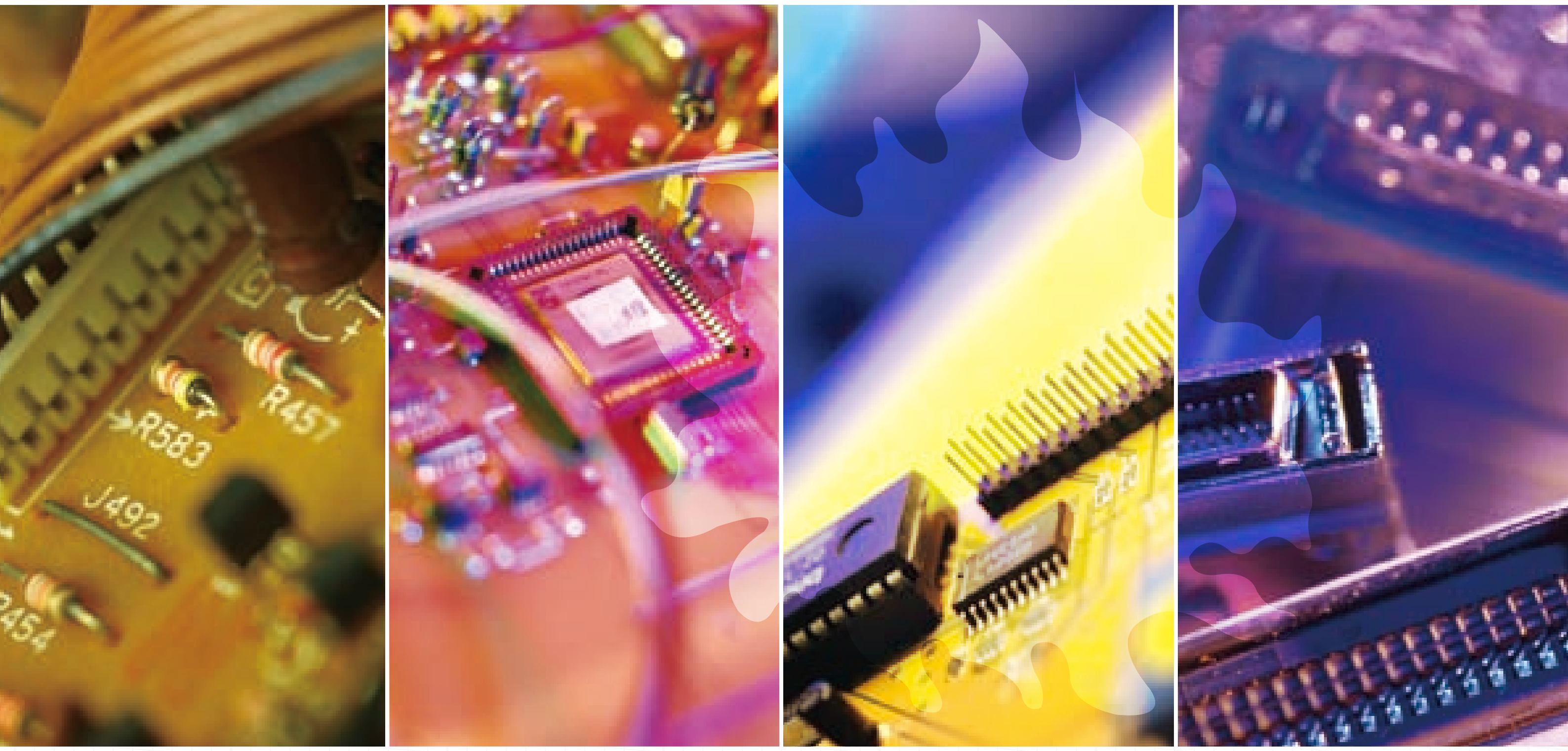
Sun East Technology (Holdings) Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 365

Annual Report **2011**



Contents

Expressed in Hong Kong dollars ("HK$")

Board of Directors

Executive Directors

Mr. BUT Tin Fu *(Chairman)*

Mr. BUT Tin Hing

Mr. LEUNG Cheong *(Chief Executive Officer)*

Mr. LEUNG Kuen, Ivan

Independent Non-executive Directors

Mr. SEE Tak Wah

Prof. XU Yang Sheng

Mr. LI Wanshou

Members of the Audit Committee

Mr. SEE Tak Wah

Prof. XU Yang Sheng

Mr. LI Wanshou

Company Secretary

Mr. TSE Ka Yi

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

Unit H, 1st Floor, Phase 4

Kwun Tong Industrial Centre

Nos. 436 – 446 Kwun Tong Road

Kwun Tong

Kowloon

Hong Kong

Principal Banker

DBS Bank (Hong Kong) Limited

Units 1208-18 Miramar Tower

132-134 Nathan Road

Tsimshatsui, Kowloon

Hong Kong

Auditor

BDO Limited

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

Principal Share Registrar and Transfer Office

HSBC Securities Services (Bermuda) Limited

6 Front Street

Hamilton HM 11

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Hong Kong

During 2010, leveraging on its years of business experience and robust operation philosophy, Sun East streamlined its structure and staff instead of making massive lay off, while on the other hand increased investment in R&D and technology talents. This not only helped the Group to weather the drastic market decline in 2009 due to the impact of the global economic crisis, but also enabled it to rapidly grasp the opportunity of economic recovery and achieved a steady growth in its result for the year.

In 2010, our market grew significantly, and the growth of distribution for Samsung's SMT pick and place machine met our expectation. As for its core products, Sun East's substantial investment in software and hardware talents has resulted in a sharp increase in market demand for its products. As its new IPC system products adopt international IPC soldering standard, the SMT hot air reflow soldering equipment earned commendation from customers and the SMT sector after its launch. It has also received the China Achievement Award (中華成就獎) from the SMT Association (SMT協會), and is a strong driver for our sales in 2011.

As such, the sales of own brand products such as SMT stencil printer, reflow soldering and wave soldering equipment also increased significantly in 2010, and we are well positioned for continual growth in the coming year.

As global money supply is tightening in 2011 and the market has made substantial investment in equipment during 2010, it is expected that the market will recover in 2011 but a decline will also be seen in the second half. Therefore, Sun East will pursue simultaneous development in various industries in accordance with its own attributes to avoid the fluctuation caused by cyclical decline in any particular industry. Since the Group's major operation is equipment manufacturing while it also provides special equipment for various industries, I believe that our continuous investment in talents, with a view to build up capability to support future R&D in high-end products, will enable Sun East to ride the economic cycles safely and achieve steady growth.

The Group will seek a more balanced development across its product portfolio, such as industrial automated equipment, logistic and distribution equipment, equipment for entire line of LED production, automated testing equipment, SMT production line and lead-free wave soldering equipment, in an effort to achieve a more healthy and steady development which will provide a fruitful future for Sun East's shareholders, customers and staff and make them proud of it.

