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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 2013

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 2013 together with the comparative figures of the corresponding last year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	<i>Notes</i>	2013 HK\$'000	2012 HK\$'000
Revenue	4	565,372	632,833
Cost of sales		(484,963)	(532,429)
Gross profit		80,409	100,404
Other income and gains	4	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	5	(1,492)	(3,180)
Profit before income tax	6	9,391	17,110
Income tax expense	7	(3,653)	(4,113)
Profit for the year		5,738	12,997

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)*For the year ended 31 March 2013*

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Other comprehensive income, including reclassification adjustments			
Surplus on revaluation of properties held for own use		19,499	12,771
Deferred tax relating to revaluation surplus		(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			
	8		
– 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		159,972	139,210
Prepaid land lease payments		9,788	10,006
		<u>169,760</u>	<u>149,216</u>
Current assets			
Inventories		85,293	70,447
Trade and bills receivables	9	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		53,563	106,480
Structured bank deposit		14,581	—
Cash and bank balances		137,946	172,706
		<u>486,911</u>	<u>516,705</u>
Current liabilities			
Trade and bills payables	10	109,490	100,843
Other payables and accruals		132,678	119,817
Bank borrowings		48,296	105,282
Derivative financial instruments		1,343	2,134
Due to directors		—	1,610
Taxes payable		31,811	29,134
		<u>323,618</u>	<u>358,820</u>
Net current assets		<u>163,293</u>	<u>157,885</u>
Total assets less current liabilities		<u>333,053</u>	<u>307,101</u>
Non-current liabilities			
Deferred tax liabilities		15,121	10,997
Net assets		<u>317,932</u>	<u>296,104</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		52,500	52,500
Reserves		265,432	243,604
Total equity		<u>317,932</u>	<u>296,104</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.

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 results 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 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	
	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	<u>334,857</u>	<u>359,962</u>	<u>246,518</u>	<u>285,788</u>	<u>581,375</u>	<u>645,750</u>
Reportable segment results	<u>10,500</u>	<u>18,770</u>	<u>1,616</u>	<u>2,750</u>	<u>12,116</u>	<u>21,520</u>
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	<u>184,896</u>	<u>162,349</u>	<u>55,073</u>	<u>56,125</u>	<u>239,969</u>	<u>218,474</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:

	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	<u>9,391</u>	<u>17,110</u>

3. SEGMENT INFORMATION (Continued)

	2013 HK\$'000	2012 HK\$'000
Segment assets		
Production lines and production equipment	363,476	322,256
Brand name production equipment	81,555	58,644
	<u>445,031</u>	<u>380,900</u>
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
	<u>656,671</u>	<u>665,921</u>
Segment liabilities		
Production lines and production equipment	184,896	162,349
Brand name production equipment	55,073	56,125
	<u>239,969</u>	<u>218,474</u>
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
	<u>338,739</u>	<u>369,817</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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 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	—	—
	<u>565,372</u>	<u>632,833</u>	<u>169,760</u>	<u>149,216</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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
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 trade 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.

5. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
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

6. PROFIT BEFORE INCOME TAX

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
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)		
– 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

7. INCOME TAX EXPENSE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax – Elsewhere	<u>3,653</u>	<u>4,113</u>
Tax for the year	<u><u>3,653</u></u>	<u><u>4,113</u></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\$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 years ended 31 March 2013 and 2012 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 (2012: 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
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
	<u>172,173</u>	<u>143,807</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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 90 days	84,839	87,131
91 to 120 days	9,324	2,424
Over 120 days	15,327	11,288
	<u>109,490</u>	<u>100,843</u>

11. DIVIDEND

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Proposed final dividend of HK\$0.01 (2012: Nil) per share	<u>5,250</u>	<u>—</u>

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.

12. COMMITMENTS

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

(a) Operating lease commitments – as lessee

The Group leases certain of its offices 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within one year	377	315
In the second to fifth years, inclusive	81	3
	<u>458</u>	<u>318</u>

(b) Capital commitments

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Contracted but not accounted for in respect of acquisition of property, plant and equipment	<u>807</u>	<u>1,429</u>

13. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 March 2013 and 2012.

14. RELATED PARTY TRANSACTIONS

Key management remuneration

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Short term employee benefits	7,285	5,334
Post-employment benefits	130	68
	<u>7,415</u>	<u>5,402</u>

CHAIRMAN 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Sun East 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 Sun East 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.

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 5.3% 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	<u>20,401</u>	<u>33,034</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 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 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.

FINAL DIVIDEND AND 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.

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 PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavors to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. 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.

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 2013. 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 2013 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

2013 marked an important milestone for Sun East as we commemorate 30 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, 14 June 2013

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