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Sun East Technology (Holdings) Limited

日東科技（控股）有限公司 *

(incorporated in Bermuda with limited liability)

(Stock code: 365)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012

ANNUAL RESULTS

The Board of Directors (the “Board”) of Sun East Technology (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2012 together with the comparative figures of the corresponding last year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000
Revenue	4	632,833	845,323
Cost of sales		(532,429)	(732,223)
Gross profit		100,404	113,100
Other income and gains	4	24,682	6,650
Selling and distribution costs		(48,349)	(43,667)
Administrative expenses		(44,197)	(40,260)
Other expenses		(12,250)	(14,648)
Finance costs	5	(3,180)	(775)
Profit before income tax	6	17,110	20,400
Income tax expense	7	(4,113)	(8,163)
Profit for the year		12,997	12,237

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)*For the year ended 31 March 2012*

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
Other comprehensive income, including reclassification adjustments			
Surplus on revaluation of properties held for own use		12,771	10,873
Deferred tax relating to revaluation surplus		(3,015)	(2,419)
Exchange gain on translation of financial statements of foreign operations		4,890	4,613
Other comprehensive income for the year, including reclassification adjustments and net of tax		14,646	13,067
Total comprehensive income for the year		27,643	25,304
Profit for the year attributable to :			
Owners of the Company		12,997	12,306
Non-controlling interests		–	(69)
		12,997	12,237
Total comprehensive income for the year attributable to :			
Owners of the Company		27,643	25,373
Non-controlling interests		–	(69)
		27,643	25,304
Earnings per share for profit attributable to owners of the Company	8		
–Basic		HK2.48 cents	HK2.34 cents
–Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		139,210	130,193
Prepaid land lease payments		10,006	9,895
		<u>149,216</u>	<u>140,088</u>
Current assets			
Inventories		70,447	77,611
Trade and bills receivables	9	143,807	150,033
Prepayments, deposits and other receivables		19,474	22,365
Tax reserve certificates		3,600	3,300
Taxes recoverable		191	191
Pledged deposits		106,480	118,482
Cash and bank balances		172,706	186,256
		<u>516,705</u>	<u>558,238</u>
Current liabilities			
Trade and bills payables	10	100,843	164,161
Other payables and accruals		119,817	111,488
Finance lease obligations		–	28
Bank borrowings		105,282	114,076
Derivative financial instruments		2,134	1,209
Due to directors		1,610	3,408
Taxes payable		29,134	27,513
		<u>358,820</u>	<u>421,883</u>
Net current assets		<u>157,885</u>	<u>136,355</u>
Total assets less current liabilities		<u>307,101</u>	<u>276,443</u>
Non-current liabilities			
Deferred tax liabilities		10,997	7,982
Net assets		<u>296,104</u>	<u>268,461</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		52,500	52,500
Reserves		243,604	215,961
Total equity		<u>296,104</u>	<u>268,461</u>

1. BASIS OF PREPARATION

These financial statements 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”). These 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”).

2. ADOPTION OF NEW OR AMENDED HKFRSs

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

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has revised its accounting policy for the identification of its related parties and has reassessed counterparties of transactions in accordance with the revised definition. The reassessment did not result in new related parties being identified. Related parties identified in prior years remain unchanged under the new accounting policy and the Group concluded that the revised definition does not have any material impact on the Group’s related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

At the date of this announcement, 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.

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.

2. ADOPTION OF NEW OR AMENDED HKFRSs (*Continued*)

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.

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.

