SUGA®

SUGA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 912

Annual Report 07/08

Corporate Objective

To become the leading and most reputable and reliable EMS (Electronics Manufacturing Services) provider in Asia.

Mission Statement

We contribute to the advancement of society by providing people with quality products and employing advanced technology, with protecting the environment always in mind. We hire and nurture professionals and, together, we march towards our goals in pace with time. Putting customers first, we provide them with the best products and services, assuring win-win results.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Mr. Ng Chi Ho *(Chairman)*
Mr. Ma Fung On *(Deputy Chairman)*
Mr. Wong Wai Lik, Lamson

Independent Non-executive

Professor Wong Sook Leung, Joshua
Mr. Murase Hiroshi
Mr. Leung Yu Ming, Steven

COMPANY SECRETARY

Mr. Huen Po Wah

AUDIT COMMITTEE

Professor Wong Sook Leung, Joshua
Mr. Murase Hiroshi
Mr. Leung Yu Ming, Steven

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Mallesons Stephen Jaques

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 1904-7
19th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit A
29th Floor
Admiralty Centre I
18 Harcourt Road
Hong Kong

CONTACTS

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Facsimile: (852) 2953 1523
Website: www.suga.com.hk
Stock code: 912

FINANCIAL HIGHLIGHTS

	2008 (HK$'000)	2007 (HK$'000)
OPERATING RESULTS		
Revenue	**707,711**	696,346
Gross profit	**92,833**	90,042
Operating profit	**24,232**	20,681
Profit attributable to equity holders of the Company	**20,687**	12,053
Earnings per share – Basic (HK cents)	**8.97**	5.29
Interim dividend, paid, per ordinary share (HK cents)	**1.0**	0.5
Final dividend, proposed, per ordinary share (HK cents)	**3.0**	2.0
FINANCIAL POSITION		
Total equity	**264,996**	238,718
Net current assets	**204,982**	156,150
Net cash	**34,432**	3,241
Capital expenditure	**4,132**	3,842
Net assets value per share (HK cents)	**114.8**	103.8
FINANCIAL RATIOS		
Current ratio	**2.67**	2.12
Debt to equity ratio	**11.5%**	17.5%
Inventory turnover days	**80**	89
Debtors turnover days	**51**	76
Return on average equity	**8.2%**	5.3%

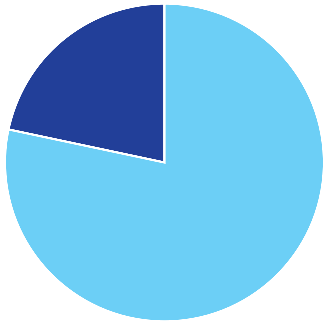
REVENUE BY PRODUCT TYPE

	For the year ended 31 March		
	2008 HK$'000	2007 HK$'000	% Change
Consumer Electronic Appliances and other products	**555,518**	497,359	11.7%
Telecommunication Products	**152,193**	198,987	-23.5%
Total	**707,711**	696,346	1.6%

REVENUE BY GEOGRAPHICAL SEGMENT

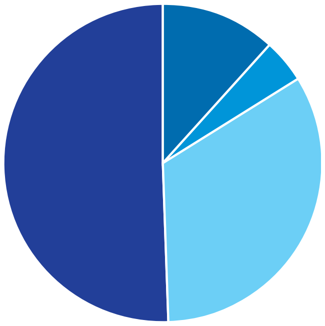
	For the year ended 31 March		
	2008 HK$'000	2007 HK$'000	% Change
The United States of America	**235,857**	264,683	-10.9%
Asia Pacific Region (excluding Mainland China)	**357,665**	303,641	17.8%
Mainland China	**30,505**	88,323	-65.5%
Europe	**83,684**	39,699	110.8%
Total	**707,711**	696,346	1.6%

REVENUE BY PRODUCT TYPE 2008



78.5% Consumer Electronic Appliances and other products
21.5% Telecommunication Products

