SUNEAST
Since 1984

Together We Accomplished Our Dreams

ANNUAL REPORT 2013

Sun East Technology (Holdings) Limited
(Incorporated in Bermuda with limited liability)
Stock Code: 365

Contents

Expressed in Hong Kong dollars ("HK$")

Corporate Information

Board of Directors

Executive Directors

Mr. BUT Tin Fu *(Chairman)*
Mr. BUT Tin Hing
Mr. LEUNG Cheong *(Chief Executive Officer)*
Mr. LEUNG Kuen, Ivan

Independent Non-executive Directors

Mr. SEE Tak Wah
Prof. XU Yang Sheng
Mr. LI Wanshou

Audit Committee

Mr. SEE Tak Wah *(Chairman)*
Prof. XU Yang Sheng
Mr. LI Wanshou

Remuneration Committee

Prof. XU Yang Sheng *(Chairman)*
Mr. LI Wanshou
Mr. BUT Tin Fu

Nomination Committee

Mr. LI Wanshou *(Chairman)*
Mr. SEE Tak Wah
Mr. LEUNG Kuen, Ivan

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

Chairman's Statement

With the global economy of 2013 in the recovery position, the United States in a mixed state, Europe clouded in debt and China's tight monetary policy controls, the business environment causes manufacturers to be striving under pressure.

Reflecting on 2012 to 2013, the Group's sales target is in line with the annual goal and total sales has decreased. In order to maintain market shares in the intelligence manufacturing system industry, the Group has in place a series of market strategies. From 2012 to 2013, the financial data reflects the success of such strategies, the Group's sales was not affected by the downturn of the economy. The foundation for the Group will be well established with our production capacity fully satisfied despite the slight drop in pricing and profit margin.

On the management level, there were minor adjustments in internal risk control, financial budget system and more quantitative decision making in order to strengthen the Group's future development and growth.

Enterprise development is inseparable from the investment of the training of personnel as well as in research and development. In attracting talents, our Company will provide a platform for growth and opportunity for our loyal employees to spread their wings. In the Research & Development investment, the introduction of the market in the past to undertake automatic adjustment function screen printing machine, automatic selective soldering, AGV and other new products this year, the Group invested in COG visual image processing research and development, will reap in benefits for the Group.

Personally, the coming three years would be an era of change in footsteps of the new Chinese President. Intelligent Manufacturing Systems and equipment would be the industry supported by the Chinese government, the Group will grasp this opportunity to create wealth for shareholders. The Group will continue to uphold the stable growth strategy focusing on recurring earnings growth and maintaining a healthy financial situation. If there are no major unexpected downturns of the China market, the Group would be achieving all the goals and milestones.

In the year 2013, the Group will synergize resources in marketing, quality, research and development, purchasing and finance in order to increase our competitiveness. This year's core principle is: 'actively steer the Group into Intelligent Manufacturing Systems Equipment strategic direction by seizing opportunities, crisis and operations management to continuing being the forefront of the market.

Chairman's Statement

In 2013 we wish to work as team to achieve outstanding financial results. I will strive to excel with a strong sense of responsibility and gratitude on our solid business foundation. May 2013 bring us more success!

Owing to the Group's 2012/13 results and considering the overall operation, capital expenditures, working capital requirements and cash flow of the Group, the board will recommend, in recognition of our shareholders' support at the Annual General Meeting, the payment of a final dividend of HK$0.01 per share. Total amount of final dividend for the year 2012/13 will be HK$5,250,000.

But Tin Fu
Chairman

Hong Kong, 14 June 2013

Business Review

Production Line Equipment Business

Over the past year, the economy of Europe and the United States were in a doldrums. This greatly depressed the production and export of the electronic products in China hence decreasing demand for production equipment. Surface mounting technology and semi-conductor are products in the mature market with high transparency and competitiveness. In order to obtain market shares, the Group has to compete on price. Comparing to previous years SMT machines and related welding equipment sales declined from HK$422.8 million to HK$398.7 million a decrease of approximately 5.7%, while the average gross profit margin decreased from 16.4% to 14.5%

Enriched with 30 years of experience, Sun East Group's passion for delivering services to the manufacturing industry holds strong. The Group is continuously employing efforts in research and development. In the past year, following the breakthrough of launching China's first screen printers with automatic adjustment function, Sun East will launch new models such as COG Visual image processor. The future of the new models will gratify the Group in the form of sales and profits.

OEM Industry

With the increase of China's production costs such as wages and raw materials, the profit of OEM business is slimmed. Compared with the corresponding period last year, sales decreased from HK$67.4 million to HK$62.8 million, a percentage decrease of 6.8%. Due to direct labour costs increased the profit margin dropped from 11.4% to 9.1%. Despite market conditions, the increased costs would not directly passed onto the customers. To sustain Sun East Group's competitiveness in the OEM market, the Group strategizes to achieve economies of scale, cost reduction, quality control, rework rate reduction and improved operational efficiency with limited wastage. With the influence of the European crisis, the demand from Spanish client has decreased in order to strengthen our position and not solely rely on overseas market. Hiring of OEM professionals are introduced for expanding our domestic market.

Automated and Logistic Business

The sales figure and profit of automated and logistic business showed a downward trend in the past year due to external factors. Compared with the corresponding period last year, the sale amount decreased from approximately HK$142.6 million to approximately HK$103.9 million, representing a decrease of approximately 27%. The gross margin decreased approximately from 16.3% to 16.1%. The decrease was mainly due to China's austerity policies and tightening of capital flow, causing businesses to become more prudent in substantial investments of fixed assets. In addition, the Group invested in resources for business expansion. These include investment in a more experienced project management team, engineering installation and designers. All resources contribute in immeasurable ways to the Group but in effect have reduced our profits slightly.

Outlook

Over the year, the sales and profit figures may not be idyllic but we believe the sales and profit figures of the automated and logistic industry will be uprising. The China phenomenon of aging population, declining population bonus and increasing labour costs will stimulate national/domestic enterprises to invest substantially in automatization. This will bring forth another opportunity for the business to excel further.

Financial review

Turnover and Gross Profit

During the year, turnover of the Group reach approximately HK$565.4 million, representing a decrease of approximate HK$67.4 million and 10.7%, as compared with approximate HK$632.8 million in the last year 2012. The decrease was primarily attributable to (1) decrease of approximately HK$24.1 million in Production Line Equipment Business and (2) decrease of approximately HK$38.7 million in Automated and Logistic Business.

The gross profit ratio (GP ratio) for the year was approximately 14.2%, representing a decrease of approximately 1.7%, as compared with last year approximately 15.9%. The decrease of the GP ratio was driven predominantly by the decreasing in selling price of our products and increasing in product cost due to the minimum wage continued increase in PRC.

Turnover and Gross Profit (Continued)

During the year under review, the economic downturn in Mainland China caused by the factors including austerity measures; continued drop in export and import and concerns over default of European Debts continued, resulting in weak demand for production equipment industry, which adversely affected the Group's sale amount, selling price and margin. As the same time, labor cost increases due to minimum wage adjustments and a shortage of workers continue to create margin pressures.

Other Income and Gains

During the year, the Group recorded the other income at approximately HK$23.4 million which was mainly represented by recovery of trade receivable at approximately HK$10.2 million, bank interest income at approximately at HK$3.6 million and exchange gain at approximately HK$3.8 million.