3. 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 |

3. SEGMENT INFORMATION (Continued)

	Production lines and production equipment		Brand name production equipment		Consolidated	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	347,045	311,288	285,788	534,035	632,833	845,323
Other revenue – external	12,917	3,450	–	–	12,917	3,450
Reportable segment revenue	<u>359,962</u>	<u>314,738</u>	<u>285,788</u>	<u>534,035</u>	<u>645,750</u>	<u>848,773</u>
Reportable segment results	<u>18,770</u>	<u>15,176</u>	<u>2,750</u>	<u>10,059</u>	<u>21,520</u>	<u>25,235</u>
Depreciation and amortisation	12,744	13,171	–	–	12,744	13,171
Loss on disposal of property, plant and equipment	12	–	–	–	12	–
Provision for impairment of trade and bills receivables	7,310	8,963	812	–	8,122	8,963
Provision for impairment of other receivables	117	553	–	–	117	553
Write-down of inventories to net realisable value	6,616	4,358	–	–	6,616	4,358
Write-off of property, plant and equipment	4,011	5,132	–	–	4,011	5,132
Reportable segment assets	322,256	278,652	58,644	108,009	380,900	386,661
Capital expenditure	9,538	2,344	–	–	9,538	2,344
Reportable segment liabilities	<u>162,349</u>	<u>140,104</u>	<u>56,125</u>	<u>128,907</u>	<u>218,474</u>	<u>269,011</u>

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:

	2012	2011
	HK\$'000	HK\$'000
Reportable segment results	21,520	25,235
Rental income	11	23
Interest and other corporate income	11,754	3,177
Corporate expenses	(12,995)	(7,264)
Finance costs on bank borrowings	(3,180)	(771)
Profit before income tax	<u>17,110</u>	<u>20,400</u>

3. SEGMENT INFORMATION (Continued)

	2012 HK\$'000	2011 HK\$'000
Segment assets		
Production lines and production equipment	322,256	278,652
Brand name production equipment	58,644	108,009
	<u>380,900</u>	<u>386,661</u>
Tax reserve certificates	3,600	3,300
Taxes recoverable	191	191
Pledged deposits	106,480	118,482
Cash and bank balances	172,706	186,256
Other corporate assets	2,044	3,436
	<u>665,921</u>	<u>698,326</u>
Segment liabilities		
Production lines and production equipment	162,349	140,104
Brand name production equipment	56,125	128,907
	<u>218,474</u>	<u>269,011</u>
Bank borrowings	105,282	114,076
Derivative financial instruments	2,134	1,209
Due to directors	1,610	3,408
Deferred tax liabilities	10,997	7,982
Other corporate liabilities	31,320	34,179
	<u>369,817</u>	<u>429,865</u>

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

	Revenue from external customers		Non-current assets	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Mainland China (domicile)	520,076	622,329	132,226	122,744
Hong Kong	86,446	195,374	16,990	17,344
Europe (principally Spain and Germany)	16,334	20,198	—	—
Others (principally Japan and Singapore)	9,977	7,422	—	—
	<u>632,833</u>	<u>845,323</u>	<u>149,216</u>	<u>140,088</u>

3. SEGMENT INFORMATION *(Continued)*

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".

4. 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue – sale of goods	632,833	845,323
Other income:		
Rental income	11	23
Bank interest income	5,917	1,746
Impairment loss on trade receivables written back	2,387	922
Recovery of trade receivables previously written off	4,898	–
Government grant*	1,716	462
Sales of scrap	2,482	1,674
Others	1,434	392
	18,845	5,219
Gains:		
Exchange gain, net	5,837	1,360
Gain on disposal of a subsidiary	–	71
	5,837	1,431
Other income and gains	24,682	6,650

- * 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.

5. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	3,179	771
Interest on finance leases	1	4
Total interest on financial liabilities stated at amortised cost	3,180	775

6. PROFIT BEFORE INCOME TAX

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Cost of inventories sold	438,305	704,175
– including write-down of inventories to net realisable value	6,616	4,358
Depreciation		
– owned assets	12,477	12,866
– leased assets	8	59
Fair value loss on derivative financial instruments	4,768	1,209
Research and development costs	3,990	3,469
Minimum lease payments under operating leases in respect of leasehold land and buildings	820	555
Loss on disposal of property, plant and equipment	12	–
Auditor's remuneration	900	900
Staff costs (including directors' remuneration)		
– Wages and salaries	83,299	72,879
– Defined contribution scheme	4,984	3,452
	88,283	76,331
Amortisation of prepaid land lease payments	259	246
Provision for impairment of trade and bills receivables	8,122	8,963
Provision for impairment of other receivables	117	553
Write-off of property, plant and equipment	4,011	5,132

7. INCOME TAX EXPENSE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax – Hong Kong		
Over-provision in respect of prior years	–	(200)
Current tax – Elsewhere		
Tax for the year	4,113	7,977
Deferred tax – current year	–	386
Total income tax expense	<u>4,113</u>	<u>8,163</u>

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.

