payables and accruals		**1,497**	1,042
		1,961	1,042
Net current assets		**112,260**	112,672
Net assets		**228,049**	228,491
EQUITY			
Share capital	26	**52,500**	52,500
Reserves	28(b)	**175,549**	175,991
Total equity		**228,049**	228,491

But Tin Fu
Director

Leung Cheong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Share capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000 (note 28(a))	Asset revaluation reserve* HK$'000	Exchange reserve* HK$'000	Reserve and enterprise expansion funds* HK$'000 (note 28(a))	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
Lapse of share options	–	–	–	–	–	–	(4,992)	4,992	–
Transaction with owners	–	–	–	–	–	–	(4,992)	4,992	–
Loss for the year	–	–	–	–	–	–	–	(57,137)	(57,137)
Other comprehensive income									
Deficit on revaluation on leasehold land and buildings	–	–	–	(5,497)	–	–	–	–	(5,497)
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	3,373	–	–	–	3,373
Deferred tax relating to revaluation of leasehold land and buildings (note 25)	–-	–	–	1,366	–	–	–	–	1,366
Total comprehensive income for the year	–	–	–	(4,131)	3,373	–	–	(57,137)	(57,895)
Balance at 31 March 2009	52,500	87,728	4,800	11,041	11,397	2,245	–	76,206	245,917

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	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$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(note 28(a))			(note 28(a))			
Balance at 1 April 2009	52,500	87,728	4,800	11,041	11,397	2,245	–	76,206	245,917
Loss for the year	–	–	–	–	–	–	–	(8,193)	(8,193)
Other comprehensive income									
Surplus on revaluation on leasehold land and buildings	–	–	–	6,573	–	–	–	–	6,573
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	155	–	–	–	155
Deferred tax relating to revaluation of leasehold land and buildings (note 25)	–	–	–	(1,364)	–	–	–	–	(1,364)
Total comprehensive income for the year	–	–	–	5,209	155	–	–	(8,193)	(2,829)
Appropriations to statutory reserve	**–**	**–**	**–**	**–**	**–**	**1,414**	**–**	**(1,414)**	**–**
Balance at 31 March 2010	**52,500**	**87,728**	**4,800**	**16,250**	**11,552**	**3,659**	**–**	**66,599**	**243,088**

* These reserve accounts comprise the consolidated reserves of HK$190,588,000 (2009: HK$193,417,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Loss before income tax		**(4,114)**	(57,825)
Adjustments for:			
Finance costs		**11**	1,219
Share of losses of jointly-controlled entity and associate		**19**	6,001
Interest income		**(373)**	(710)
Depreciation		**14,265**	15,261
Amortisation of prepaid land lease payments		**241**	241
Bad debts written off		**70**	–
Loss on disposals of property, plant and equipment		**–**	10
Provision for impairment of trade and bills receivables		**4,679**	8,689
Provision for impairment of other receivables		**2,359**	–
Write-down of inventories to net realisable value		**1,640**	4,120
Operating profit/(loss) before working capital changes		**18,797**	(22,994)
Decrease in inventories		**7,666**	40,879
(Increase)/decrease in trade and bills receivables		**(27,524)**	40,069
Increase in prepayments, deposits and other receivables		**(69)**	(4,451)
Purchase of tax reserve certificates		**(3,000)**	–
Increase/(decrease) in trade and bills payables		**64,860**	(26,377)
Increase/(decrease) in other payables and accruals		**17,237**	(16,176)
Increase in amounts due to directors		**976**	500
Cash generated from operations		**78,943**	11,450
Interest paid		**(11)**	(1,219)
Hong Kong profits tax paid		**(160)**	(486)
Overseas taxes paid		**(307)**	(184)
Net cash generated from operating activities		**78,465**	9,561

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Interest received		**373**	710
Purchases of property, plant and equipment		**(954)**	(2,893)
Proceeds from disposals of property, plant and equipment		**–**	531
Decrease in pledged bank balances with original maturity of more than three months when acquired, pledged as securities for trade finance facilities		**–**	2,261
Net cash (used in)/generated from investing activities		**(581)**	609
Cash flows from financing activities			
Repayments of bank loans		**–**	(25,297)
Capital element of finance lease rental payments		**(256)**	(453)
Net cash used in financing activities		**(256)**	(25,750)
Net increase/(decrease) in cash and cash equivalents		**77,628**	(15,580)
Cash and cash equivalents at beginning of the year		**61,594**	76,430
Effect of foreign exchange rate changes, net		**2**	744
Cash and cash equivalents at end of the year		**139,224**	61,594
Analysis of balances of cash and cash equivalents	20		
Cash and bank balances		**128,943**	60,110
Time deposits with original maturity of less than three months when acquired		**10,281**	1,484
		139,224	61,594

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 15 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 for the year ended 31 March 2010 were approved for issue by the board of directors (the "Directors") on 22 July 2010.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements on pages 25 to 106 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 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 adoption of new and amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

The financial statements have been prepared under 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.

2.2 Basis of consolidation

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control, directly or indirectly, 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.