Acknowledgement

The result for 2011 will further increase shareholders' confidence. With our consistent operation philosophy and management direction, Sun East will stride with firm and steady steps and work pragmatically to reward shareholders, customers and staff for their support and contribution.

But Tin Fu
Chairman

Hong Kong
20 June 2011

FINANCIAL RESULTS

A summary of the financial results of the Group for the year ended 31 March 2011 is as follows:

– Turnover was approximately HK$845 million (2010: approximately HK$455 million), represented an increase of approximately 85.7%.

– Profit before income tax was approximately HK$20.4 million (2010: loss before income tax was approximately HK$4.1 million).

– Profit for the year was approximately HK$12.2 million (2010: loss for the year was approximately HK$8.2 million).

– Basic earnings per share was approximately HK2.34 cents (2010: Basic loss per share was approximately HK1.56 cents).

Business Review

Sun East achieved a steady growth in its result for 2010, and also accomplished its sales target for the year. Such remarkable achievement is the result of the supporting policy of the state as well as Sun East's keeping abreast of time, continuous innovating, insisting on market-oriented policies, building a management team with the requirement of "unity and proactive, pragmatic and innovative", and continue investing in technology and R&D talents.

1. *Basing on policy guidance and pursuing sustainable development*

   The Group adhered to the guidance provided by state policies and adjusted its marketing strategy in accordance with market competition. It conducted in-depth market research, increased market development effort and formulated sales plan with its own characteristics. The Group also built and maintained a good brand image and focused on the development of its own brand, aiming at a sustainable development and increase of competitiveness.

2. *Increasing effort in product R&D to enhance product awareness and market share*

Increasing the hi-tech content and enhancing independent R&D capability have been taken as the core competitiveness of its products. As a result of its continual investment in R&D capability, the Group obtained six invention patents in 2010. We issued a series of internal incentive policies to encourage technological innovation and R&D, which stimulated more application for technological innovation.

In an era of sharp growth in the LED industry, the wave soldering of Sun East was also benefited. With the support of new technology, Sun East's wave soldering achieved excellence and technological innovation, and it has passed the tests for international soldering standard conducted by the SMT Association and experts. Our new IPC system product also received the China Achievement Award from the SMT Association, signifying that it is again a market leader in wave soldering products.

3. *Strengthening fundamental management and enhancing performance management*

The management team has been built under the requirement of "unity and proactive, pragmatic and innovative" and strictly demanded effective management. In order to overcome the weaknesses in management and control, the control exercised by the management team has been strengthened through performance appraisal, transparency in duty and responsibility management and innovative management idea.

At the same time, the fundamentals and production performance were enhanced through strengthening production plan management, skill enhancement training for staff, quality management, financial, assets, procurement and material management.

Prospects

2011 is the first year for the 12th Five-Year Plan of the country. It is a crucial year for the enterprise to enter a rapid development stage. The formulation and implementation of sales strategy and management targets for the year under the correct guidance of the state policies are the key issues of the year.

1. *Accelerating structural adjustment and realizing sustainable growth*

   The Group will integrate existing resources and take its six basic products as its core operation, while at the same time increase investment in emerging industries and continue diversification to implement and speed up the adjustment of its product structure.

   On the basis of pilot project management, the scope of project management will be extended and the control over project management will be enhanced. We will seek full and effective use of resources to maximise effectiveness of the Company.

2. *Increasing investment in precision production equipment for enhanced capacity*

   The key for seizing market opportunities and long-term development lies in increasing market share, production capacity and product precision. In 2011, we will allocate resources to acquire a series of production equipment with high precision which will greatly enhance our manufacturing and processing ability.

3. *Seeking closer cooperation with the government and universities and driving long-term development by technology and brand*

   We will seek an even closer cooperation with the government, and enhance our core competitiveness through the application of technological innovation project and industry development at state, provincial and municipal levels.

   We will also continue in establishing strong unions. Through various ways of cooperation including establishment of production R&D base, we will leverage on the technological R&D ability of tertiary institutions to upgrade our product technology and create new growth point for the enterprise. The post-doctorate workshop successfully established with Harbin Industrial University in 2010 will become a strong support for the uplift of technology content in our products.

Effort will be made in elevating the brand identity of the Sun East enterprise and a new meaning will be attributed to brand development. Also, a full utilisation of the professional image of our brand will enable us to attract more strategic cooperation and policy support. All these will contribute to the long-term and sustainable development of Sun East.

4. *Strengthening human resource development investment and achieve unity through enterprise culture*

Investment in talents has been a focus of the Group's investment for long-term development. We continuously improve our human resource management system, and strengthen human resource development basing on existing human resource investment. We also train core staff members who fit into the enterprise's long-term development and recognize our culture. In particular, we take in technology R&D and management talents, build R&D team of high quality and recruit project management professionals. This will help us to cope with keen market competition and provide strong support for high-end product R&D in the future.

By allocating more resources to the construction of living facilities for the staff and improving their living quality both in the physical and spiritual aspects, strengthening the core concept of the enterprise's culture and raising the overall recognition level on the culture, our entire team will be united. We at Sun East firmly believe that employees are the most valuable assets of the Company, and we are committed to becoming a "study-oriented enterprise" advocating life-long study.

5. *Lowering operating costs and strengthening risk control*

We deem cost control as our key task and monitor every area, from design to material sourcing and from system to process, to accomplish the overall goal of realizing "maximization of profit".

Risk control is strengthened by establishing, implementing and executing the budget system.

The Group promotes an "inverted pyramid" service concept in management to facilitate smooth information flow, enhance team cohesion and production efficiency.

Sun East adheres to people-oriented management philosophy and endeavors to create higher value and shares operating results with shareholders and staff.

LIQUIDITY AND FINANCIAL RESOURCE

The Group continued to maintain a healthy financial position. As at the end of the year under review, the Group held approximately HK$186 million cash and cash equivalents, representing an increase of 33.8% when compared to that at the beginning of the year. In addition, the Group maintained high value of net current asset at approximately HK$136 million and healthy liquidity ratio at 1.14 times. Gearing ratio of the Group, being the total loan divided by shareholders' equity, was kept at healthy level 42.5%. The total loan was bank borrowings and finance lease obligations. The Group had cautiously preserved adequate liquidity resources by maintaining a healthy gearing ratio and high liquidity ratio.

CAPITAL STRUCTURE

As at the end of the year under review, the Group had current assets of approximately HK$558 million (2010: approximately HK$310 million), mainly comprising inventories of approximately HK$78 million (2010: approximately HK$61 million), trade and bills receivables of approximately HK$150 million (2010: approximately HK$91 million), prepayments, deposits and other receivables of approximately HK$22 million (2010: approximately HK$15 million), tax reserve certificates of HK$3.3 million (2010: HK$3 million), pledged deposits of approximately HK$118 million (2010: Nil) and cash and cash equivalents of approximately HK$186 million (2010: approximately HK$139 million). The Group had current liabilities of approximately HK$422 million (2010: approximately HK$203 million).