Selling and Distribution Costs

During the year, the Group recorded a selling and distribution cost at approximately HK$46.8 million and it represents 8.3% of the turnover. But it was 7.6% in last year. The main reason of the increasing is that the Group actively participated in exhibitions and opened more selling offices in South China in this year.

General and Administrative Expenses

The management of the Group implemented various methods to control its general and administrative expenses including departmental cost budgeting and enhancement of the efficiency by review manpower. So, the administrative expenses during the year under review was kept at a steady level.

Finance Costs

Finance costs for the year under review amounted to approximately HK$1.5 million, representing a decrease of approximately HK$1.7 million, as compare with approximately HK$3.2 million in year 2012. It was incurred on the bank borrowing under the hedging arrangement but actually this interest expense will be compensated by HK$1.9 million interest income from pledged deposits under the same hedging arrangement.

Profit for the year

As result of the foregoing, the profit attributable to the owners of the Company for the year under review was approximately HK$5.7 million, representing a decrease of approximately HK$7.3 million, as compared with approximately HK$13 million in corresponding year 2012. The net profit margin was approximately 1% for the year under review as compared with approximately 2% in corresponding year.

EBITDA

The following table illustrates the Group's EBITDA for the respective years. The Group's EBITDA margin was 3.6% for the year under review as compared with 5.2% in corresponding year.

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Profit for year attributable to owners of the company	**5,738**	12,997
Finance cost	**1,492**	3,180
Income tax expenses	**3,653**	4,113
Depreciation and amortization	**9,518**	12,744
EBITDA	**20,401**	33,034

Financial Resource, Liquidity and Gearing Ratio

During the year, there was no material change in the Group's funding and treasury policy. As at 31 March 2013, the Group had sufficient cash and banking facilities from its main bankers to finance ongoing working capital requirements. The Group maintained high value of net current assets at approximately HK$158.0 million and healthy current ratio at 1.6 times (both are adjusted by excluding of pledged deposits HK$53.6 million and bank borrowings HK$48.3 million for hedging purpose). There is no other borrowing for the Company as at 31 March 2013 and 2012.

Working Capital Management

The Group continued to maintain a healthy financial position. As at 31 March 2013, the Group held approximately HK$152.5 million cash and bank balances and structured bank deposit which declined HK$20.2 million from HK$172.7 million at the beginning of the year. The decrease in the cash level is mainly because of the drop in the operating profit for the year. The group's average inventory turnover days was approximately 59 days (2012 approximately 51 days). The Group's average debtors turnover days was approximately 102 days (2012 approximately 85 days). The Group's average creditors turnover days was approximately 80 days (2012 approximately 91 days). The Group remains confident that the net cash position will improve further given continuing profitability and management's continued focus on close working control.

Capital Expenditure on Property, Plant and Equipment

Total capital expenditure for the year was approximately HK$9.9 million, out of which approximately HK$5.3 million was spent on the acquisition of machinery and equipment, HK$1.8 million on acquisition of furniture, fixture and leasehold improvement, HK$1.1 million on acquisition of motor vehicles and HK$1.7 million on acquisition of computer software.

Charges on Group Assets

As at 31 March 2013, the Group's banking facilities including its import/export, letter of credit documentary credits, and trust receipt and bank borrowings are secured by:

(i) a first legal charge on certain of the Group's leasehold land and buildings, which had an aggregate net carrying amount at the reporting date of HK$11.4 million (2012: HK$7.2 million);

(ii) bank deposits approximately HK$53.6 million (2012: HK$106.5 million);

(iii) cross guarantee provided by subsidiaries in the Group; and

(iv) Corporate guarantees provided by the Company.

Employees and Remuneration Policies

As at 31 March 2013, the Group employed approximately 1,325 full time employees in the PRC and approximately 20 in Hong Kong.

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 adopted the Code Provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules. The Stock Exchange has made certain amendments ("Amendments") to the Listing Rules, which are related to the Code, practices and the reporting. Such Amendments took effect (or, as the case may be, would take effect) from 1 January 2012, 1 April 2012 or 31 December 2012 respectively.

With the introduction of the Code as revised with effect from 1 April 2012 ("Revised Code"), the Board adopted a policy statement in line with the principles and code provisions of the Revised Code. The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code and the Revised Code. Save and except as hereinafter mentioned, the Company was in compliance with the Code and the Revised Code for the year.

Revised Code Provision A.4.1

Revised Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. The Company's non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

Revised Code Provision A.6.7

Pursuant to the Revised Code Provision A.6.7, the Independent Non-Executive Directors of the Company should attend general meetings. However, Two Independent Non-Executive Directors were absent from the annual general meeting held on 20 August 2012 due to other business commitments. To ensure compliance with the Revised Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors can attend the general meetings.

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.

Board of Directors

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 17 under the "Attendance Record at Meetings" in this report. Biographies of the Directors which include relationship among members of the Board are set out on pages 23 to 24 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.

Mr. See Tak Wa will have served more than 9 years after September 2013 but Mr. See, does not involve day-to-day operation of the Company and through his extensive knowledge and experience, would contribute significantly to the continuous improvement on internal controls and other relevant financial and corporate governance matters of the Company. The Board believes that Mr. See is still independent to the Company and should be re-elected in the coming annual general meeting.

Board of Directors (Continued)

Directors are provided with complete, adequate explanation and information to enable them to make an informed decision or assessment of the Company's performance, position and prospects and to discharge their duties and responsibilities on a timely basis. The Directors, to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company.

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.

Continuing Professional Development

The Directors have undergone satisfactory traning throughout the year and provided the training record to the Company. During the year ended 31 March 2013, the training records of the Directors are set out below:

	Corporate Governance/update on laws, rules and regulations	
Directors	**Read Materials**	**Attend Seminars, Briefings and conferences**
Executive Directors		
Mr. BUT Tin Fu *(Chairman)*	V	V
Mr. BUT Tin Hing	V	
Mr. LEUNG Cheong *(Chief Executive Officer)*	V	V
Mr. LEUNG Kuen, Ivan	V	V
Independent Non-executive Directors		
Mr. SEE Tak Wah	V	V
Prof. XU Yang Sheng	V	
Mr. LI Wanshou	V	

Board of Directors (Continued)

Directors' and Officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

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.

Nomination Committee

The Company has established a nomination committee in accordance with the requirement of the CG Code for the purpose of reviewing the structure, size and composition of Board, identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive directors. The committee currently comprises three members, namely Mr. Li Wanshou (Chairman of the Committee) and Mr. See Tak Wah who are independent non-executive directors and Mr. Leung Kuen, Ivan who is an executive director.

The Nomination Committee met once during the year ended 31 March 2013 and the individual members' attendance records are disclosed in the section "Attendance Record at Meetings" in this report.

The Nomination Committee has considered and consulted the Chairman of the Board the following proposals during the year ended 31 March 2013:

(a) review on the structure of the Board of Directors of the Group;

(b) review on Terms of Reference of the Nomination Committee;

(c) assessment of the independence of Independent Non-executive Directors; and

(d) identification of candidates suitably qualified to become Directors.

Board of Directors (Continued)

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 (Chairman of the Committee) and Mr. Li Wanshou who are independent non-executive directors, and Mr. But Tin Fu, who is an executive director.

The Remuneration Committee met once during the year ended 31 March 2013 and the individual members' attendance records are disclosed in the section "Attendance Record at Meetings" in this report.