2. Summary of Significant Accounting Policies (Continued)

2.3 Subsidiaries (Continued)

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Joint Ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture arrangement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or loss from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(i) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies if the Group has unilateral control, directly or indirectly, over the joint venture;

(ii) a jointly-controlled entity; if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not than 20% of the joint venture's registered capital and is in a opinion to exercise significant influence over the joint venture; or

2. Summary of Significant Accounting Policies (Continued)

2.4 Joint Ventures (Continued)

(iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.5 Associates and jointly controlled entities

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.

A joint venture is 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 associates or a 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 associate or jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or 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). Profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or jointly controlled entity for the year, including any impairment loss on the investment in associate or jointly controlled entity recognised for the year.

When the Group's share of losses in an associate or jointly controlled entity equals or exceeds its interest in the associate or 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 associate or jointly controlled entity. For this purpose, the Group's interest in the associate or 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 associate or jointly controlled entity.

2. Summary of Significant Accounting Policies (Continued)

2.5 Associates and jointly controlled entities (Continued)

After the application of equity method, the Group determines whether it is necessary to recognise additional impairment loss on the Group's investment in its associates or jointly controlled entity. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or 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 (higher of value-in-use and fair value less costs to sell) of the associate or jointly controlled entity and its carrying amount. In determining the value-in-use-of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate or jointly controlled entity and the proceeds on disposal of the investment.

2.6 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 reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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 at historical cost in a foreign currency are not retranslated.

2. Summary of Significant Accounting Policies (Continued)

2.6 Foreign currency translation (Continued)

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 reporting 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 recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

2.7 Borrowing costs

Borrowing costs incurred for acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.8 Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided 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;

2. Summary of Significant Accounting Policies (Continued)

2.8 Research and development costs (Continued)

(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

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

2.9 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 reporting 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.

2. Summary of Significant Accounting Policies (Continued)

2.9 Property, plant and equipment (Continued)

Any surplus arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and is accumulated in 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 2.11. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in the other comprehensive income. A decrease in net carrying amount of leasehold land and buildings arising on revaluation is recognised in other comprehensive income to the extent of the revaluation surplus in asset revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

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 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:

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 methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting 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 profit or loss. Any revaluation surplus remaining in equity is transferred to retained profit on the disposal of leasehold land and buildings.

2. Summary of Significant Accounting Policies (Continued)

2.9 Property, plant and equipment (Continued)

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 profit or loss during the financial period in which they are incurred.

2.10 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 any impairment loss. Amortisation is calculated on straight-line method to write off the up-front payments over the lease terms.

2.11 Impairment of non-financial assets

Property, plant and equipment, prepaid land lease payments, interests in subsidiaries, associate and jointly controlled entity are subject to impairment testing. All 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 2.9 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.

2. Summary of Significant Accounting Policies (Continued)

2.11 Impairment of non-financial assets (Continued)

Impairment losses recognised for CGUs is charged pro rata to the assets in the CGU, 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.

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.

2.12 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.

2. Summary of Significant Accounting Policies (Continued)

2.13 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 property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases.

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 profit or loss 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 profit or loss in the accounting period in which they are incurred.

2. Summary of Significant Accounting Policies (Continued)

2.13 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 profit or loss on 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the 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 profit or loss on 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 profit or loss 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.

2.14 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 each reporting date.

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. When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

2. Summary of Significant Accounting Policies (Continued)

2.14 Financial assets (Continued)

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 reporting 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.

At each reporting 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;

– 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.

2. Summary of Significant Accounting Policies (Continued)

2.14 Financial assets (Continued)

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 profit or loss 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 profit or loss of the period in which the reversal occurs.

For financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.15 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.

2. Summary of Significant Accounting Policies (Continued)

2.16 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.

2.17 Accounting for income taxes

Income tax comprises current 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 reporting 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 profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting 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.

2. Summary of Significant Accounting Policies (Continued)

2.17 Accounting for 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 reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. Summary of Significant Accounting Policies (Continued)

2.18 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.

2.19 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").

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.

2. Summary of Significant Accounting Policies (Continued)

2.19 Employee benefits (Continued)

Share-based payment transactions (Continued)

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 reporting 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 profit or loss 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.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profit.

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

2. Summary of Significant Accounting Policies (Continued)

2.19 Employee benefits (Continued)

Defined contribution plan

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan (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 employees' basic salaries.

The employees of the Group's subsidiaries which operate in PRC 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.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.20 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 reporting date and adjusted to reflect the current best estimate.

2. Summary of Significant Accounting Policies (Continued)

2.20 Provisions and contingent liabilities (Continued)

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.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

2.21 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.

2. Summary of Significant Accounting Policies (Continued)

2.22 Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to directors and finance lease obligations.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 2.7). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(i) *Finance lease liabilities*

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

(ii) *Trade and bills payables, amounts due to directors, 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 reporting date.

2.23 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.

2. Summary of Significant Accounting Policies (Continued)

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

Each of the operating segments is managed separately as each of the product lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- rental income and rental costs;
- share of loss of associate/jointly-controlled entity;
- income tax;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but cash and cash equivalents, tax recoverable, tax reserve certificates, operating cash and corporate assets which are not directly attributable to the business activities of any operating segment which primarily applies to the Group's headquarter.