EXCHANGE RATE RISK

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. In order to limit the capital risk associated with the fluctuations of exchange rate for these foreign currency transactions, the Group entered into a non-deliverable forward ("NDF") contract to hedge US$12 million transaction in year 2011. NDF is used to hedge against the risk arising from the change in exchange rate by fixed a forward exchange rate on the notional amount during the term of the contract.

In order to limit the risk associated with the fluctuations of interest, the Group entered to interest rate swap ("IRS") agreement to hedge HK$24 million and US$12 million floating rate foreign currency loan during the year under review. The Company would charge the counterparty an interest according to a floating rate, in order to pay the floating-rate interest to the original lender, while a fixed rate to the counterparty.

The effect of the change in the aforementioned NDF value on the Group's profit or loss during the year under review amounted to loss of approximately HK$726,000. The fair value of the NDF was determined with reference to the market rate of NDF which matured on the same day; the effect to the change in the aforementioned IRS value on the Group's profit or loss during the year under review amounted to loss of approximately HK$483,000. The value of the IRS was determined based on the price quoted in the agreement.

CHARGES ON GROUP ASSETS

As at 31 March 2011, 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$6,200,000 (2010: HK$71,875,000);

(ii) bank deposits approximately HK$118,482,000 (2010: Nil);

(iii) corporate guarantees provided by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2011, the Group employed approximately 1,250 full time employees in the PRC and approximately 30 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 2011 except for the deviations from the code provision A.4.1 as set out below.

The Board

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

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

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

The Board (Continued)

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. The Company's non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the CG 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)*	5/5
Mr. But Tin Hing	5/5
Mr. Leung Cheong *(Chief Executive Officer)*	5/5
Mr. Leung Kuen, Ivan	5/5
Independent Non-executive Directors	
Mr. See Tak Wah	3/5
Prof. Xu Yang Sheng	3/5
Mr. Li Wanshou	4/5

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 CG 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 attended all the Audit Committee 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 auditor, 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.

Auditor's Remuneration

For the year ended 31 March 2011, the remuneration paid to the Company's auditor, BDO Limited, is set out as follows:

Services rendered	**Fee paid/payable**
	HK$'000
Audit services	870
Non-audit services	–
	870

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 auditor's responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 25 to 26.

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				
	2011	2010	2009	2008	2007
RESULTS	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**845,323**	455,199	374,860	434,412	500,426
Profit/(Loss) before income tax	**20,400**	(4,114)	(57,825)	(1,011)	828
Income tax (expense)/credit	**(8,163)**	(4,079)	688	1,516	1,369
Profit/(Loss) for the year attributable to owners of the Company	**12,306**	(8,193)	(57,137)	505	2,197

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**698,326**	450,842	366,878	495,127	477,208
TOTAL LIABILITIES	**(429,865)**	(207,754)	(120,961)	(191,315)	(185,507)
	268,461	243,088	245,917	303,812	291,701

Executive Directors

Mr. BUT Tin Fu, aged 53, 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 24 years of experience in the electronics industry. He is a brother of Mr. But Tin Hing.

Mr. BUT Tin Hing, aged 55, 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 27 years of experience in the electronics industry. He is a brother of Mr. But Tin Fu.

Mr. LEUNG Cheong, aged 50, 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 24 years of experience in the electronics industry. He is a brother of Mr. Leung Kuen, Ivan.

Mr. LEUNG Kuen, Ivan, aged 54, is the Marketing Director of the Group and is responsible for market research and development of production equipment and lines. He joined the Group in August 1991 and has over 20 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 47, 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 53, 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 48, 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 2011.

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 profit for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 100.

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, is set out on page 16.

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

Details of movements in the Company's share capital during the year are set out in note 27 to the financial statements.

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 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$87,822,000. In addition, the Company's share premium account, in the amount of approximately HK$87,728,000, may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, aggregate sales attributable to the Group's five largest customers were less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 75% of total purchases for the year and purchases from the largest supplier included therein amounted to approximately 38%.

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

Directors

The directors of the Company during the year were:

Executive directors

Mr. But Tin Fu
Mr. But Tin Hing
Mr. Leung Cheong
Mr. Leung Kuen, Ivan

Independent non-executive directors

Mr. See Tak Wah*
Prof. Xu Yang Sheng*
Mr. Li Wanshou*

* Members of the audit committee

Directors (Continued)

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

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

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

Directors' Biographies

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

Directors' Service Contracts

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

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

Directors' Interests in Contracts

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

Directors' Interests in Shares and Underlying Shares

At 31 March 2011, 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")	30,690,000	Beneficial owner	5.85
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.

Save as disclosed above, as at 31 March 2011, 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 2011, 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.

Auditor

The financial statements in respect of the previous two financial years were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the business of GTHK and BDO Limited ("BDO") to practise in the name of BDO as announced on 7 December 2010, GTHK resigned and BDO was appointed as auditor of the Company effective from 18 January 2011. The financial statements for the year ended 31 March 2011 were audited by BDO. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

ON BEHALF OF THE BOARD

But Tin Fu

Chairman

Hong Kong

20 June 2011

BDO

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To the shareholders 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 (together the "Group") set out on pages 27 to 100, which comprise the consolidated and company statements of financial position as at 31 March 2011, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 about whether the consolidated financial statements are free from material misstatement.

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 consolidated 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 2011 and of the Group's profit 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.

BDO Limited
Certified Public Accountants
Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 20 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	6	**845,323**	455,199
Cost of sales		**(732,223)**	(393,758)
Gross profit		**113,100**	61,441
Other income and gains	6	**6,650**	12,455
Selling and distribution costs		**(43,667)**	(28,535)
Administrative expenses		**(40,260)**	(42,122)
Other expenses		**(14,648)**	(7,323)
Finance costs	7	**(775)**	(11)
Share of losses of an associate		**–**	(19)
Profit/(Loss) before income tax	8	**20,400**	(4,114)
Income tax expense	10	**(8,163)**	(4,079)
Profit/(Loss) for the year		**12,237**	(8,193)
Other comprehensive income, including reclassification adjustments			
Surplus on revaluation of properties held for own use	13	**10,873**	6,573
Deferred tax relating to revaluation surplus	26	**(2,419)**	(1,364)
Exchange gain on translation of financial statements of foreign operations		**4,613**	155
Other comprehensive income for the year, including reclassification adjustments and net of tax		**13,067**	5,364
Total comprehensive income for the year		**25,304**	(2,829)
Profit/(Loss) for the year attributable to:			
Owners of the Company	11	**12,306**	(8,193)
Non-controlling interests		**(69)**	–
		12,237	(8,193)
Total comprehensive income for the year attributable to:			
Owners of the Company		**25,373**	(2,829)
Non-controlling interests		**(69)**	–
		25,304	(2,829)
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company	12		
– Basic		**HK2.34 cents**	(HK1.56) cents
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**130,193**	131,549
Prepaid land lease payments	14	**9,895**	9,704
		140,088	141,253
Current assets			
Inventories	16	**77,611**	61,254
Trade and bills receivables	17	**150,033**	90,842
Prepayments, deposits and other receivables		**22,365**	15,078
Tax reserve certificates		**3,300**	3,000
Taxes recoverable		**191**	191
Pledged deposits	18	**118,482**	-
Cash and cash equivalents	19	**186,256**	139,224
		558,238	309,589
Current liabilities			
Trade and bills payables	20	**164,161**	127,280
Other payables and accruals		**111,488**	49,776
Finance lease obligations	21	**28**	108
Bank borrowings	22	**114,076**	-
Derivative financial instruments	24	**1,209**	-
Due to directors	25	**3,408**	2,972
Taxes payable		**27,513**	22,413
		421,883	202,549
Net current assets		**136,355**	107,040
Total assets less current liabilities		**276,443**	248,293