The Remuneration Committee has considered and consulted the Chairman of the Board the following proposals:

(a) reviewed the annual salary of the executive directors for year ended 31 March 2013;

(b) reviewed the monthly remuneration of executive directors; and

(c) reviewed and approved the annual performance bonus schemes and the granting of discretionary bonus to both management and other employees of the Company;

The Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual executive directors.

Further particulars in relation to Directors' remuneration and the five individuals with highest emoluments as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 9 to the financial statements.

Board of Directors (Continued)

Audit Committee

The existing Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Li Wanshou, Mr. See Tak Wah (Chairman of the Committee) 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.

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.

Board of Directors (Continued)

Attendance Record at Meetings

The attendance record of each director at the Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings, Nomination Committee Meetings and General Meeting during year ended 31 March 2013 is set out in the following table:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Number of meetings held	**4**	**2**	**1**	**1**	**1**
Executive Directors					
Mr. BUT Tin Fu *(Chairman)*	4/4	N/A	1/1	N/A	1/1
Mr. BUT Tin Hing	4/4	N/A	N/A	N/A	1/1
Mr. LEUNG Cheong *(Chief Executive Officer)*	4/4	N/A	N/A	N/A	1/1
Mr. LEUNG Kuen, Ivan	4/4	N/A	N/A	1/1	1/1
Independent Non-executive Directors					
Mr. SEE Tak Wah	4/4	2/2	N/A	1/1	1/1
Prof. XU Yang Sheng	2/4	2/2	1/1	N/A	0/1
Mr. LI Wanshou	2/4	1/2	1/1	1/1	0/1

Auditor's Remuneration

For the year ended 31 March 2013, the remuneration paid to the Company's auditor, BDO Limited, is set out as follows:

Services rendered	**Fee paid/payable**
	HK$'000
Audit services	900
Non-audit services	–
	900

Company Secretary

The Company Secretary, Mr. Tse Ka Yi, Gary, is an employee of the Company who has day-to-day knowledge of the Company's affairs.

During the financial year, the Company Secretary has taken no less than 15 hours of relevant professional training.

Directors' responsibility statement

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

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

Auditor's responsibility statement

The auditor's responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 32 to 33.

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.

Shareholders' Rights

Procedures for Shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda ("Companies Act"), registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("SGM Requisitionists") can deposit a written request to convene a SGM at the registered office of the Company ("Registered Office"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The SGM Requisitionists must state in their request(s) the purposes of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars in the SGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and accordingly, a SGM will not be convened as requested.

Shareholders' Rights (Continued)

Procedures for Shareholders to convene a Special General Meeting ("SGM") (Continued)

The SGM Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM if within twenty-one (21) days of the deposit of the SGM Requisitionists' request, the Board does not proceed duly to convene a SGM provided that any SGM so convened is held within three (3) months from the date of the original SGM Requisitionists' request. A SGM so convened by the SGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for shareholders to put forward proposals at a general meeting

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six (6) weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one (1) week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six (6) weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for shareholders to propose a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Information, Corporate Governance section (Shareholders Communication Policy sub-section) of the Company's website at www.suneasthk.com.

Shareholders' Rights (Continued)

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Mr. Tse Ka Yi
Unit H, 1st Floor, Phase 4,
Kwun Tong Industrial Centre,
Nos. 436-446 Kwun Tong Road,
Kwun Tong, Kowloon, Hong Kong

Fax: (852) 2343 3120
Email: enquiry@suneasthk.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Constitutional Documents

The Company's constitutional documents have been posed on the Investor Relationship, Bye-laws of the Company's website at www.suneasthk.com. There is no change in the constitutional documents of the Company during the year under review.

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				
	2013	2012	2011	2010	2009
RESULTS	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**565,372**	632,833	845,323	455,199	374,860
Profit/(Loss) before income tax	**9,391**	17,110	20,400	(4,114)	(57,825)
Income tax (expense)/credit	**(3,653)**	(4,113)	(8,163)	(4,079)	688
Profit/(Loss) for the year attributable to owners of the Company	**5,738**	12,997	12,306	(8,193)	(57,137)

	As at 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**656,671**	665,921	698,326	450,842	366,878
TOTAL LIABILITIES	**(338,739)**	(369,817)	(429,865)	(207,754)	(120,961)
	317,932	296,104	268,461	243,088	245,917

Executive Directors

Mr. BUT Tin Fu, aged 55, 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 26 years of experience in the electronics industry. He is a brother of Mr. But Tin Hing.

Mr. BUT Tin Hing, aged 57, 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 29 years of experience in the electronics industry. He is a brother of Mr. But Tin Fu.

Mr. LEUNG Cheong, aged 52, 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 26 years of experience in the electronics industry. He is a brother of Mr. Leung Kuen, Ivan.

Mr. LEUNG Kuen, Ivan, aged 56, 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 22 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 49, 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.

Independent Non-executive Directors (Continued)

Prof. XU Yang Sheng, aged 55, 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 50, 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 22 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. On 29 June 2012, Mr. See retired from the office independent non-executive director of Buildmore International Limited (stock code: HK00108). Mr. See at present is an independent non-executive director of Chu Kong Petroleum And Natural Gas Steel Pipe Holdings Limited (Stock Code: HK01938). Save as disclosed, Mr. See does not have any directorship in any listed company within last 3 years.

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 2013.

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 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 108.

A final dividend of HK$0.01 per ordinary share, amounting to a total final dividend of HK$5,250,000 (2012: Nil) for the year ended 31 March 2013 is to be proposed for shareholders' approval at the forthcoming annual general meeting of the Company to be held on Monday, 5 August 2013.

Closure of Register of Members

The Board has resolved to recommend the payment of a final dividend of HK$0.01 (2012: Nil) per share (the "Final Dividend") for the year ended 31 March 2013 to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 28 August 2013. The register of shareholders will be closed from 26 August 2013 to 28 August 2013, both days inclusive, during which period no transfer of shares will be registered. To qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 23 August 2013.

Upon the approval by shareholders at the 2013 AGM, the proposed final dividend will be paid on Monday, 16 September 2013 to shareholder whose names appear on the Register of Members of the Company on Wednesday, 28 August 2013.

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 22.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year is set out in note 14 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 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$117,407,000. 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 58% of total purchases for the year and purchases from the largest supplier included therein amounted to approximately 49%.

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

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.

According to the Appendix 14, A4.3, further appointment of independent non-executive director who has served more than nine years should be subject to a separate resolution to be approved by shareholders. Mr. See Tak Wah who will have served the Company more than nine years after September 2013 will subject to separate resolution to be approved by shareholders 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 23 to 24 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 2013, 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")	39,916,000	Beneficial owner	7.60
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")	2,252,280	Beneficial owner	0.43
Leung Kuen, Ivan ("LKI")	4,536,520	Beneficial owner	0.86

Directors' Interests in Shares and Underlying Shares (Continued)

Long position in the shares (Continued)

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 2013, 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 2013, 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 were as follow:

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 for the year ended 31 March 2010 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 years ended 31 March 2011, 2012 and 2013 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

14 June 2013

BDO

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To the shareholders of Sun East Technology (Holdings) Limited
日東科技(控股)有限公司
(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 34 to 108, which comprise the consolidated and company statements of financial position as at 31 March 2013, 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 Companies Act 1981 Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BDO

Auditor's Responsibility (Continued)

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.