2. Summary of Significant Accounting Policies (Continued)

2.24 Segment reporting (Continued)

Segment liabilities include all liabilities but deferred tax liabilities, amounts due to directors and certain corporate liabilities. Corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarters. Deferred tax liabilities are attributable to revaluation of leasehold land and buildings.

3. Adoption of New or 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 the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Various Annual improvements to HKFRSs 2008	

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

3. Adoption of New or Amended HKFRSs (Continued)

HKAS 1 (Revised 2007) Presentation of financial statements (Continued)

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or company statements of financial position at 1 April 2008 and accordingly the third statement of financial position as at 1 April 2008 is not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in subsidiaries or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

There is no impact on the effect of the application of the amendments in respect of the Company's interest in subsidiaries and retained profit at 31 March 2010 in the separate statement of financial position.

3. Adoption of New or Amended HKFRSs (Continued)

HKFRS 7 (Amendments) Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

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

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Company's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements are not set out in these financial statements.

3. Adoption of New or Amended HKFRSs (Continued)

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The Directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Directors do not expect the standard to have a material effect on the Group's financial statements.

3. Adoption of New or Amended HKFRSs (Continued)

Annual improvements 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The Directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of property, plant and equipment

Property, plant and equipment (note 13) 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 2010 were approximately HK$131,549,000 (2009: HK$138,147,000).

4. Critical Accounting Estimates and Judgements (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 reporting 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 reporting date.

5. Segment Information

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

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

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

5. Segment Information (Continued)

	Production lines and production equipment		Brand name production equipment		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**219,458**	221,177	**235,741**	153,683	**455,199**	374,860
Other revenue – external	**9,787**	2,824	**–**	–	**9,787**	2,824
Reportable segment revenue	**229,245**	224,001	**235,741**	153,683	**464,986**	377,684
Reportable segment results	**(6,504)**	(50,321)	**6,460**	7,015	**(44)**	(43,306)
Depreciation and amortisation	**14,506**	15,502	**–**	–	**14,506**	15,502
Provision for impairment of trade and bills receivables	**4,679**	8,689	**–**	–	**4,679**	8,689
Provision for impairment of other receivables	**2,359**	–	**–**	–	**2,359**	–
Write-down of inventories to net realisable value	**1,640**	4,120	**–**	–	**1,640**	4,120
Bad debts written off	**70**	–	**–**	–	**70**	–
Loss on disposals of property, plant and equipment	**–**	10	**–**	–	**–**	10
Reportable segment assets	**210,111**	236,639	**92,475**	65,494	**302,586**	302,133
Capital expenditure	**954**	2,893	**–**	–	**954**	2,893
Reportable segment liabilities	**76,223**	47,772	**99,292**	47,537	**175,515**	95,309

5. Segment Information (Continued)

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

	2010	2009
	HK$'000	HK$'000
Reportable segment revenues		
Production lines and production equipment	**219,458**	221,177
Brand name production equipment	**235,741**	153,683
Group revenues	**455,199**	374,860

	2010	2009
	HK$'000	HK$'000
Reportable segment results	**(44)**	(43,306)
Rental income	**1,508**	988
Interest and other corporate income	**1,160**	710
Corporate expenses	**(6,719)**	(9,027)
Share of losses of associate and jointly-controlled entity	**(19)**	(6,001)
Finance costs on bank borrowings	**–**	(1,189)
Loss before income tax	**(4,114)**	(57,825)

5. Segment Information (Continued)

	2010 HK$'000	2009 HK$'000
Segment assets		
Production lines and production equipment	**210,111**	236,639
Brand name production equipment	**92,475**	65,494
	302,586	302,133
Tax reserve certificates	**3,000**	–
Taxes recoverable	**191**	191
Cash and cash equivalents	**139,224**	61,594
Other corporate assets	**5,841**	2,960
Total assets	**450,842**	366,878
Segment liabilities		
Production lines and production equipment	**76,223**	47,772
Brand name production equipment	**99,292**	47,537
	175,515	95,309
Due to directors	**2,972**	1,996
Deferred tax liabilities	**5,177**	4,113
Other corporate liabilities	**24,090**	19,543
Total liabilities	**207,754**	120,961

5. Segment Information (Continued)

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

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China (domicile)	**350,608**	335,930	**120,599**	122,366
Hong Kong	**78,948**	19,207	**20,654**	26,732
Europe (principally Spain and Germany)	**21,652**	11,738	**–**	–
Others (principally Japan and Singapore)	**3,991**	7,985	**–**	–
	455,199	374,860	**141,253**	149,098

During the year ended 31 March 2010, approximately HK$84,226,000 or 19% of the Group's revenues depended on a single customer in the sale of brand name production equipment segment (2009: approximately HK$4,023,000 or 1%).