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%.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of approximately HK\$12,997,000 (2011: HK\$12,306,000) attributable to owners of the Company, and 525,000,000 (2011: 525,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2012 and 2011 are not presented as there were no potential ordinary shares in issue during the years.

9. TRADE AND BILLS RECEIVABLES

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 (2011: 30 to 180 days).

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

	2012 HK\$'000	2011 HK\$'000
Within 90 days	57,307	107,122
91 to 120 days	8,705	5,283
121 to 180 days	27,356	12,928
181 to 360 days	38,711	17,202
Over 360 days	11,728	7,498
	<u>143,807</u>	<u>150,033</u>

10. TRADE AND BILLS PAYABLES

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

	2012 HK\$'000	2011 HK\$'000
Within 90 days	87,131	144,723
91 to 120 days	2,424	6,259
Over 120 days	11,288	13,179
	<u>100,843</u>	<u>164,161</u>

11. DIVIDENDS

No interim dividend was paid during the year and the directors do not recommend the payment of final dividend in respect of the year (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

A summary of the financial results of the Group for the year ended 31 March 2012 is as follows:

- Turnover was approximately HK\$632.8 million (2011: HK\$845.3 million).
- Profit before income tax was approximately HK\$17.1 million (2011: HK\$20.4 million).
- Profit for the year was approximately HK\$13.0 million (2011: HK\$12.2 million).
- Basic earnings per share was approximately HK2.48 cents (2011: HK2.34 cents).

BUSINESS REVIEW

Last year proved to be challenging year for Sun East, with the earthquake and tsunami in Japan affecting the electronic industries and the tightening of credit and continued inflation in China. Despite these challenges, we are pleased with the performance in 2012.

The sales of Sun East mainly derived from China and the overall demand of the Chinese equipment market is declining, however, the sale amount is still within our expectation. The Pearl River Delta area had been affected by the macroeconomic shocks in the overseas markets while our strategically distributed sales network was able to capture the opportunities rising in the Yangtze River Delta and other parts of China caused by continuing trend of urbanization and relocation of factories to the central and western regions of China to lower the operational cost.

During times when the economic growth is slow and operating cost continued to increase, we see this as an opportunity to increase our market share and maintaining our turnover by collaborating closely with our business partners to share the resources, operating cost and risks.

China is now stepping into the new era of the automation which Sun East is well placed to benefit from this expanding market, a market that we have accumulated many experiences in the past years. The introduction of the Labour Law of the People's Republic of China and the high inflation in China drove up labour and rental costs. Our customers are looking into reducing labour cost with highly automated equipment and robots to improve productivity as well as product quality, hence, there will be substantial growth in the automation industry.

The global economic recovery conditions remain grim, we expect to continue to face a demanding and competitive market environment. However, our outlook for the future remains positive that we will have a slow stable growth. This growth mainly originate from the positive prospects in the automation industry and the launch of Samsung's high speed chip mounter which can further increase our market share in the SMT industry. We will also continue to grow our sales network in the North, Central and South China region from 18 sales points to 23 sale points, in addition to searching for more potential collaborative partners to achieve market diversification increase and redefining the word "service" in the equipment industry.

Our persistent investment in research and development in the past difficult years have proved to be foresighted, when the Chinese market as well as oversea market is demanding low cost yet better technology equipment, which gives Sun East advantages over our competitors in China and overseas. In our efforts of further strengthening our business, we are directing our energies in three areas. We will continue R&D investment, in addition to collaboration with well-known universities and our business partners. Simultaneously, we are working at attracting outstanding human capital from around the world. Thirdly, we are strongly reinforcing group-wide measures to lower our cost structure.