Consolidated Statement of Financial Position

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Finance lease obligations	21	-	28
Deferred tax liabilities	26	7,982	5,177
		7,982	5,205
Net assets		268,461	243,088
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	52,500	52,500
Reserves	28(a)	215,961	190,588
Total equity		268,461	243,088

But Tin Fu
Director

Leung Cheong
Director

Statement of Financial Position

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**97**	121
Interests in subsidiaries	15	**115,668**	115,668
		115,765	115,789
Current assets			
Due from subsidiaries	15	**114,514**	113,403
Prepayments		**313**	432
Cash and cash equivalents	19	**624**	386
		115,451	114,221
Current liabilities			
Due to a subsidiary	15	**2,097**	464
Other payables and accruals		**1,069**	1,497
		3,166	1,961
Net current assets		**112,285**	112,260
Net assets		**228,050**	228,049
EQUITY			
Share capital	27	**52,500**	52,500
Reserves	28(b)	**175,550**	175,549
Total equity		**228,050**	228,049

But Tin Fu
Director

Leung Cheong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium*	Contributed surplus*	Asset revaluation reserve*	Exchange reserve*	Statutory reserve and enterprise expansion funds*	Retained profits*	Total		
	HK$'000	HK$'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	-	245,917
Loss for the year	-	-	-	-	-	-	(8,193)	(8,193)	-	(8,193)
Other comprehensive income:										
Surplus on revaluation on leasehold land and buildings	-	-	-	6,573	-	-	-	6,573	-	6,573
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	155	-	-	155	-	155
Deferred tax relating to revaluation of leasehold land and buildings (note 26)	-	-	-	(1,364)	-	-	-	(1,364)	-	(1,364)
Total comprehensive income for the year	-	-	-	5,209	155	-	(8,193)	(2,829)	-	(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	-	243,088

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium*	Contributed surplus*	Asset revaluation reserve*	Exchange reserve*	Statutory reserve and enterprise expansion funds*	Retained profits*	Total		
	HK$'000	HK$'000	HK$'000 (note 28(a))	HK$'000	HK$'000	HK$'000 (note 28(a))	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2010	52,500	87,728	4,800	16,250	11,552	3,659	66,599	243,088	-	243,088
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	11,636	11,636
Disposal of a subsidiary (note 32)	-	-	-	-	-	-	-	-	(11,567)	(11,567)
Transactions with owners	-	-	-	-	-	-	-	-	69	69
Profit for the year	-	-	-	-	-	-	12,306	12,306	(69)	12,237
Other comprehensive income:										
Surplus on revaluation on leasehold land and buildings	-	-	-	10,873	-	-	-	10,873	-	10,873
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	4,613	-	-	4,613	-	4,613
Deferred tax relating to revaluation of leasehold land and buildings (note 26)	-	-	-	(2,419)	-	-	-	(2,419)	-	(2,419)
Total comprehensive income for the year	-	-	-	8,454	4,613	-	12,306	25,373	(69)	25,304
Appropriations to statutory reserve	-	-	-	-	-	2,356	(2,356)	-	-	-
Balance at 31 March 2011	**52,500**	**87,728**	**4,800**	**24,704**	**16,165**	**6,015**	**76,549**	**268,461**	**-**	**268,461**

* These reserve accounts comprise the consolidated reserves of HK$215,961,000(2010: HK$190,588,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Cash flows from operating activities		
Profit/(Loss) before income tax	**20,400**	(4,114)
Adjustments for:		
Finance costs	**775**	11
Share of losses of an associate	**-**	19
Interest income	**(1,746)**	(373)
Depreciation	**12,925**	14,265
Amortisation of prepaid land lease payments	**246**	241
Bad debts written off	**-**	70
Fair value loss on derivative financial instruments	**1,209**	-
Gain on disposal of a subsidiary (note 32)	**(71)**	-
Provision for impairment of trade and bills receivables	**8,963**	4,679
Provision for impairment of other receivables	**553**	2,359
Write-down of inventories to net realisable value	**4,358**	1,640
Write-off of property, plant and equipment	**5,132**	-
Operating profit before working capital changes	**52,744**	18,797
(Increase)/Decrease in inventories	**(20,715)**	7,666
Increase in trade and bills receivables	**(68,154)**	(27,524)
Increase in prepayments, deposits and other receivables	**(30,638)**	(69)
Purchase of tax reserve certificates	**(300)**	(3,000)
Increase in trade and bills payables	**36,881**	64,860
Increase in other payables and accruals	**62,007**	17,237
Increase in amounts due to directors	**436**	976
Cash generated from operations	**32,261**	78,943
Interest paid	**(775)**	(11)
Hong Kong profits tax refunded/(paid)	**200**	(160)
Overseas taxes paid	**(3,073)**	(307)
Net cash generated from operating activities	**28,613**	78,465

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Cash flows from investing activities		
Interest received	**1,746**	373
Disposal of a subsidiary, net of cash disposed (note 32)	**(237)**	-
Purchases of property, plant and equipment	**(2,344)**	(954)
Increase in pledged deposits	**(118,482)**	-
Net cash used in investing activities	**(119,317)**	(581)
Cash flows from financing activities		
Proceeds from bank borrowings	**114,076**	-
Capital contribution from non-controlling interests of a subsidiary	**11,636**	-
Increase in amount due to non-controlling interests of a subsidiary	**12,110**	-
Capital element of finance lease rental payments	**(108)**	(256)
Net cash generated from/(used in) financing activities	**137,714**	(256)
Net increase in cash and cash equivalents	**47,010**	77,628
Cash and cash equivalents at beginning of the year	**139,224**	61,594
Effect of foreign exchange rate changes, net	**22**	2
Cash and cash equivalents at end of the year	**186,256**	139,224

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 2011 were approved for issue by the board of directors on 20 June 2011.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements on pages 27 to 100 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 and derivative financial instruments, 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 judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment 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 comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses area also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Business combination from 1 April 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

2. Summary of Significant Accounting Policies (Continued)

2.2 Basis of consolidation (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 April 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The non-controlling interests are stated at the minority's proportion of the fair values of the assets and liabilities recognised.