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

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:

	2010	2009
	HK$'000	HK$'000
Revenue – sale of goods	**455,199**	374,860
Other income:		
Rental income	**1,508**	988
Bank interest income	**373**	710
Service income	**3,953**	10
Bad debts recovery	**2,397**	737
Others	**4,113**	2,077
	12,344	4,522
Gains:		
Exchange gain, net	**111**	–
	12,455	4,522

7. Loss before Income Tax

	2010 HK$'000	2009 HK$'000
The Group's loss before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**340,252**	279,470
– including write-down of inventories to net realisable value	**1,640**	4,120
Depreciation		
– owned assets	**14,143**	15,041
– leased assets	**122**	220
Research and development costs	**2,265**	3,402
Minimum lease payments under operating leases in respect of leasehold land and buildings	**479**	511
Auditors' remuneration	**850**	850
Staff costs (including directors' remuneration (note 9))		
– Wages and salaries	**54,853**	55,468
– Defined contribution scheme	**2,170**	2,104
	57,023	57,572
Amortisation of prepaid land lease payments	**241**	241
Bad debts written off	**70**	–
Provision for impairment of trade and bills receivables	**4,679**	8,689
Provision for impairment of other receivables	**2,359**	–
Loss on disposals of property, plant and equipment	**–**	10
Exchange (gain)/loss, net	**(111)**	1,608

8. Finance Costs

	2010 HK$'000	2009 HK$'000
Interest on bank borrowings	**–**	1,189
Interest on finance leases	**11**	30
Total interest on financial liabilities stated at amortised cost	**11**	1,219

9. Directors' Remuneration and Five Highest Paid Employees

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

	2010 HK$'000	2009 HK$'000
Fees:		
Independent non-executive directors	**360**	360
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**4,368**	4,553
Defined contribution scheme	**48**	48
	4,776	4,961

9. Directors' Remuneration and Five Highest Paid Employees

(Continued)

(a) Independent non-executive directors

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

	2010 **HK$'000**	2009 HK$'000
Mr. See Tak Wah	**120**	120
Prof. Xu Yang Sheng	**120**	120
Mr. Li Wanshou	**120**	120
	360	360

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors

	Fees **HK$'000**	**Salaries, allowances and benefits in kind** **HK$'000**	**Defined contribution scheme** **HK$'000**	**Total** **HK$'000**
2010				
Mr. But Tin Fu	**–**	**993**	**12**	**1,005**
Mr. But Tin Hing	**–**	**1,267**	**12**	**1,279**
Mr. Leung Cheong	**–**	**975**	**12**	**987**
Mr. Leung Kuen, Ivan	**–**	**1,133**	**12**	**1,145**
	–	**4,368**	**48**	**4,416**

9. Directors' Remuneration and Five Highest Paid Employees

(Continued)

(b) Executive directors (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Defined contribution scheme HK$'000	Total HK$'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

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

There was no emolument paid by the Group to its directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

9. Directors' Remuneration and Five Highest Paid Employees (Continued)

(c) Five highest paid employees

The five highest paid employees during the year included four (2009: four) directors, details of whose remuneration are reflected in the above analysis. The remuneration of the remaining one (2009: one) highest paid employee for the year, which fell within the emolument band of nil to HK$1,000,000 for each of the years ended 31 March 2010 and 2009, is set out as follows:

	2010 **HK$'000**	2009 HK$'000
Salary, allowances and benefits in kind	**622**	651
Defined contribution scheme	**12**	11
	634	662

There was no emolument paid by the Group to these five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10. Income Tax Expense/(Credit)

	2010 **HK$'000**	2009 HK$'000
Current – Hong Kong		
Under/(over)-provision in prior years	**806**	(313)
Deferred tax (note 25)	**(300)**	(559)
Income tax expense/(credit)	**506**	(872)
Current – Tax for the year		
– Mainland China	**3,573**	184
Total income tax expense/(credit)	**4,079**	(688)

10. Income Tax Expense/(Credit) (Continued)

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

The PRC enterprise income tax rates for foreign enterprises have been unified at 25% with effective from 1 January 2008. 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 tax rate of 25%.

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

	2010 **HK$'000**	2009 HK$'000
Loss before income tax	**(4,114)**	(57,825)
Tax at the statutory tax rates	**(945)**	(9,388)
Different tax rate for specific provinces or local authority	**(356)**	(662)
Under/(over)-provision in prior years	**806**	(313)
Non-taxable income	**(723)**	(532)
Non-deductible expenses	**5,725**	4,026
Tax losses utilised from previous years	**(947)**	(4)
Unrecognised tax losses	**759**	5,913
Others	**(240)**	272
Income tax expense/(credit)	**4,079**	(688)

11. Loss attributable to Owners of the Company

Of the consolidated loss for the year attributable to the owners of the Company of HK$8,193,000 (2009: HK$57,137,000), loss of HK$442,000 (2009: HK$36,520,000) has been dealt with in the financial statements of the Company.

12. Loss per Share

The calculation of basic loss per share is based on the loss for the year of approximately HK$8,193,000 (2009: HK$57,137,000) attributable to owners of the Company, and 525,000,000 (2009: 525,000,000) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 March 2010 is not presented as there were no potential ordinary shares in issue during the year.