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 the consolidated 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 2013 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, 14 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	6	**565,372**	632,833
Cost of sales		**(484,963)**	(532,429)
Gross profit		**80,409**	100,404
Other income and gains	6	**23,373**	24,682
Selling and distribution costs		**(46,805)**	(48,349)
Administrative expenses		**(44,586)**	(44,197)
Other expenses		**(1,508)**	(12,250)
Finance costs	7	**(1,492)**	(3,180)
Profit before income tax	8	**9,391**	17,110
Income tax expense	10	**(3,653)**	(4,113)
Profit for the year attributable to owners of the Company	11	**5,738**	12,997
Other comprehensive income, including reclassification adjustments			
Surplus on revaluation of properties held for own use	14	**19,499**	12,771
Deferred tax relating to revaluation surplus	26	**(4,124)**	(3,015)
Exchange gain on translation of financial statements of foreign operations		**715**	4,890
Other comprehensive income for the year, including reclassification adjustments and net of tax		**16,090**	14,646
Total comprehensive income for the year attributable to owners of the Company		**21,828**	27,643
Earnings per share for profit attributable to owners of the Company	13		
– Basic		**HK1.09 cents**	HK2.48 cents
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**159,972**	139,210
Prepaid land lease payments	15	**9,788**	10,006
		169,760	149,216
Current assets			
Inventories	17	**85,293**	70,447
Trade and bills receivables	18	**172,173**	143,807
Prepayments, deposits and other receivables		**19,564**	19,474
Tax reserve certificates		**3,600**	3,600
Taxes recoverable		**191**	191
Pledged deposits	19	**53,563**	106,480
Structured bank deposit	20	**14,581**	–
Cash and bank balances	20	**137,946**	172,706
		486,911	516,705
Current liabilities			
Trade and bills payables	21	**109,490**	100,843
Other payables and accruals		**132,678**	119,817
Bank borrowings	22	**48,296**	105,282
Derivative financial instruments	24	**1,343**	2,134
Due to directors	25	**–**	1,610
Taxes payable		**31,811**	29,134
		323,618	358,820
Net current assets		**163,293**	157,885
Total assets less current liabilities		**333,053**	307,101
Non-current liabilities			
Deferred tax liabilities	26	**15,121**	10,997
Net assets		**317,932**	296,104

Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	**2013** HK$'000	2012 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**52,500**	52,500
Reserves	28(a)	**265,432**	243,604
Total equity		**317,932**	296,104

But Tin Fu
Director

Leung Cheong
Director

Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**62**	77
Interests in subsidiaries	16	**115,668**	115,668
		115,730	115,745
Current assets			
Due from subsidiaries	16	**147,684**	112,242
Prepayments		**328**	316
Cash and bank balances	20	**343**	1,447
		148,355	114,005
Current liabilities			
Due to a subsidiary	16	**–**	470
Other payables and accruals		**1,200**	1,250
		1,200	1,720
Net current assets		**147,155**	112,285
Net assets		**262,885**	228,030
EQUITY			
Share capital	27	**52,500**	52,500
Reserves	28(b)	**210,385**	175,530
Total equity		**262,885**	228,030

But Tin Fu
Director

Leung Cheong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000 (note 28(a))	Asset revaluation reserve* HK$'000	Exchange reserve* HK$'000	Statutory reserve and enterprise expansion funds* HK$'000 (note 28(a))	Retained profits* HK$'000	Proposed final dividend* HK$'000	Total HK$'000
Balance at 1 April 2011	52,500	87,728	4,800	24,704	16,165	6,015	76,549	–	268,461
Profit for the year	–	–	–	–	–	–	12,997	–	12,997
Other comprehensive income:									
Surplus on revaluation on leasehold land and buildings	–	–	–	12,771	–	–	–	–	12,771
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	4,890	–	–	–	4,890
Deferred tax relating to revaluation of leasehold land and buildings (note 26)	–	–	–	(3,015)	–	–	–	–	(3,015)
Total comprehensive income for the year	–	–	–	9,756	4,890	–	12,997	–	27,643
Appropriations to statutory reserve	–	–	–	–	–	681	(681)	–	–
Balance at 31 March 2012	52,500	87,728	4,800	34,460	21,055	6,696	88,865	–	296,104

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000 (note 28(a))	Asset revaluation reserve* HK$'000	Exchange reserve* HK$'000	Statutory reserve and enterprise expansion funds* HK$'000 (note 28(a))	Retained profits* HK$'000	Proposed final dividend* HK$'000	Total HK$'000
Balance at 1 April 2012	52,500	87,728	4,800	34,460	21,055	6,696	88,865	-	296,104
Profit for the year	-	-	-	-	-	-	5,738	-	5,738
Other comprehensive income:									
Surplus on revaluation on leasehold land and buildings	-	-	-	19,499	-	-	-	-	19,499
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	715	-	-	-	715
Deferred tax relating to revaluation of leasehold land and buildings (note 26)	-	-	-	(4,124)	-	-	-	-	(4,124)
Total comprehensive income for the year	-	-	-	15,375	715	-	5,738	-	21,828
Proposed final dividend (note 12)	-	-	-	-	-	-	(5,250)	5,250	-
Appropriations to statutory reserve	-	-	-	-	-	939	(939)	-	-
Balance at 31 March 2013	52,500	87,728	4,800	49,835	21,770	7,635	88,414	5,250	317,932

* These reserve accounts comprise the consolidated reserves of HK$265,432,000 (2012: HK$243,604,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
Cash flows from operating activities		
Profit before income tax	**9,391**	17,110
Adjustments for:		
Finance costs	**1,492**	3,180
Interest income	**(3,553)**	(5,917)
Depreciation	**9,255**	12,485
Amortisation of prepaid land lease payments	**263**	259
Fair value loss on derivative financial instrument	**130**	4,768
(Gain)/Loss on disposal of property, plant and equipment	**(140)**	12
Impairment loss on trade receivables written back	**(10,201)**	(2,387)
Provision for impairment of trade and bills receivables	**1,151**	8,122
Provision for impairment of other receivables	**329**	117
Write-down of inventories to net realisable value	**2,678**	6,616
Write-off of property, plant and equipment	**28**	4,011
Operating profit before working capital changes	**10,823**	48,376
(Increase)/Decrease in inventories	**(17,524)**	548
(Increase)/Decrease in trade and bills receivables	**(19,316)**	489
(Increase)/Decrease in prepayments, deposits and other receivables	**(415)**	2,787
Purchase of tax reserve certificates	**–**	(300)
Increase/(Decrease) in trade and bills payables	**8,647**	(63,318)
Increase in other payables and accruals	**12,861**	8,329
Changes in derivative financial instruments	**(921)**	(3,843)
Cash used in operations	**(5,845)**	(6,932)
Interest paid	**(1,492)**	(3,180)
Overseas taxes paid	**(1,123)**	(2,880)
Net cash used in operating activities	**(8,460)**	(12,992)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
Cash flows from investing activities		
Interest received	**3,553**	5,917
Decrease/(Increase) in bank deposits		
with original maturity over three months	**810**	(7,396)
Proceeds from disposal of property, plant and equipment	**235**	329
Purchases of property, plant and equipment	**(9,872)**	(9,538)
Decrease in pledged deposits	**52,917**	12,002
Increase in structured bank deposit	**(14,581)**	–
Net cash generated from investing activities	**33,062**	1,314
Cash flows from financing activities		
Proceeds from bank borrowings	**–**	105,282
Repayment of bank borrowings	**(56,986)**	(114,076)
Decrease in amounts due to directors	**(1,610)**	(1,798)
Capital element of finance lease rental payments	**–**	(28)
Net cash used in financing activities	**(58,596)**	(10,620)
Net decrease in cash and cash equivalents	**(33,994)**	(22,298)
Cash and cash equivalents at beginning of the year	**165,310**	186,256
Effect of foreign exchange rate changes, net	**44**	1,352
Cash and cash equivalents at end of the year	**131,360**	165,310

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 16 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 2013 were approved for issue by the board of directors on 14 June 2013.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements on pages 34 to 108 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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

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.