2. Summary of Significant Accounting Policies (Continued)

2.2 Basis of consolidation (Continued)

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the non-controlling interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group are recognised profit or loss. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

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.

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. Summary of Significant Accounting Policies (Continued)

2.4 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.

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.

2.5 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.

2. Summary of Significant Accounting Policies (Continued)

2.5 Borrowing costs (Continued)

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.

2.6 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;

(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. Summary of Significant Accounting Policies (Continued)

2.7 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.

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 2.9. 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 other 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%

2. Summary of Significant Accounting Policies (Continued)

2.7 Property, plant and equipment (Continued)

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.

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.

2.8 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.

2.9 Impairment of non-financial assets

Property, plant and equipment, prepaid land lease payments and interests in subsidiaries 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.

2. Summary of Significant Accounting Policies (Continued)

2.9 Impairment of non-financial assets (Continued)

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 2.7 for details). The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

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

Impairment losses recognised for 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.

2.10 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;

2. Summary of Significant Accounting Policies (Continued)

2.10 Related parties (Continued)

(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.

2.11 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.

2. Summary of Significant Accounting Policies (Continued)

2.11 Leases (Continued)

(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.

(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.

2. Summary of Significant Accounting Policies (Continued)

2.11 Leases (Continued)

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

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.

2.12 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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.12 Financial assets (Continued)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.12 Financial assets (Continued)

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.

2.13 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.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash at banks 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.

2.15 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.

2. Summary of Significant Accounting Policies (Continued)

2.15 Accounting for income taxes (Continued)

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, 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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.15 Accounting for income taxes (Continued)

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.

2.16 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. Summary of Significant Accounting Policies (Continued)

2.17 Employee benefits

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.

2.18 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)

2.18 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.

2.19 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)

2.20 Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, bank borrowings, derivative financial instruments, 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 2.5).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

(i) *Finance lease liabilities*

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

(ii) *Borrowings*

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

Bank borrowings 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. Summary of Significant Accounting Policies (Continued)

2.20 Financial liabilities (Continued)

(iii) 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.

(iv) Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

2.21 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.

2.22 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 arm's length prices.

2. Summary of Significant Accounting Policies (Continued)

2.22 Segment reporting (Continued)

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;
- 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.

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

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

HKAS 17 (Amendments)-Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such requirement and required that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate.

HKFRS 3 (Revised) – Business Combinations and HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in note 2 to the consolidated financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the consolidated financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

3. Adoption of New or Amended HKFRSs (Continued)

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively. However, the adoption of this new accounting policy has not affected the consolidated or the company statement of financial position at 1 April 2009 and accordingly the third statement of financial position as at 1 April 2009 is not presented.

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

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

3. Adoption of New or Amended HKFRSs (Continued)

HKFRS 9 – Financial Instruments

This standard is effective for accounting periods beginning on or after 1 January 2013. Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognize the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

4. Critical Accounting Estimates and Judgments

Estimates and judgments 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 judgments and estimates. The carrying amounts of property, plant and equipment of the Group as at 31 March 2011 were approximately HK$130,193,000 (2010: approximately HK$131,549,000).

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 judgment 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	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**311,288**	219,458	**534,035**	235,741	**845,323**	455,199
Other revenue-external	**3,450**	9,787	**–**	–	**3,450**	9,787
Reportable segment revenue	**314,738**	229,245	**534,035**	235,741	**848,773**	464,986
Reportable segment results	**15,176**	(6,504)	**10,059**	6,460	**25,235**	(44)
Depreciation and amortisation	**13,171**	14,506	**–**	–	**13,171**	14,506
Provision for impairment of trade and bills receivables	**8,963**	4,679	**–**	–	**8,963**	4,679
Provision for impairment of other receivables	**553**	2,359	**–**	–	**553**	2,359
Write-down of inventories to net realisable value	**4,358**	1,640	**–**	–	**4,358**	1,640
Write-off of property, plant and equipment	**5,132**	–	**–**	–	**5,132**	–
Bad debts written off	**–**	70	**–**	–	**–**	70
Reportable segment assets	**278,652**	210,111	**108,009**	92,475	**386,661**	302,586
Capital expenditure	**2,344**	954	**–**	–	**2,344**	954
Reportable segment liabilities	**140,104**	76,223	**128,907**	99,292	**269,011**	175,515

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:

	2011 **HK$'000**	2010 HK$'000
Reportable segment results	**25,235**	(44)
Rental income	**23**	1,508
Interest and other corporate income	**3,177**	1,160
Corporate expenses	**(7,264)**	(6,719)
Share of losses of an associate	**–**	(19)
Finance costs on bank borrowings	**(771)**	–
Profit/(Loss) before income tax	**20,400**	(4,114)

5. Segment Information (Continued)

	2011 HK$'000	2010 HK$'000
Segment assets		
Production lines and production equipment	**278,652**	210,111
Brand name production equipment	**108,009**	92,475
	386,661	302,586
Tax reserve certificates	**3,300**	3,000
Taxes recoverable	**191**	191
Pledged deposits	**118,482**	–
Cash and cash equivalents	**186,256**	139,224
Other corporate assets	**3,436**	5,841
Total assets	**698,326**	450,842
Segment liabilities		
Production lines and production equipment	**140,104**	76,223
Brand name production equipment	**128,907**	99,292
	269,011	175,515
Bank borrowings	**114,076**	–
Derivative financial instruments	**1,209**	–
Due to directors	**3,408**	2,972
Deferred tax liabilities	**7,982**	5,177
Other corporate liabilities	**34,179**	24,090
Total liabilities	**429,865**	207,754

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China (domicile)	**622,329**	350,608	**122,744**	120,599
Hong Kong	**195,374**	78,948	**17,344**	20,654
Europe (principally Spain and Germany)	**20,198**	21,652	**–**	–
Others (principally Japan and Singapore)	**7,422**	3,991	**–**	–
	845,323	455,199	**140,088**	141,253

During the year ended 31 March 2011, approximately HK$200,341,000 or 24% of the Group's revenues depended on a single customer in the sale of brand name production equipment segment (2010: approximately HK$84,226,000 or 19%).