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

13. 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 2010					
At 1 April 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
Year ended 31 March 2010					
Opening net book amount	95,640	29,620	9,195	3,692	138,147
Additions	–	530	424	–	954
Surplus on revaluation	6,573	–	–	–	6,573
Depreciation	(5,316)	(5,521)	(3,031)	(397)	(14,265)
Exchange realignment	113	13	10	4	140
Closing net book amount	97,010	24,642	6,598	3,299	131,549
At 31 March 2010					
Cost or valuation	97,010	91,234	32,544	9,652	230,440
Accumulated depreciation	–	(66,592)	(25,946)	(6,353)	(98,891)
Net book amount	97,010	24,642	6,598	3,299	131,549
Analysis of cost or valuation:					
At cost	–	91,234	32,544	9,652	133,430
At 2010 valuation	97,010	–	–	–	97,010
	97,010	91,234	32,544	9,652	230,440

13. 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 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

13. Property, Plant and Equipment (Continued)

Company

	Machinery and equipment HK$'000
At 31 March 2010	
At 1 April 2009	
Cost	299
Accumulated depreciation	(148)
Net book amount	151
Year ended 31 March 2010	
Opening net book amount	151
Depreciation	(30)
Closing net book amount	121
At 31 March 2010	
Cost	299
Accumulated depreciation	(178)
Net book amount	121

13. Property, Plant and Equipment (Continued)

Company (Continued)

	Machinery and equipment HK$'000
At 31 March 2009	
At 1 April 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

The net book amount of the Group's property, plant and equipment held under finance leases includes certain machinery and equipment of HK$296,000 (2009: HK$1,030,000) at 31 March 2010.

13. Property, Plant and Equipment (Continued)

The Group's leasehold land and buildings situated in Hong Kong and Mainland China were revalued individually at the reporting date by RHL Appraisal Limited, independent professional qualified valuers, at fair value of HK$8,810,000 (2009: HK$5,640,000) on an open market basis and at fair value of HK$88,200,000 (2009: HK$90,000,000) on depreciated replacement cost. Open market basis was estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land and buildings. Depreciated replacement cost method was estimated 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 surplus of approximately HK$6,573,000, resulting from the above valuations, during the year, have been credited to asset revaluation reserve (2009: revaluation deficits of approximately HK$5,497,000 had been debited to asset revaluation reserve). Deferred tax relating to the revaluation of leasehold land and buildings, of approximately HK$1,364,000 had been debited to asset revaluation reserve (2009: approximately HK$1,366,000 had been credited to asset revaluation reserve).

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$82,489,000 (2009: HK$86,746,000).

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

	2010 **HK$'000**	2009 HK$'000
Hong Kong	**8,810**	5,640
Mainland China	**88,200**	90,000
	97,010	95,640

As at 31 March 2010, certain of the Group's leasehold land and buildings with net book amount of approximately HK$71,875,000 (2009: HK$2,870,000) were pledged to secure general banking facilities granted to the Group (note 23).

14. Prepaid Land Lease Payments

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at beginning of the year	**10,173**	10,190
Charged to profit or loss during the year	**(241)**	(241)
Exchange realignment	**13**	224
Carrying amount at end of the year	**9,945**	10,173
Current portion included in prepayments, deposits and other receivables	**(241)**	(241)
Non-current portion	**9,704**	9,932

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

15. Interests in Subsidiaries

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**115,668**	115,668
Due from subsidiaries	**176,827**	174,844
Less: Provision for impairment	**(63,424)**	(62,982)
	113,403	111,862
Due to a subsidiary	**(464)**	–

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

15. Interests in Subsidiaries (Continued)

Particulars of the principal subsidiaries at 31 March 2010 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		Principal activities
			Direct	Indirect	
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
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
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

15. 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		Principal activities
			Direct	Indirect	
天力精密系(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
富運精密設備(深圳)有限公司#	Mainland China	HK$3,250,000*	–	100	Manufacture and trading of machinery

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 富運精密設備(深圳)有限公司 is HK$5,000,000. As at reporting date, HK$3,250,000 of the total registered capital had been contributed and the Group therefore had an outstanding investment commitment of HK$1,750,000 in this subsidiary.

16. Interests in Joint Venture

Particulars of the joint venture as at 31 March 2009 are as follows:

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

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 "Liquidation"). The Directors consider the recoverable amount from the investment cost was minimal.

In the opinion of the Directors, the Group has joint control over Rehm as at 31 March 2009 before the commencement of the Liquidation. Upon the commencement of the Liquidation, the Group does not have joint control over the joint venture. Also, the Group is not in a position to exercise significant influence over the joint venture.

Included in the Group's prepayments, deposits and other receivables, as at 31 March 2009, were amount due from this joint venture of approximately HK$2,107,000 which was unsecured, interest free and repayable on demand. As at 31 March 2010, the Group has determined these balances as individually impaired and irrecoverable.

The Group's trade and bills receivable balance due from the joint venture is disclosed in note 19 to the financial statements.

17. Interests in Associate

	Group 2010 HK$'000	Group 2009 HK$'000
Share of net assets	**–**	1,019

The associate has already been deregistered and dissolved on 12 June 2009. Particulars of this associate were 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 as at 31 March 2009, was an amount due to the associate of approximately HK$1 million which was unsecured, interest free and repayable on demand. During the year, this balance has been used to offset against the recovery of the Group's investment cost in this associate of approximately HK$1 million upon its de-registration.