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.

2.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control, directly or indirectly, the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2. Summary of Significant Accounting Policies (Continued)

2.3 Subsidiaries (Continued)

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

2.4 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. Summary of Significant Accounting Policies (Continued)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.6 Research and development costs (Continued)

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.

2.7 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.

2. Summary of Significant Accounting Policies (Continued)

2.7 Property, plant and equipment (Continued)

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%
Computer software	20%
Furniture, fixtures and leasehold improvements	18% to 25%
Motor vehicles	25%

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

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. Summary of Significant Accounting Policies (Continued)

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.

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. Summary of Significant Accounting Policies (Continued)

2.10 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

2. Summary of Significant Accounting Policies (Continued)

2.10 Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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.

(ii) 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.

2. Summary of Significant Accounting Policies (Continued)

2.11 Leases (Continued)

(iii) Assets leased out under operating leases as the lessor

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

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

2.12 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.

2. Summary of Significant Accounting Policies (Continued)

2.12 Financial assets (Continued)

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

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

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

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

– significant financial difficulty of the debtor;

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.12 Financial assets (Continued)

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

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

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

2. Summary of Significant Accounting Policies (Continued)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.15 Accounting for income taxes (Continued)

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.

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

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

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

   (i) the same taxable entity; or

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

2. Summary of Significant Accounting Policies (Continued)

2.16 Revenue recognition

Revenue comprises the fair value for the sale of goods 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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.17 Employee benefits (Continued)

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.

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. Summary of Significant Accounting Policies (Continued)

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.

2.20 Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, bank borrowings, derivative financial instruments and amounts due to directors.

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.

2. Summary of Significant Accounting Policies (Continued)

2.20 Financial liabilities (Continued)

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) 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.

(ii) Trade and bills payables, amounts due to directors, other payables and accruals

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

(iii) 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. Summary of Significant Accounting Policies (Continued)

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.

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;
- 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.

2. Summary of Significant Accounting Policies (Continued)

2.22 Segment reporting (Continued)

Segment assets include all assets but cash and bank balances, structured bank deposit, pledged deposits, 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.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity's future cash flows. The adoption of the amendment has had no significant impact on the Group's financial statements.

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

3. Adoption of New or Amended HKFRSs (Continued)

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

This standard is effective for accounting periods beginning on or after 1 July 2012. The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income and require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to "Statement of profit or loss and other comprehensive income". However, HKAS 1 permits entities to use other titles.

HKFRS 9 Financial instruments

This standard is effective for accounting periods beginning on or after 1 January 2015. 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 recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification 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 de-recognition of financial assets and financial liabilities.

3. Adoption of New or Amended HKFRSs (Continued)

HKFRS 10 Consolidated Financial Statements

This standard is effective for accounting periods beginning on or after 1 January 2013. HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

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:

4. Critical Accounting Estimates and Judgments (Continued)

(i) Impairment of property, plant and equipment

Property, plant and equipment (note 14) 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 2013 were approximately HK$159,972,000 (2012: HK$139,210,000).

(ii) Impairment of trade and other receivables

The Group's management determines impairment of trade and other 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 to ensure inventories are stated at the lower of cost and net realisable value.

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

	Production lines and production equipment		Brand name production equipment		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**318,854**	347,045	**246,518**	285,788	**565,372**	632,833
Other revenue – external	**16,003**	12,917	**–**	–	**16,003**	12,917
Reportable segment revenue	**334,857**	359,962	**246,518**	285,788	**581,375**	645,750
Reportable segment results	**10,500**	18,770	**1,616**	2,750	**12,116**	21,520
Depreciation and amortisation	**9,518**	12,744	**–**	–	**9,518**	12,744
(Gain)/Loss on disposal of property, plant and equipment	**(140)**	12	**–**	–	**(140)**	12
Provision for impairment of trade and bills receivables	**1,151**	7,310	**–**	812	**1,151**	8,122
Provision for impairment of other receivables	**329**	117	**–**	–	**329**	117
Write-down of inventories to net realisable value	**2,678**	6,616	**–**	–	**2,678**	6,616
Write-off of property, plant and equipment	**28**	4,011	**–**	–	**28**	4,011
Reportable segment assets	**363,476**	322,256	**81,555**	58,644	**445,031**	380,900
Capital expenditure	**9,872**	9,538	**–**	–	**9,872**	9,538
Reportable segment liabilities	**184,896**	162,349	**55,073**	56,125	**239,969**	218,474

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:

	2013 HK$'000	2012 HK$'000
Reportable segment results	**12,116**	21,520
Rental income	**13**	11
Interest and other corporate income	**7,357**	11,754
Corporate expenses	**(8,603)**	(12,995)
Finance costs on bank borrowings	**(1,492)**	(3,180)
Profit before income tax	**9,391**	17,110

5. Segment Information (Continued)

	2013	2012
	HK$'000	HK$'000
Segment assets		
Production lines and production equipment	**363,476**	322,256
Brand name production equipment	**81,555**	58,644
	445,031	380,900
Tax reserve certificates	**3,600**	3,600
Taxes recoverable	**191**	191
Pledged deposits	**53,563**	106,480
Structured bank deposit	**14,581**	–
Cash and bank balances	**137,946**	172,706
Other corporate assets	**1,759**	2,044
Total assets	**656,671**	665,921
Segment liabilities		
Production lines and production equipment	**184,896**	162,349
Brand name production equipment	**55,073**	56,125
	239,969	218,474
Bank borrowings	**48,296**	105,282
Derivative financial instruments	**1,343**	2,134
Due to directors	**–**	1,610
Deferred tax liabilities	**15,121**	10,997
Other corporate liabilities	**34,010**	31,320
Total liabilities	**338,739**	369,817

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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China (domicile)	**518,575**	520,076	**146,854**	132,226
Hong Kong	**18,823**	86,446	**22,906**	16,990
Europe (principally Spain and Germany)	**20,600**	16,334	**–**	–
Others (principally Japan and Singapore)	**7,374**	9,977	**–**	–
	565,372	632,833	**169,760**	149,216

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

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

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

	2013	2012
	HK$'000	HK$'000
Revenue – sale of goods	**565,372**	632,833
Other income:		
Rental income	**13**	11
Bank interest income	**3,553**	5,917
Impairment loss on trade receivables written back	**10,201**	2,387
Recovery of other receivables previously written off	**–**	4,898
Government grant*	**1,852**	1,716
Sales of scrap	**2,741**	2,482
Others	**1,069**	1,434
	19,429	18,845
Gains:		
Exchange gain, net	**3,804**	5,837
Gain on disposal of property, plant and equipment	**140**	–
	3,944	5,837
Other income and gains	**23,373**	24,682

* Non-refundable government subsidies were received from the PRC government for subsidising the Group in conducting and launching projects relating to research and development activities. There are no unfulfilled conditions or contingencies relating to these grants.