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:

	2011 **HK$'000**	2010 HK$'000
Revenue-sale of goods	**845,323**	455,199
Other income:		
Rental income	**23**	1,508
Bank interest income	**1,746**	373
Service income	**–**	3,953
Impairment loss on trade receivables written back	**922**	2,397
Others	**2,528**	4,113
	5,219	12,344
Gains:		
Exchange gain, net	**1,360**	111
Gain on disposal of a subsidiary (note 32)	**71**	–
	1,431	111
Other income and gains	**6,650**	12,455

7. Finance Costs

	2011 **HK$'000**	2010 HK$'000
Interest on bank loans wholly repayable within five years	**771**	–
Interest on finance leases	**4**	11
Total interest on financial liabilities stated at amortised cost	**775**	11

8. Profit/(Loss) Before Income Tax

	2011 HK$'000	2010 HK$'000
The Group's profit/(loss) before income tax is arrived at after charging:		
Cost of inventories sold	**704,175**	340,252
– including write-down of inventories to net realisable value	**4,358**	1,640
Depreciation		
– owned assets	**12,866**	14,143
– leased assets	**59**	122
Fair value loss on derivative financial instruments	**1,209**	–
Research and development costs	**3,469**	2,265
Minimum lease payments under operating leases in respect of leasehold land and buildings	**555**	479
Auditor's remuneration	**870**	850
Staff costs (including directors' remuneration (note 9))		
– Wages and salaries	**72,879**	54,853
– Defined contribution scheme	**3,452**	2,170
	76,331	57,023
Amortisation of prepaid land lease payments	**246**	241
Bad debts written off	**–**	70
Provision for impairment of trade and bills receivables	**8,963**	4,679
Provision for impairment of other receivables	**553**	2,359
Write-off of property, plant and equipment	**5,132**	–

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:

	2011	2010
	HK$'000	HK$'000
Fees:		
Independent non-executive directors	**360**	360
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**4,301**	4,368
Defined contribution scheme	**48**	48
	4,709	4,776

(a) Independent non-executive directors

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

	2011	2010
	HK$'000	HK$'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 (2010: Nil).

9. Directors' Remuneration and Five Highest Paid Employees

(Continued)

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Defined contribution scheme HK$'000	Total HK$'000
2011				
Mr. But Tin Fu	**–**	**961**	**12**	**973**
Mr. But Tin Hing	**–**	**1,263**	**12**	**1,275**
Mr. Leung Cheong	**–**	**947**	**12**	**959**
Mr. Leung Kuen, Ivan	**–**	**1,130**	**12**	**1,142**
	–	**4,301**	**48**	**4,349**
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

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 (2010: four) directors, details of whose remuneration are reflected in the above analysis. The remuneration of the remaining one (2010: 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 2011 and 2010, is set out as follows:

	2011	2010
	HK$'000	HK$'000
Salary, allowances and benefits in kind	**575**	622
Defined contribution scheme	**5**	12
	580	634

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

	2011	2010
	HK$'000	HK$'000
Current tax – Hong Kong		
– (Over)/Under provision in respect of prior years	**(200)**	806
Current tax – Elsewhere		
– Tax for the year	**7,977**	3,573
Deferred tax – current year (note 26)	**386**	(300)
Total income tax expense	**8,163**	4,079

10. Income Tax Expense (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 elsewhere 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 deferred tax liabilities have been calculated using the tax rate of 25%.

A reconciliation of the income tax expense applicable to profit/(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 at the effective tax rates is as follows:

	2011 **HK$'000**	2010 HK$'000
Profit/(Loss) before income tax	**20,400**	(4,114)
Tax at the statutory tax rates	**5,368**	(945)
Different tax rate for specific provinces or local authority	**(590)**	(356)
(Over)/Under provision in respect of prior years	**(200)**	806
Non-taxable income	**(741)**	(723)
Non-deductible expenses	**4,026**	5,725
Tax losses utilised from previous years	**(78)**	(947)
Unrecognised tax losses	**115**	759
Others	**263**	(240)
Income tax expense	**8,163**	4,079

11. Profit/(Loss) Attributable to Owners of The Company

Of the consolidated profit for the year attributable to owners of the Company of approximately HK$12,306,000 (2010: loss of approximately HK$8,193,000), profit of approximately HK$1,000 (2010: loss of approximately HK$442,000) which has been dealt with in the financial statements of the Company.

12. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is based on the profit for the year of approximately HK$12,306,000 (2010: loss of approximately HK$8,193,000) attributable to owners of the Company, and 525,000,000 (2010: 525,000,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 March 2011 and 2010 are not presented as there were no potential ordinary shares in issue during the years.

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
2011					
At 1 April 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
Year ended 31 March 2011					
Opening net book amount	97,010	24,642	6,598	3,299	131,549
Additions	–	536	1,268	540	2,344
Write-off	–	(4,839)	(230)	(63)	(5,132)
Surplus on revaluation	10,873	–	–	–	10,873
Disposal of a subsidiary (note 32)	–	–	(861)	–	(861)
Depreciation	(6,086)	(3,641)	(2,846)	(352)	(12,925)
Exchange realignment	3,353	648	217	127	4,345
Closing net book amount	105,150	17,346	4,146	3,551	130,193
At 31 March 2011					
Cost or valuation	105,150	78,330	33,191	9,842	226,513
Accumulated depreciation	–	(60,984)	(29,045)	(6,291)	(96,320)
Net book amount	105,150	17,346	4,146	3,551	130,193
Analysis of cost or valuation:					
At cost	–	78,330	33,191	9,842	121,363
At 2011 valuation	105,150	–	–	–	105,150
	105,150	78,330	33,191	9,842	226,513

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
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)

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$12,150,000 (2010: HK$8,810,000) on an open market basis and at fair value of HK$93,000,000 (2010: HK$88,200,000) 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$10,873,000 (2010: approximately HK$6,573,000), resulting from the above valuations, during the year, have been credited to asset revaluation reserve. Deferred tax relating to the revaluation of leasehold land and buildings, of approximately HK$2,419,000 (2010: approximately HK$1,364,000) had been debited 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$78,444,000 (2010: approximately HK$82,489,000).

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

	2011	2010
	HK$'000	HK$'000
Hong Kong	**12,150**	8,810
Mainland China	**93,000**	88,200
	105,150	97,010

As at 31 March 2011, certain of the Group's leasehold land and buildings with net book amount of HK$6,200,000 (2010: HK$71,875,000) were pledged to secure general banking facilities granted to the Group (note 23).

The net book amount of the Group's property, plant and equipment held under finance leases includes motor vehicles of approximately HK$237,000 (2010: approximately HK$296,000) at 31 March 2011.