18. Inventories

	Group 2010 HK$'000	Group 2009 HK$'000
Raw materials	**27,148**	27,747
Work in progress	**17,552**	16,101
Finished goods	**16,554**	26,712
	61,254	70,560

19. Trade and Bills Receivables

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**59,489**	30,132
91 to 120 days	**5,025**	423
121 to 180 days	**7,669**	12,394
181 to 360 days	**6,665**	11,890
Over 360 days	**11,994**	13,228
	90,842	68,067

Impairment losses in respect of trade and bills 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 bills receivables directly. As at 31 March 2010, the Group has determined trade receivables of approximately HK$70,000 (2009: Nil) as irrecoverable and directly written off against trade receivables. Movements in provision for impairment of trade and bills receivables are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of the year	**38,946**	34,194
Amount written off during the year	**(222)**	(3,200)
Impairment loss recognised	**4,679**	8,689
Impairment loss reversed	**(2,397)**	(737)
At end of the year	**41,006**	38,946

The normal credit period by the Group to its customers, each of which has a maximum credit limit, ranges from 30 to 180 days (2009: 30 to 180 days).

19. Trade and Bills Receivables (Continued)

The carrying value of trade and bills receivables is considered as reasonable approximation of its fair value. Impairment of trade and bills 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 bills receivables are impaired. As at 31 March 2010, the Group has determined trade receivables of HK$222,000 (2009: HK$3,200,000) as individually written off, and certain trade and bills receivables were found to be impaired and impairment loss of HK$4,679,000 for the year ended 31 March 2010 (2009: HK$8,689,000) have been recognised. The impaired trade and bills receivables are mostly due from customers in the Group business-to-business market that encounter financial difficulties.

The Group does not hold any collateral over the impaired trade and bills receivables, whether determined on an individual or collective basis.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**42,497**	39,307
1 to 30 days past due	**17,432**	3,550
31 to 90 days past due	**24,433**	9,366
91 to 270 days past due	**2,908**	5,710
271 to 360 days past due	**739**	7,296
Over 360 days past due	**2,833**	2,838
Total trade and bills receivables, net	**90,842**	68,067

19. Trade and Bills Receivables (Continued)

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 bills 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 bills receivables past due but not impaired.

Included in the Group's trade and bills receivables are amounts due from the Group's joint venture of HK$1,600,000 (2009: HK$3,212,000), which are unsecured, interest-free and repayable within 30 days. The Directors consider that these amounts are still collectible in view of its financial information on hand and hence no provision for impairment loss is required.

20. Cash and Cash Equivalents

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**128,943**	60,110	**386**	1,297
Time deposits	**10,281**	1,484	**–**	21
	139,224	61,594	**386**	1,318

At the reporting date, cash and bank balances of the Group denominated in RMB amounted to HK$67,542,000 (2009: HK$24,557,000). 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.

20. Cash and Cash Equivalents (Continued)

Cash at bank earns interest at floating rates based on the daily bank deposits rates ranging between 0.1% and 3.6% (2009: 0.5% and 3.6%) 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.

21. Trade and Bills Payables

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**109,247**	30,949
91 to 120 days	**3,405**	4,554
Over 120 days	**14,628**	26,917
	127,280	62,420

Trade and bills payables are non-interest bearing and are normally settled within 90 to 180 days (2009: 90 to 180 days).

22. Finance Lease Obligations

	Effective interest rate per annum		Maturity		Group	
	2010	2009	**2010**	2009	**2010**	2009
	(%)	(%)			**HK$'000**	HK$'000
Current						
Finance lease liabilities	**3**	3	**2010**	2009	**108**	256
Non-current						
Finance lease liabilities	**3**	3	**2011**	2010-2011	**28**	136
Total borrowings					**136**	392

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 less than two years.

At 31 March 2010, 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**112**	267	**108**	256
In the second to fifth years, inclusive	**29**	141	**28**	136
Total minimum finance lease payments	**141**	408	**136**	392
Future finance charges	**5**	16		

23. Banking Facilities

As at the reporting date, the Group's banking facilities including its import/export loan, letter of credit, documentary credits and trust receipts 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 reporting date of HK$71,875,000 (2009: HK$2,870,000) (note 13); and

(ii) corporate guarantees provided by the Company (note 29).

The Group's banking facilities amounting to approximately HK$68,935,000 (2009: HK$70,000,000), of which approximately HK$48,113,000 (2009: HK$9,608,000) had been utilised as at the reporting date.

24. Due to Directors – Group

The balance is unsecured, interest-free and repayment on demand and its carrying amounts approximate to their fair values.