FINANCIAL REVIEW

Turnover and Gross Profit

During the year, turnover of the Group reached approximately HK\$632.8 million, representing a decrease of approximately 25.1%, as compared with approximately HK\$845.3 million in the last year 2011. The decrease was primarily attributable to the big drop in the sale of brand name production equipment which is approximately HK\$248.2 million. The main reason of the declining was that the PRC's government used a tight monetary policy, which rose twelve times of reserve requirement ratio and five times of benchmark deposits and loan interest rate during the period from January 2010 to July 2011, to check the economic overheating and to reduce the fixed asset investment.

The gross profit ratio (GP ratio) for the year was approximately 15.9%, representing an increase of approximately 2.5%, as compared with last year approximately 13.4%. The increase of the GP ratio was driven predominantly by the increasing contribution and improving performance from Automatic Warehouse ("AW") and Logistics Equipments ("LE"), which enjoyed a higher gross profit margin than other products in the Group.

Moreover during the year under review, the price of our major raw material-iron plate declined 13.2% from approximately HK\$5,300 to HK\$4,600 per ton. This was favorable to our profit margin. Labor cost increases due to minimum wage adjustments and a shortage of workers continue to create margin pressures. However, these cost issues were managed successfully.

Other Income and Gains

During the year, the Group recorded a substantial increase in other income at approximately HK\$24.7 million, which represented an increase of approximately HK\$18 million as compared with approximately HK\$6.7 million last year. The significant increase was largely due to the recovery of trade receivable of approximately HK\$7.3 million and interest income and exchange gains of approximately HK\$11.8 million.

Selling and Distribution Costs

The Group has formed a strategy to expand its number of sales point in order to soar the density of its distribution network in China and let our customers find that there must be our branch nearby and provide timely service to them. Therefore, the selling and distribution cost for the year were approximately HK\$48.3 million, representing an increase of approximately HK\$4.6 million or approximately 10.5%, as compared to approximately HK\$43.7 million in corresponding year. This was a result of spending on new market development initiatives, the improvement of remuneration package for salesman and advertising cost in PRC.

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 reviewing manpower. So, administrative expenses during the year under review were kept at a steady level. The increment of approximately HK\$4 million or approximately 10%, as compared to approximately HK\$40.3 million in last year was principally representing the increase in fair value loss on the derivative financial instruments.

Finance Costs

Finance costs for the year under review amounted to approximately HK\$3.2 million, representing an increase of approximately HK\$2.4 million, as compare with approximately HK\$0.8 million in the year 2011. The boost was mainly attributable to the interest expenses payable for bank borrowings which are secured by pledged deposits. Actually this interest expense will be compensated by interest income from pledged deposits of approximately HK\$4.5 million.

Taxation

During the year under review, the 日東電子科技(深圳)有限公司, a member of the Group, was designated of 2011 National High-Tech Enterprise after the process of application. With this certification the entity is entitled to a preferential corporate income tax rate of 15%, which is substantially lower than China's ordinary 25% corporate tax rate.

Profit for the year

As a result of the foregoing, the profit attributable to the owners of the Company for the year under review was approximately HK\$13 million, representing a slight increase of approximately HK\$0.7 million, as compared with approximately HK\$12.3 million in corresponding year. The net profit margin was approximately 2.1% for the period under review as compared with approximately 1.4% in corresponding year.

EBITDA

The following table illustrates the Group's EBITDA for the respective years. The Group's EBITDA margin was 5.2% for the year under review as compared with 4.1% in corresponding year.

	Year ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Profit for year attributable to owners of the Company	12,997	12,306
Finance costs	3,180	775
Income tax expenses	4,113	8,163
Depreciation and amortisation	12,744	13,171
EBITDA	<u>33,034</u>	<u>34,415</u>

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 2012, 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\$156.7 million and healthy liquidity ratio at 1.6 times (both are adjusted by excluding of pledged deposits HK\$106.5 million and bank borrowings HK\$105.3 million which are for the purpose of minimising the exchange and interest rate risk exposure). Finance lease obligations were fully repaid during the year. The Group's gearing ratio, calculated by reference to the ratio of total borrowings (excluding of borrowings as stated above) to total equity attributable to the owners of the Company as at 31 March 2012, was 0.00% (2011: 0.01%).