13. Property, Plant and Equipment (Continued)

Company

	Machinery and equipment HK$'000
2011	
At 1 April 2010	
Cost	299
Accumulated depreciation	(178)
Net book amount	121
Year ended 31 March 2011	
Opening net book amount	121
Depreciation	(24)
Closing net book amount	97
At 31 March 2011	
Cost	299
Accumulated depreciation	(202)
Net book amount	97

13. Property, Plant and Equipment (Continued)

Company (Continued)

	Machinery and equipment HK$'000
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

14. Prepaid Land Lease Payments

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at beginning of the year	**9,945**	10,173
Charged to profit or loss during the year	**(246)**	(241)
Exchange realignment	**442**	13
Carrying amount at end of the year	**10,141**	9,945
Current portion included in prepayments, deposits and other receivables	**(246)**	(241)
Non-current portion	**9,895**	9,704

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	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**115,668**	115,668
Due from subsidiaries	**177,938**	176,827
Less: Provision for impairment	**(63,424)**	(63,424)
	114,514	113,403
Due to a subsidiary	**(2,097)**	(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 2011 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	Inactive
Frontier Precision System Co., Ltd	Hong Kong	HK$10,000	–	100	Investment holding
Sun East Tech Development Limited	Hong Kong	HK$10,000	–	100	Trading of machinery
天力精密系統(深圳)有限公司#	Mainland China	HK$15,300,000	–	100	Manufacture and trading of machinery
日東電子科技(深圳)有限公司#	Mainland China	HK$25,000,000	–	100	Manufacture and trading of machinery
日東自動化設備(上海)有限公司#	Mainland China	US$2,750,000	–	100	Trading of machinery
富運精密設備(深圳)有限公司#	Mainland China	HK$5,000,000	–	100	Manufacture and trading of machinery

15. Interests in Subsidiaries (Continued)

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

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

16. Inventories

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**26,598**	27,148
Work in progress	**25,842**	17,552
Finished goods	**25,171**	16,554
	77,611	61,254

17. 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	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**107,122**	59,489
91 to 120 days	**5,283**	5,025
121 to 180 days	**12,928**	7,669
181 to 360 days	**17,202**	6,665
Over 360 days	**7,498**	11,994
	150,033	90,842

17. Trade and Bills Receivables (Continued)

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 2011, none of the Group's trade receivables was determined as irrecoverable and directly written off against trade receivables. As at 31 March 2010, the Group had determined trade receivables of approximately HK$70,000 as irrecoverable and directly written off against trade receivables. Movements in provision for impairment of trade and bills receivables are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At beginning of the year	**41,006**	38,946
Amount written off during the year	**–**	(222)
Impairment loss recognised	**8,963**	4,679
Impairment loss reversed	**(922)**	(2,397)
Exchange realignment	**1,137**	–
At end of the year	**50,184**	41,006

The normal credit period granted by the Group to its customers, each of which has a maximum credit limit, ranges from 30 to 180 days (2010: 30 to 180 days).

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 2011, none of the Group's trade receivables was considered as individually written off. As at 31 March 2010, the Group had determined trade receivables of approximately HK$222,000 as individually written off, and certain trade and bills receivables were found to be impaired and impairment loss of approximately HK$8,963,000 for the year ended 31 March 2011 (2010: approximately HK$4,679,000) 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.

17. Trade and Bills Receivables (Continued)

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	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**88,766**	42,497
1 to 30 days past due	**26,119**	17,432
31 to 90 days past due	**25,269**	24,433
91 to 270 days past due	**8,730**	2,908
271 to 360 days past due	**40**	739
Over 360 days past due	**1,109**	2,833
Total trade and bills receivables, net	**150,033**	90,842

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.

18. Pledged Deposits

The deposits are pledged to banks to secure the bank facilities granted to the Group (as detailed in notes 22 and 23 to the financial statements). These deposits earn interest at 1.80% to 2.51% (2010: Nil) per annum and have a maturity within 12 months (2010: Nil).

19. Cash and Cash Equivalents

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**156,364**	128,943	**624**	386
Time deposits	**29,892**	10,281	**–**	–
	186,256	139,224	**624**	386

At the reporting date, cash and bank balances of the Group denominated in RMB amounted to approximately HK$149,421,000 (2010: approximately HK$67,542,000). 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.

Cash at bank earns interest at floating rates based on the daily bank deposits rates ranging between 0.1% and 4.0% (2010: 0.1% 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.

20. Trade and Bills Payables

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**144,723**	109,247
91 to 120 days	**6,259**	3,405
Over 120 days	**13,179**	14,628
	164,161	127,280

Trade and bills payables are non-interest bearing and are normally settled within 90 to 180 days (2010: 90 to 180 days).

21. Finance Lease Obligations

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

The Group leases motor vehicles for its production lines and equipment business. These leases are classified as finance leases and have remaining lease terms less than one year as at 31 March 2011.

21. Finance Lease Obligations (Continued)

At 31 March 2011, 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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**29**	112	**28**	108
In the second to fifth years, inclusive	**–**	29	**–**	28
Total minimum finance lease payments	**29**	141	**28**	136
Future finance charges	**1**	5		

22. Bank Borrowings

At 31 March 2011, the Group's bank borrowings are repayable as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Bank loans, secured:		
Repayable within one year	**114,076**	–

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

As at 31 March 2011, the bank borrowings included new bank loans with principal amounts of approximately HK$24,082,000 and USD11,564,000 which are repayable within one year. All bank borrowings are secured by pledged deposits of approximately HK$113,228,000 (2010: Nil).

Effective interest rate of the bank borrowings ranged from 1.81% to 2.22% per annum for the year.

23. Banking Facilities

As at the reporting date, apart from the bank borrowings as stated in note 22 to the financial statement, the Group's other 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$6,200,000 (2010: HK$71,875,000) (note 13); and

(ii) corporate guarantees provided by the Company (note 29); and

(iii) pledged deposits of approximately HK$5,254,000 (2010: Nil).

The Group's banking facilities amounting to approximately HK$120,000,000 (2010: approximately HK$68,935,000), of which approximately HK$68,059,000 (2010: approximately HK$48,113,000) had been utilised as at the reporting date.

24. Derivative Financial Instruments

	Group	
	2011	2010
	HK$'000	HK$'000
Forward foreign exchange contracts (note (a))	**726**	–
Interest rate swaps (note (b))	**483**	–
	1,209	–

(a) The Group uses forward foreign exchange contracts to mitigate exchange rate exposure. The forward foreign exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated as hedges in accordance with HKAS 39. These foreign exchange contacts were stated at fair value. The fair value of these contracts has been measured as described in note 33.

(b) The Group entered into interest rate swaps during the year to fix the interest rate of most of the Group's bank borrowings. The interest rate swaps will mature within one year. These interest rate swaps were stated at fair value. The fair value of these contracts has been measured as described in note 33.

25. Due to Directors-Group

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

26. Deferred tax Liabilities

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

	Accelerated tax depreciation HK$'000	Revaluation of leasehold land and buildings HK$'000	Total HK$'000
At 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 and 1 April 2010	389	4,788	5,177
Charged to profit or loss during the year (note 10)	386	–	386
Deferred tax relating to revaluation of property, plant and equipment	–	2,419	2,419
At 31 March 2011	**775**	**7,207**	**7,982**

At 31 March 2011, the Group has tax losses of the subsidiaries operating in Hong Kong and Mainland China of approximately HK$17,515,000 and HK$1,761,000 (2010: approximately HK$26,189,000 and HK$18,022,000) 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.