25. Deferred Tax Liabilities

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

	Group		
	Accelerated tax depreciation HK$'000	Revaluation of leasehold land and buildings HK$'000	Total HK$'000
At 1 April 2008	1,248	4,790	6,038
Credited to profit or loss during the year (note 10)	(559)	–	(559)
Deferred tax relating to revaluation of property, plant and equipment	–	(1,366)	(1,366)
At 31 March 2009 and 1 April 2009	689	3,424	4,113
Credited to profit or loss during the year (note 10)	(300)	–	(300)
Deferred tax relating to revaluation of property, plant and equipment	–	1,364	1,364
At 31 March 2010	389	4,788	5,177

At 31 March 2010, the Group has tax losses of the subsidiaries operating in Hong Kong and Mainland China of approximately HK$26,189,000 and HK$18,022,000 (2009: HK$31,675,000 and HK$14,498,000) 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. Tax losses of the subsidiaries operating in Mainland China can be carried forward for 5 years whereas those of the companies within the Group operating in Hong Kong will not expire under the current tax legislation.

25. Deferred Tax Liabilities (Continued)

At the reporting date, deferred tax liabilities amounted to approximately of HK$762,000 (2009: Nil) in respect of aggregate amount of temporary differences associated with unremitted earnings of subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future. Such unremitted earnings for investments in subsidiaries amounted to HK$7,620,000 at 31 March 2010 (2009: Nil).

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

26. Share Capital

	Group and Company	
	2010	2009
	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 (2009: 525,000,000) ordinary shares of HK$0.10 each	**52,500**	52,500

27. 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 had equity interests, suppliers of goods or services to the Group, customers of the Group and consultants, advisers, managers, officers or entities that provided 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 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.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, were 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.

27. Share Option Scheme (Continued)

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.

Share options and weighted average exercise price for the reporting periods presented are as follows:

	2010		2009	
	Number of share option	**Weighted average exercise price HK$**	Number of share option	Weighted average exercise price HK$
Outstanding at 1 January	**–**	**N/A**	35,225,806	0.558
Granted	**–**	**N/A**	–	N/A
Forfeited	**–**	**N/A**	–	N/A
Exercised	**–**	**N/A**	–	N/A
Expired	**–**	**N/A**	(35,225,806)	N/A
Outstanding at 31 March	**–**	**N/A**	–	N/A
Exercisable at 31 March	**–**	**N/A**	–	N/A

28. 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 29 to 30 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.

Reserve and Enterprise expansion funds

(i) *Statutory reserve*

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, upon distributing the net profit of the Company each year, the Company is required to transfer 10% of its profit after tax, being prepared in accordance with the accounting regulations in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the Company's registered capital. Such reserve may be used to reduce any losses incurred by the Company or to be capitalised as paid-up capital of the Company.

(ii) *Enterprise expansion fund*

Certain subsidiaries in the PRC are required to set up an enterprise expansion fund. Transfers to this fund are made at the discretion of the respective board of directors of the subsidiaries. This fund can only be utilised on capital items for the collective benefit of the subsidiaries employees. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

28. Reserves (Continued)

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Share based payment reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 April 2008	87,728	115,468	4,992	4,323	212,511
Lapse of share options	–	–	(4,992)	4,992	–
Transaction with owners	–	–	(4,992)	4,992	–
Total comprehensive income for the year	–	–	–	(36,520)	(36,520)
At 31 March 2009 and 1 April 2009	**87,728**	**115,468**	**–**	**(27,205)**	**175,991**
Total comprehensive income for the year	**–**	**–**	**–**	**(442)**	**(442)**
At 31 March 2010	**87,728**	**115,468**	**–**	**(27,647)**	**175,549**

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.

29. Financial Guarantee Contracts – Company

The Company executed guarantees amounting to approximately HK$68,395,000 (2009: HK$70,000,000) 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 reporting 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.

30. Commitments

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

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 2010, the Group had total future minimum lease payments under non cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**131**	226
In the second to fifth years, inclusive	**6**	33
	137	259

At the reporting date, the Company had no significant commitments (2009: Nil).

31. Related Party Transactions

(a) Outstanding balances with related parties

Details of the Group's balances with associate, joint venture and directors as at the reporting date are disclosed in notes 16, 17, 19 and 24 to the financial statements.

(b) Compensation of key management personnel of the Group

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

	Group	
	2010	2009
	HK$'000	HK$'000
Short term employee benefits	**5,350**	5,564
Post-employment benefits	**60**	59
	5,410	5,623

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

32. Financial risk Management and Fair Value Measurements

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, and 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 bills receivables, other receivables, trade and bills payables, other payables and accruals, amounts due to directors and finance lease liabilities. The most significant financial risks to which the Group is exposed are described below.

32. Financial risk Management and Fair Value Measurements

(Continued)

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 profit. 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.