7. Finance Costs

	2013 HK$'000	2012 HK$'000
Interest on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	**1,492**	3,179
Interest on finance leases	**–**	1
Total interest on financial liabilities stated at amortised cost	**1,492**	3,180

8. Profit before Income Tax

	2013 HK$'000	2012 HK$'000
The Group's profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**388,835**	438,305
– including write-down of inventories to net realisable value	**2,678**	6,616
Depreciation		
– owned assets	**9,255**	12,477
– leased assets	**–**	8
Fair value loss on derivative financial instruments	**130**	4,768
Research and development costs	**4,993**	3,990
Minimum lease payments under operating leases in respect of leasehold land and buildings	**1,008**	820
(Gain)/Loss on disposal of property, plant and equipment	**(140)**	12
Auditor's remuneration	**900**	900
Staff costs (including directors' remuneration (note 9))		
– Wages and salaries	**91,598**	82,649
– Defined contribution scheme	**6,203**	4,984
	97,801	87,633
Amortisation of prepaid land lease payments	**263**	259
Provision for impairment of trade and bills receivables	**1,151**	8,122
Provision for impairment of other receivables	**329**	117
Write-off of property, plant and equipment	**28**	4,011

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:

	2013	2012
	HK$'000	HK$'000
Fees:		
Independent non-executive directors	**360**	360
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**5,514**	4,531
Defined contribution scheme	**60**	48
	5,934	4,939

(a) Independent non-executive directors

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

	2013	2012
	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 (2012: 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
2013				
Mr. But Tin Fu	**–**	**1,233**	**15**	**1,248**
Mr. But Tin Hing	**–**	**1,640**	**15**	**1,655**
Mr. Leung Cheong	**–**	**1,227**	**15**	**1,242**
Mr. Leung Kuen, Ivan	**–**	**1,414**	**15**	**1,429**
	–	**5,514**	**60**	**5,574**
2012				
Mr. But Tin Fu	–	1,001	12	1,013
Mr. But Tin Hing	–	1,330	12	1,342
Mr. Leung Cheong	–	1,003	12	1,015
Mr. Leung Kuen, Ivan	–	1,197	12	1,209
	–	4,531	48	4,579

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 (2012: four) directors, details of whose remuneration are reflected in the above analysis. The remuneration of the remaining one (2012: 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 2013 and 2012, is set out as follows:

	2013	2012
	HK$'000	HK$'000
Salary, allowances and benefits in kind	**604**	595
Defined contribution scheme	**15**	–
	619	595

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

	2013	2012
	HK$'000	HK$'000
Current tax – Elsewhere		
Tax for the year	**3,653**	4,113

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

10. Income Tax Expense (Continued)

The PRC enterprise income tax for foreign enterprises have been calculated on the estimated assessable profits for the year at 25% except that 日東電子科技(深圳)有限公司 is granted the tax benefit for the National High-Tech Enterprise for three years starting from the year ended 31 December 2011. It is subject to income tax rate of 15%.

A reconciliation of the income tax expense applicable to profit 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:

	2013 HK$'000	2012 HK$'000
Profit before income tax	**9,391**	17,110
Tax at the statutory tax rates	**1,529**	3,854
Non-taxable income	**(980)**	(1,418)
Non-deductible expenses	**932**	3,058
Tax losses utilised from previous years	**(30)**	(1,805)
Unrecognised tax losses	**2,202**	424
Income tax expense	**3,653**	4,113

11. Profit Attributable to Owners of the Company

Of the consolidated profit for the year attributable to the owners of the Company of HK$5,738,000 (2012: HK$12,997,000), profit of HK$34,855,000 (2012: loss of HK$20,000) which has been dealt with in the financial statements of the Company.

12. Dividend

	2013	2012
	HK$'000	HK$'000
Proposed final dividend of HK$0.01 (2012: Nil) per share	**5,250**	–

Final dividend proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained earnings for the year ended 31 March 2013 to proposed final dividend reserve. The proposed final dividend is to be distributed subsequent to the reporting date and is subject to the approval of the Company's equity holders in the forthcoming annual general meeting.

13. Earnings per Share

The calculation of basic earnings per share is based on the profit for the year of approximately HK$5,738,000 (2012: HK$12,997,000) attributable to owners of the Company, and 525,000,000 (2012: 525,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 March 2013 and 2012 are not presented as there were no potential ordinary shares in issue during the year.

14. Property, Plant and Equipment

Group

	Leasehold land and buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and leasehold improvements HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Total HK$'000
2013						
At 1 April 2012						
Cost or valuation	114,210	63,794	28,886	–	8,801	215,691
Accumulated depreciation	–	(46,025)	(25,569)	–	(4,887)	(76,481)
Net carrying amount	114,210	17,769	3,317	–	3,914	139,210
Year ended 31 March 2013						
Opening net carrying amount	114,210	17,769	3,317	–	3,914	139,210
Additions	–	5,314	1,787	1,683	1,088	9,872
Disposal	–	(95)	–	–	–	(95)
Write-off	–	(28)	–	–	–	(28)
Surplus on revaluation	19,499	–	–	–	–	19,499
Depreciation	(5,191)	(2,732)	(829)	(28)	(475)	(9,255)
Exchange realignment	317	395	24	13	20	769
Closing carrying amount	128,835	20,623	4,299	1,668	4,547	159,972
At 31 March 2013						
Cost or valuation	128,835	68,518	30,813	1,683	9,919	239,768
Accumulated depreciation	–	(47,895)	(26,514)	(15)	(5,372)	(79,796)
Net carrying amount	128,835	20,623	4,299	1,668	4,547	159,972
Analysis of cost or valuation:						
At cost	–	68,518	30,813	1,683	9,919	110,933
At 2013 valuation	128,835	–	–	–	–	128,835
	128,835	68,518	30,813	1,683	9,919	239,768

14. 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
2012					
At 1 April 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 carrying amount	105,150	17,346	4,146	3,551	130,193
Year ended 31 March 2012					
Opening net carrying amount	105,150	17,346	4,146	3,551	130,193
Additions	–	7,464	1,005	1,069	9,538
Disposal	–	(77)	(13)	(251)	(341)
Write-off	–	(3,344)	(570)	(97)	(4,011)
Surplus on revaluation	12,771	–	–	–	12,771
Depreciation	(6,417)	(4,234)	(1,370)	(464)	(12,485)
Exchange realignment	2,706	614	119	106	3,545
Closing carrying amount	114,210	17,769	3,317	3,914	139,210
At 31 March 2012					
Cost or valuation	114,210	63,794	28,886	8,801	215,691
Accumulated depreciation	–	(46,025)	(25,569)	(4,887)	(76,481)
Net carrying amount	114,210	17,769	3,317	3,914	139,210
Analysis of cost or valuation:					
At cost	–	63,794	28,886	8,801	101,481
At 2012 valuation	114,210	–	–	–	114,210
	114,210	63,794	28,886	8,801	215,691

14. 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$22,200,000 (2012: HK$14,000,000) on an open market basis and at fair value of HK$106,635,000 (2012: HK$100,210,000) 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$19,499,000 (2012: HK$12,771,000), 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$4,124,000 (2012: HK$3,015,000) 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$68,944,000 (2012: HK$72,323,000).