26. Deferred tax Liabilities (Continued)

At the reporting date, deferred tax liabilities amounted to approximately of HK$1,850,000 (2010: approximately HK$762,000) 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 approximately HK$18,500,000 at 31 March 2011 (2010: approximately HK$7,620,000).

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

27. Share Capital

	Group and Company	
	2011	2010
	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 ordinary shares of HK$0.10 each	**52,500**	52,500

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 31 to 32 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.

Statutory 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	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009	87,728	115,468	(27,205)	175,991
Total comprehensive income for the year	–	–	(442)	(442)
At 31 March 2010 and 1 April 2010	87,728	115,468	(27,647)	175,549
Total comprehensive income for the year	–	–	1	1
At 31 March 2011	**87,728**	**115,468**	**(27,646)**	**175,550**

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$120,000,000 (2010: approximately HK$68,395,000) 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 2011, the Group had total future minimum lease payments under non cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**217**	131
In the second to fifth years, inclusive	**43**	6
	260	137

At the reporting date, the Company had no significant commitments (2010: Nil).

31. Related Party Transactions

(a) Outstanding balances with related parties

Details of the Group's balances with directors as at the reporting date are disclosed in note 25 to the financial statements.

31. Related Party Transactions (Continued)

(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	
	2011	2010
	HK$'000	HK$'000
Short term employee benefits	**4,769**	5,350
Post-employment benefits	**50**	60
	4,819	5,410

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

32. Disposal of a Subsidiary

On 31 March 2011, the Group disposed of its 51% owned subsidiary, 日東系統裝備(綿陽)有限公司 at the consideration of approximately HK$12,110,000. The net assets of that subsidiary at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	861
Prepayments, deposits and other receivables	22,803
Cash and bank balances	237
Other payables and accruals	(295)
Non-controlling interests	(11,567)
	12,039
Gain on disposal of a subsidiary	71
Total consideration	12,110
Satisfied by	
Amount due to non-controlling interests of a subsidiary	12,110

32. Disposal of a Subsidiary (Continued)

An analysis of net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	–
Cash and bank balance disposed	(237)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(237)

33. 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.

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, bank borrowings, derivative financial instruments, amounts due to directors and finance lease liabilities. The most significant financial risks to which the Group is exposed are described below.

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for the deposits held in banks and certain bank borrowings. Cash at bank earn interest at floating rates based on the daily bank deposits rate during the year. For bank borrowings with floating interest rates, the Group uses interest rate swaps to hedge their exposure to interest rate risk. Therefore, any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

A reasonably possible change in interest rate in the next twelve months is assessed, which could have immaterial change in the Group's profit after tax and retained profits. Changes in interest rates have no material impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

33. Financial Risk Management and Fair Value Measurements (Continued)

Interest rate risk (Continued)

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.

A reasonably possible change in foreign currency exchange rates in the next twelve months is assessed, which could have immaterial change in the Group's profit after tax and retained profits. Changes in foreign currency exchange rates have no material impact on the Group's other components of equity.

The directors are of the opinion that the Group's sensitivity to the change in foreign currency exchange rates is low.

The Company is not exposed to any foreign currency risk.

33. 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	
	2011	2010
	HK$'000	HK$'000
Classes of financial assets-carrying amounts		
Trade and bills receivables	**150,033**	90,842
Other receivables	**7,798**	6,626
Pledged deposits	**118,482**	–
Cash and cash equivalents	**186,256**	139,224
	462,569	236,692

	Company	
	2011	2010
	HK$'000	HK$'000
Classes of financial assets-carrying amounts		
Due from subsidiaries	**114,514**	113,403
Cash and cash equivalents	**624**	386
	115,138	113,789

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

33. Financial Risk Management and Fair Value Measurements (Continued)

Credit risk (Continued)

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 2011, approximately HK$553,000 (2010: approximately HK$2,359,000) of other receivables 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.

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.

33. Financial Risk Management and Fair Value Measurements

(Continued)

Liquidity risk (Continued)

As at 31 March 2011 and 31 March 2010, 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 2011					
Non-derivative financial liabilities					
Trade and bills payables	–	144,723	19,438	–	–
Other payables and accruals	–	43,519	–	–	–
Bank borrowings	–	–	10,459	105,002	–
Due to directors	3,408	–	–	–	–
Finance lease obligations	–	29	–	–	–
	3,408	188,271	29,897	105,002	–
Derivative financial liabilities					
Gross settled forward foreign exchange contracts and interest rate swap					
– cash outflow	–	–	285	924	–
	–	–	285	924	–

33. 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 2010					
Non-derivative financial liabilities					
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

	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 2011					
Other payables and accruals	**–**	**1,069**	**–**	**–**	**–**
Due to a subsidiary	**2,097**	**–**	**–**	**–**	**–**
	2,097	**1,069**	**–**	**–**	**–**
Financial guarantees issued					
Maximum amount guaranteed	**–**	**120,000**	**–**	**–**	**–**

33. 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 2010					
Other payables and accruals	–	1,497	–	–	–
Due to a subsidiary	464	–	–	–	–
	464	1,497	–	–	–
Financial guarantees issued					
Maximum amount guaranteed	–	68,395	–	–	–

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 2.12 and 2.20 for explanations on how the category of financial instruments affects their subsequent measurement.

Financial assets

	Group	
	2011 HK$'000	2010 HK$'000
Loans and receivables:		
– Trade and bills receivables	**150,033**	90,842
– Other receivables	**7,798**	6,626
Pledged deposits	**118,482**	–
Cash and cash equivalents	**186,256**	139,224
	462,569	236,692

33. Financial Risk Management and Fair Value Measurements

(Continued)

Summary of financial assets and liabilities by category (Continued)

	Company	
	2011	2010
	HK$'000	HK$'000
Loans and receivables:		
– Due from subsidiaries	**114,514**	113,403
Cash and cash equivalents	**624**	386
	115,138	113,789

Financial liabilities

	Group	
	2011	2010
	HK$'000	HK$'000
Financial liabilities at fair value through profit or loss:		
– Derivative financial instruments	**1,209**	–
Financial liabilities measured at amortised cost:		
– Trade and bills payables	**164,161**	127,280
– Other payables and accruals	**43,519**	22,710
– Bank borrowings	**114,076**	–
– Due to directors	**3,408**	2,972
– Finance lease obligations	**28**	136
	326,401	153,098

	Company	
	2011	2010
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
– Due to a subsidiary	**2,097**	464
– Other payables and accruals	**1,069**	1,497
	3,166	1,961

33. 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 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 2011, the financial liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	–	(1,209)	–	(1,209)

33. Financial Risk Management and Fair Value Measurements (Continued)

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

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. As the derivatives entered into by the Group are not traded on active markets, the fair values of such contracts are estimated using a valuation technique that maximise the use of observable market inputs e.g. market currency and interest rates (Level 2). All derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts and interest rate swaps.

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.

34. 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 2011 and 2010 amounted to approximately HK$268,461,000 and HK$243,088,000 respectively which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.