Foreign currency risk exposure

The following table details the Group's exposure at the reporting 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:

	2010			2009		
	US$'000	**JPY'000**	**RMB'000**	US$'000	JPY'000	RMB'000
Trade and bills receivables	**3,742**	**–**	**1,240**	3,041	–	983
Cash and cash equivalents	**7,281**	**52**	**–**	1,948	52	–
Trade and bills payables	**(5,453)**	**–**	**(15,325)**	(1,129)	(49)	(5,751)
	5,570	**52**	**(14,085)**	3,860	3	(4,768)

32. Financial risk Management and Fair Value Measurements

(Continued)

Foreign currency risk (Continued)

Foreign currency risk sensitivity analysis

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

	2010		2009	
	Increase/ (Decrease) in foreign exchange rates	**Effect on loss after tax and retained profits**	Increase/ (Decrease) in foreign exchange rates	Effect on loss after tax and retained profits
	%	**HK$'000**	%	HK$'000
US$	**0.18%**	**77**	0.58%	172
	(0.18%)	**(77)**	(0.58%)	(172)
JPY	**6.20%**	**–**	6.32%	–
	(6.20%)	**–**	(6.32%)	–
RMB	**0.67%**	**(108)**	2.21%	(120)
	(0.67%)	**108**	(2.21%)	120

The sensitivity rate of 0.18%, 6.20% and 0.67% for US$, JPY and RMB respectively is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts the translation at the reporting date for the aforementioned change in foreign currency rates. The functional currency of the Group's major operating subsidiaries is HK$. A strengthening/ weakening of the above foreign currencies against HK$ at the reporting 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.

32. Financial risk Management and Fair Value Measurements

(Continued)

Credit risk

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

	Group	
	2010	2009
	HK$'000	HK$'000
Classes of financial assets – carrying amounts		
Trade and bills receivables	**90,842**	68,067
Other receivables	**6,626**	8,756
Cash and cash equivalents	**139,224**	61,594
	236,692	138,417

	Company	
	2010	2009
	HK$'000	HK$'000
Classes of financial assets – carrying amounts		
Due from subsidiaries	**113,403**	111,862
Cash and cash equivalents	**386**	1,318
	113,789	113,180

32. Financial risk Management and Fair Value Measurements

(Continued)

Credit risk (Continued)

The Group's credit risk is primarily attributable to trade and bills receivables, other receivables, 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 bills 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. During the year ended 31 March 2010, approximately HK$2,359,000 (2009: Nil) of other receivables, including amounts due from the joint venture of approximately HK$2,107,000 (2009: Nil) (note 16) and certain of the Group's other receivable of approximately HK$252,000 (2009: Nil), have been determined as individually impaired and irrecoverable. Normally, the Group does not obtain collateral from customers.

The Group's bank balances are all deposits with State-owned banks in Mainland China and major banks in Hong Kong.

The Company's credit risk is primarily attributable to amount due from subsidiaries, and cash and cash equivalents.

Fair values

The fair values of the Group's and the Company's current 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 long-term borrowings is not disclosed because the balance is not material and its carrying value was not materially different from the fair value.

32. Financial risk Management and Fair Value Measurements

(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 2010 and 31 March 2009, 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 2010					
Trade and bills payables	–	113,471	13,809	–	–
Other payables and accruals	–	22,710	–	–	–
Due to directors	2,972	–	–	–	–
Finance lease obligations	–	28	28	56	29
	2,972	136,209	13,837	56	29

32. Financial risk Management and Fair Value Measurements

(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 2009					
Trade and bills payables	–	56,802	5,618	–	–
Other payables and accruals	–	19,120	–	–	–
Due to directors	1,996	–	–	–	–
Finance lease obligations	–	121	90	56	141
	1,996	76,043	5,708	56	141

	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 2010					
Other payables and accruals	**–**	**1,497**	**–**	**–**	**–**
Due to a subsidiary	**464**	**–**	**–**	**–**	**–**
	464	**1,497**	**–**	**–**	**–**
Financial guarantees issued					
Maximum amount guaranteed	**–**	**68,395**	**–**	**–**	**–**

32. Financial risk Management and Fair Value Measurements

(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 2009					
Other payables and accruals	–	1,042	–	–	–
Financial guarantees issued					
Maximum amount guaranteed	–	70,000	–	–	–

Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities recognised at the reporting date may also be categorised as follows. See notes 2.14 and 2.22 for explanations on how the category of financial instruments affects their subsequent measurement.

Financial assets

	Group	
	2010 HK$'000	2009 HK$'000
Loans and receivables:		
– Trade and bills receivables	**90,842**	68,067
– Other receivables	**6,626**	8,756
Cash and cash equivalents	**139,224**	61,594
	236,692	138,417

32. Financial risk Management and Fair Value Measurements

(Continued)

Liquidity risk (Continued)

	Company	
	2010	2009
	HK$'000	HK$'000
Loans and receivables:		
– Due from subsidiaries	**113,403**	111,862
Cash and cash equivalents	**386**	1,318
	113,789	113,180

Financial liabilities

	Group	
	2010	2009
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
– Trade and bills payables	**127,280**	62,420
– Other payables and accruals	**22,710**	19,120
– Due to directors	**2,972**	1,996
– Finance lease obligations	**136**	392
	153,098	83,928

	Company	
	2010	2009
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
– Due to a subsidiary	**464**	–
– Other payables and accruals	**1,497**	1,042
	1,961	1,042

32. Financial risk Management and Fair Value Measurements

(Continued)

Fair value measurements recognised in the statement of financial position – Group

The Group adopted the amendments to HKFRS 7 *Improving Disclosures about Financial Instruments* effective from 1 April 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 March 2010, there are no financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

33. 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 2010 and 2009 amounted to approximately HK$243,088,000 and HK$245,917,000 respectively which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.