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

	2013 HK$'000	2012 HK$'000
Hong Kong	**22,200**	14,000
Mainland China	**106,635**	100,210
	128,835	114,210

As at 31 March 2013, certain of the Group's leasehold land and buildings with net carrying amount of approximately HK$11,400,000 (2012: HK$7,200,000) were pledged to secure general banking facilities granted to the Group (note 23).

14. Property, Plant and Equipment (Continued)

Company

	Machinery and equipment HK$'000
2013	
At 1 April 2012	
Cost	**299**
Accumulated depreciation	**(222)**
Net carrying amount	**77**
Year ended 31 March 2013	
Opening net carrying amount	**77**
Depreciation	**(15)**
Closing carrying amount	**62**
At 31 March 2013	
Cost	**299**
Accumulated depreciation	**(237)**
Net carrying amount	**62**

14. Property, Plant and Equipment (Continued)

Company (Continued)

	Machinery and equipment HK$'000
2012	
At 1 April 2011	
Cost	299
Accumulated depreciation	(202)
Net carrying amount	97
Year ended 31 March 2012	
Opening net carrying amount	97
Depreciation	(20)
Closing carrying amount	77
At 31 March 2012	
Cost	299
Accumulated depreciation	(222)
Net carrying amount	77

15. Prepaid Land Lease Payments

	Group 2013 HK$'000	Group 2012 HK$'000
Carrying amount at beginning of the year	**10,265**	10,141
Charged to profit or loss during the year	**(263)**	(259)
Exchange realignment	**49**	383
Carrying amount at end of the year	**10,051**	10,265
Current portion included in prepayments, deposits and other receivables	**(263)**	(259)
Non-current portion	**9,788**	10,006

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

16. Interests in Subsidiaries

	Company 2013 HK$'000	Company 2012 HK$'000
Unlisted shares, at cost	**115,668**	115,668
Due from subsidiaries	**211,108**	175,666
Less: Provision for impairment	**(63,424)**	(63,424)
	147,684	112,242
Due to a subsidiary	**–**	(470)

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.

16. Interests in Subsidiaries (Continued)

Particulars of the principal subsidiaries at 31 March 2013 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
i-System Investment Company Limited	British Virgin Islands ("BVI")	US$2,000	100	–	Investment holding
Sun East Electronic Equipment Company Limited	Hong Kong	HK$5,000,000	–	100	Trading of machinery
Fureach Precision Limited	Hong Kong	HK$10,000	–	100	Trading of machinery
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	Inactive
富運精密設備(深圳)有限公司#	Mainland China	HK$10,000,000	–	100	Manufacture and trading of machinery

16. 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 enterprise in Mainland China.

17. Inventories

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**18,754**	21,245
Work in progress	**37,269**	29,950
Finished goods	**29,270**	19,252
	85,293	70,447

18. 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	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**87,846**	57,307
91 to 120 days	**7,528**	8,705
121 to 180 days	**19,906**	27,356
181 to 360 days	**20,799**	38,711
Over 360 days	**36,094**	11,728
	172,173	143,807

18. 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. Movements in provision for impairment of trade and bills receivables are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of the year	**56,980**	50,184
Written-off	**(1,170)**	–
Impairment loss recognised	**1,151**	8,122
Impairment loss reversed	**(10,201)**	(2,387)
Exchange realignment	**118**	1,061
At end of the year	**46,878**	56,980

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 (2012: 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 2013, the Group had determined trade and bills receivables of approximately HK$46,878,000 (2012: HK$56,980,000) as impaired and as a result, impairment loss of HK$1,151,000 for the year ended 31 March 2013 (2012: HK$8,122,000) have been recognised. The impaired trade and bills receivables are mostly due from customers in the Group business-to-business market that encounter financial difficulties.

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

18. Trade and Bills Receivables (Continued)

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	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**116,561**	92,642
1 to 30 days past due	**7,551**	11,140
31 to 90 days past due	**14,426**	12,899
91 to 270 days past due	**22,419**	20,824
271 to 360 days past due	**1,120**	4,078
Over 360 days past due	**10,096**	2,224
Total trade and bills receivables, net	**172,173**	143,807

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.

19. 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 0.35% to 3.90% (2012: 0.55% to 3.90%) per annum.

20. Structured Bank Deposit/Cash and Bank Balances

As at 31 March 2013, the structured bank deposit was principal-protected yield enhancement bank deposit in RMB amounting to HK$14,581,000 (2012: Nil) carrying a minimum interest rate of 1.4850% per annum and can be enhanced to a maximum interest rate of 2.60% per annum which is to be determined by reference to the market exchange rate of US$/HKD during a pre-determined period of 29 days. The structured bank deposit contained embedded derivatives representing a return which would vary with prevailing market exchange rate of US$/HKD. The directors of the Company consider that the fair value of the embedded derivative and the cap is minimal and hence no derivative financial instrument is recognised.

The cash and bank balances was summarised as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**97,930**	152,620	**343**	1,447
Time deposits classified as cash and cash equivalents	**33,430**	12,690	**–**	–
Total cash and cash equivalents	**131,360**	165,310	**343**	1,447
Time deposits with original maturity over three months	**6,586**	7,396	**–**	–
Total cash and bank balances	**137,946**	172,706	**343**	1,447

At the reporting date, cash and bank balances of the Group denominated in RMB amounted to HK$108,907,000 (2012: HK$147,757,000). 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 0.01% and 2.6% (2012: 0.1% and 5.0%) per annum. Short term time deposits are made for varying periods of between one week and six months (2012: one month and four months) depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

21. Trade and Bills Payables

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

	Group	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**84,839**	87,131
91 to 120 days	**9,324**	2,424
Over 120 days	**15,327**	11,288
	109,490	100,843

Trade and bills payables are non-interest bearing and are normally settled within 90 to 180 days (2012: 90 to 180 days).

22. Bank Borrowings

	Group	
	2013	2012
	HK$'000	HK$'000
Current portion		
– Bank loans due for repayment within one year	**48,296**	56,986
– Bank loans due for repayment after one year which contain a repayment on demand clause	**–**	48,296
	48,296	105,282

As at 31 March 2012, the current portion included bank borrowings of approximately HK$48,296,000 that were not scheduled to repay within one year. They were classified as current liabilities as the related loan agreements contained a clause that provided the lenders with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans due from repayment after one year which contained a repayment on demand clause and that was classified as a current liability was expected to be settled within one year. As at 31 March 2013, all bank loans are due for repayment within one year.

22. Bank Borrowings (Continued)

Assuming that the banks do not request the clause for repayment on demand and based on the repayment dates as scheduled in the loan agreements, the Group's bank borrowings are due for repayment, as at each of the reporting dates, as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**48,296**	56,986
In the second year	**–**	48,296
Wholly repayable within five years	**48,296**	105,282

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

As at 31 March 2013, the bank borrowings included bank loans of approximately US$6,220,000 (2012: US$13,559,000). All bank borrowings are secured by pledged deposits of HK$48,680,000 (2012: HK$103,893,000).

Effective interest rate of the bank borrowings ranged from 0.78% to 2.20% (2012: from 0.78% to 2.29%) 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 carrying amount at the reporting date of HK$11,400,000 (2012: HK$7,200,000) (note 14);

23. Banking Facilities (Continued)

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

(iii) cross guarantee provided by subsidiaries in the Group; and

(iv) pledged deposits of HK$4,883,000 (2012: HK$2,587,000).