Working Capital Management

The Group continued to maintain a sound financial position. As at 31 March 2012, the Group held approximately HK\$172.7 million cash and bank balances which declined HK\$13.6 million from HK\$186.3 million at the beginning of the year. The Group's average inventory turnover days was approximately 51 days (2011: 35 days). The Group's average debtors turnover days was approximately 85 days (2011: 52 days). The Group's average creditors turnover days was approximately 91 days (2011: 73 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\$9.5 million, out of which approximately HK\$ 7.5 million was spent on the acquisition of machinery and equipment, approximately HK\$1 million on acquisition of furniture, fixture and leasehold improvement and approximately HK\$1 million on acquisition of motor vehicles.

Exchange Rate Risk

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. In order to limit the capital risk associated with the fluctuations of exchange rate for these foreign currency transactions, the Group newly entered into non-deliverable forward contract (“NDF”) of US\$15.1 million transaction in the year under review. NDF is used to minimise the exchange rate risk by fixing a forward exchange rate on the notional amount during the term of the contract.

In order to limit the risk associated with the fluctuations of interest, the Group newly entered to interest rate swap agreement (“IRS”) of US\$14.4 million floating rate foreign currency loan during the period under review. The Group would charge the counterparty an interest according to a floating rate, in order to pay the floating-rate interest to the original lender, while a fixed rate to the counterparty.

The effect of the change in the all NDF value on the Group’s profit or loss during the year under review amounted to loss of approximately HK\$3.2 million. The fair value of the NDF was determined with reference to the market rate of NDF which matured on the same day; the effect to the change in all IRS value on the Group’s profit or loss during the year under review amounted to loss of approximately HK\$1.6 million. The value of the IRS was determined based on the price quoted in the agreement.

It is the Group’s policy not to engage in speculative activities. The management continues to actively monitor foreign exchange exposure to minimize the impact of adverse currency movements.

Charges on Group Assets

As at 31 March 2012, 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\$7.2 million (2011: HK\$6.2 million);
- (ii) bank deposits approximately HK\$106.5 million (2011: HK\$118.5 million); and
- (iii) Corporate guarantees provided by the Company.

Capital Commitments and Contingent liabilities

As at 31 March 2012 and 2011, the Group had capital commitments as follow:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Contracted but not provided in consolidated financial statements	<u>1,429</u>	<u>—</u>

There were no material contingent liabilities as at 31 March 2012 and 2011 of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2012, the Group employed approximately 1,241 full time employees in the PRC and approximately 20 were in the Hong Kong office.

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

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.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the Code on Corporate Governance Practices which was in effect before 1 April 2012 (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2012, except for Code Provision A.4.1 which 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 Directors consider that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the annual results for the year ended 31 March 2012. The audit committee comprises the three independent non-executive directors of the Company.

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 of 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this announcement and within the knowledge of the Directors, there was a sufficiency of public float of the Company’s securities as required under the Listing Rules.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.suneasthk.com). The annual report of the Company for the year ended 31 March 2012 containing all the information required by the Listing Rules will be despatched to the Company’s shareholders and available on the above websites in due course.

ACKNOWLEDGEMENT

2012 marked an important milestone for Sun East as we commemorate 28 years in the China and Hong Kong equipment industry. On behalf of the Board I would like to thank our employees for their hard work over the years and their perseverance in current demanding market environment. I would also like to thank our customers, partners and shareholders for putting their trust in us.

By Order of the Board of Directors
Sun East Technology (Holdings) Limited
But Tin Fu
Chairman

Hong Kong, 26 June 2012

As at the date of this announcement, the board of directors of the Company comprises Mr. But Tin Fu, Mr. But Tin Hing, Mr. Leung Cheong and Mr. Leung Kuen, Ivan as Executive Directors; Mr. See Tak Wah, Prof. Xu Yang Sheng and Mr. Li Wanshou as Independent Non-executive Directors.

* For identification purpose only