The Group's banking facilities amounting to HK$163,348,000 (2012: HK$181,630,000), of which approximately HK$13,165,000 (2012: HK$20,131,000) had been utilised as at the reporting date.

24. Derivative Financial Instruments

	Group	
	2013	2012
	HK$'000	HK$'000
Forward foreign exchange contracts (note (a))	**297**	461
Interest rate swaps (note (b))	**1,046**	1,673
	1,343	2,134

(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 32.

(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 32.

25. Due to Directors – Group

As at 31 March 2012, the balance was unsecured, interest-free and repayable on demand and its carrying amounts approximated to their fair values. The amount was fully repaid during the year.

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 2011	775	7,207	7,982
Deferred tax relating to revaluation of property, plant and equipment	–	3,015	3,015
At 31 March 2012 and 1 April 2012	775	10,222	10,997
Deferred tax relating to revaluation of property, plant and equipment	–	4,124	4,124
At 31 March 2013	**775**	**14,346**	**15,121**

At 31 March 2013, the Group has tax losses of the subsidiaries operating in Hong Kong and Mainland China of approximately HK$20,816,000 and HK$18,884,000 (2012: HK$13,580,000 and HK$11,475,000) 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$3,543,000 (2012: HK$2,604,000) 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 HK$35,433,000 at 31 March 2013 (2012: HK$26,041,000).

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

27. Share Capital

	Group and Company	
	2013	2012
	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 38 to 39 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)/ Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2011	87,728	115,468	(27,646)	–	175,550
Total comprehensive income for the year	–	–	(20)	–	(20)
At 31 March 2012 and 1 April 2012	87,728	115,468	(27,666)	–	175,530
Total comprehensive income for the year	–	–	34,855	–	34,855
Proposed final dividend	–	–	(5,250)	5,250	–
At 31 March 2013	**87,728**	**115,468**	**1,939**	**5,250**	**210,385**

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 (2012: HK$181,630,000) 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:

(a) Operating lease commitments – as lessee

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

At 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**377**	315
In the second to fifth years, inclusive	**81**	3
	458	318

(b) Capital commitments

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	**807**	1,429

At the reporting date, the Company does not have any significant commitments (2012: 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.

(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	
	2013	2012
	HK$'000	HK$'000
Short term employee benefits	**7,285**	5,334
Post-employment benefits	**130**	68
	7,415	5,402

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

32. Financial Risk Management and Fair Value Measurements

The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates, and currency exchange rates), credit risk and liquidity risk. Generally, the Group employs conservative strategy regarding its risk management.

The Group's principal financial instruments comprise cash and bank balances, pledged deposits, structured bank deposit, trade and bills receivables, other receivables, trade and bills payables, other payables and accruals, bank borrowings, derivative financial instruments, and amounts due to directors. The most significant financial risks to which the Group is exposed are described below.

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

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates 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.

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.

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

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date.

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

In respect of trade and bills receivables and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. During the year ended 31 March 2013, approximately HK$329,000 (2012: HK$117,000) 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 bank balances.

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.

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

Liquidity risk

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

The following table details the remaining contractual maturities at each of the reporting dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the reporting date) and the earliest date the Group may be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity is required to pay, that is if the banks were to invoke the unconditional rights to call the loans with immediate effect.

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

Liquidity risk (Continued)

	Group				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 6 months HK$'000	6 to less than 12 months HK$'000	Over 1 year HK$'000
At 31 March 2013					
Non-derivative financial liabilities					
Trade and bills payables	–	84,839	9,324	15,327	–
Other payables and accruals	–	53,907	–	–	–
Bank borrowings	48,296	–	–	–	–
	48,296	138,746	9,324	15,327	–
Derivative financial liabilities					
Gross settled forward foreign exchange contracts and interest rate swap – cash outflow	–	–	1,343	–	–

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

Liquidity risk (Continued)

	Group				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 6 months HK$'000	6 to less than 12 months HK$'000	Over 1 year HK$'000
At 31 March 2012					
Non-derivative financial liabilities					
Trade and bills payables	–	87,131	2,424	11,288	–
Other payables and accruals	–	63,394	–	–	–
Bank borrowings	105,282	–	–	–	–
Due to directors	1,610	–	–	–	–
	106,892	150,525	2,424	11,288	–
Derivative financial liabilities					
Gross settled forward foreign exchange contracts and interest rate swap					
– cash inflow	–	–	(29)	–	(194)
– cash outflow	–	1,521	–	–	836
	–	1,521	(29)	–	642

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

Liquidity risk (Continued)

The following table summarises the maturity analysis of those term loans with repayment-on-demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment, the directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	Group			
	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
Term loans subject to a repayment on demand clause based on scheduled repayments:				
31 March 2013	**–**	**50,528**	**–**	**–**
31 March 2012	44,823	12,289	–	50,528

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

Liquidity risk (Continued)

	Company				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 6 months HK$'000	6 to less than 12 months HK$'000	Over 1 year HK$'000
At 31 March 2013					
Other payables and accruals	**–**	**1,200**	**–**	**–**	**–**
Financial guarantees issued					
Maximum amount guaranteed	**–**	**120,000**	**–**	**–**	**–**
At 31 March 2012					
Other payables and accruals	–	1,250	–	–	–
Due to a subsidiary	470	–	–	–	–
	470	1,250	–	–	–
Financial guarantees issued					
Maximum amount guaranteed	–	181,630	–	–	–

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

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	
	2013	2012
	HK$'000	HK$'000
Loans and receivables:		
– Trade and bills receivables	**172,173**	143,807
– Other receivables	**9,540**	10,814
Pledged deposits	**53,563**	106,480
Structured bank deposit	**14,581**	–
Cash and bank balances	**137,946**	172,706
	387,803	433,807

	Company	
	2013	2012
	HK$'000	HK$'000
Loans and receivables:		
– Due from subsidiaries	**147,684**	112,242
Cash and bank balances	**343**	1,447
	148,027	113,689

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

Summary of financial assets and liabilities by category (Continued)

Financial liabilities

	Group 2013 HK$'000	Group 2012 HK$'000
Financial liabilities at fair value through profit or loss, held for trading:		
– Derivative financial instruments	**1,343**	2,134
Financial liabilities measured at amortised cost:		
– Trade and bills payables	**109,490**	100,843
– Other payables and accruals	**53,907**	63,394
– Bank borrowings	**48,296**	105,282
– Due to directors	**–**	1,610
	213,036	273,263

	Company 2013 HK$'000	Company 2012 HK$'000
Financial liabilities measured at amortised cost:		
– Due to a subsidiary	**–**	470
– Other payables and accruals	**1,200**	1,250
	1,200	1,720

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

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

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.

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

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

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
At 31 March 2013				
Derivative financial instruments	**–**	**1,343**	**–**	**1,343**
At 31 March 2012				
Derivative financial instruments	–	2,134	–	2,134

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.

33. Capital Management

The Group's objectives when managing capital are:

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

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

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

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

Management regards total equity as capital. The amount of capital as at 31 March 2013 and 2012 amounted to approximately HK$317,932,000 and HK$296,104,000 respectively which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

There is no change in the Group's capital management policies and objectives during the year.