REVENUE BY GEOGRAPHICAL SEGMENT 2008



33.3% The United States of America
50.5% Asia Pacific Region (excluding Mainland China)
4.3% Mainland China
11.9% Europe

Buji Plants

Gross Floor Area: 520, 000 sq.ft.
Products: Consumer Electronics, Telecommunication & Digital A/V

Production Facility

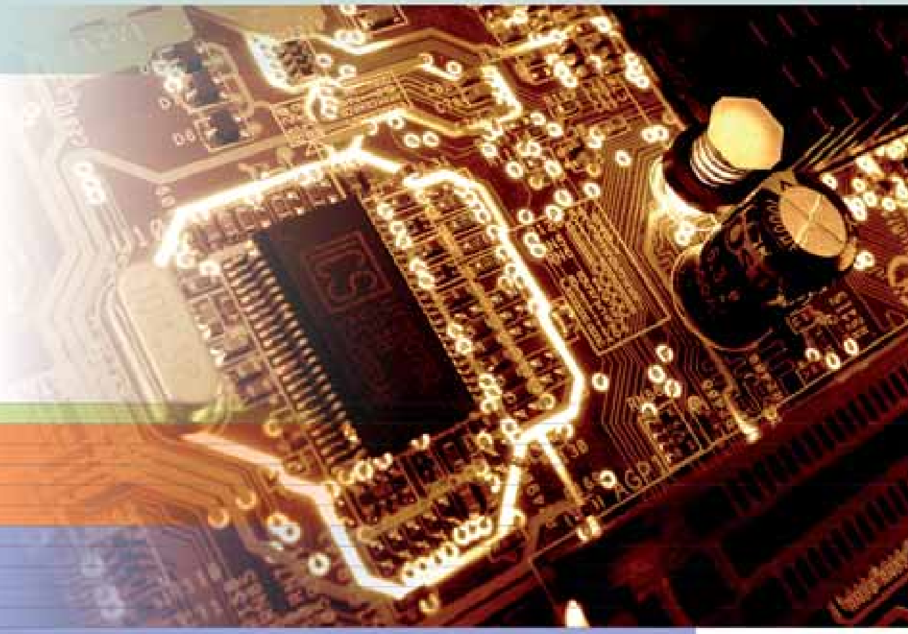
Huizhou Plants

Gross Floor Area: 110, 000 sq.ft.
Products: Moulds and Plastics parts

Xi Xiang Plants

Gross Floor Area: 120, 000 sq.ft.
Products: Networking, Consumer Electronics

Systematic Management



CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual results of Suga International Holdings Limited (the "Company") and its subsidiaries (together, "SUGA" or the "Group") for the fiscal year ended 31 March 2008 ("FY2007/08").

FINANCIAL PERFORMANCE

The manufacturing industry had a year fraught with challenges in 2007 brought by the downturn of the US economy, appreciation of the RMB, rising of wages and raw material prices. In combat, the Group implemented a series of cost control measures to improve operational efficiency, which were effective as reflected in the lowered operation cost and increased profitability during the year.

In the year under review, SUGA recorded a turnover of approximately HK$708 million, representing a slight increase of 1.6% over the prior year. Despite the pressure from rising cost of operation and raw materials, the Group boosted its profit through stringent cost control. Its gross profit increased by 3.1% to HK$92.8 million, against HK$90.0 million in the previous year. Gross profit margin also slightly increased to 13.1% (FY2006/07: 12.9%). With more significant contribution from higher profit margin business and markedly reduced finance cost, profit attributable to shareholders increased 71.6% to HK$20.7 million from last year's HK$12.1 million. Net profit margin was 2.9% (FY2006/07: 1.7%). Earnings per share was HK9.0 cents (FY2006/07: HK5.3 cents).

FINAL DIVIDEND

The Directors recommend payment of a final dividend of HK3.0 cents per ordinary share (FY2006/07: HK 2.0 cents) to shareholders whose names appear on the Register of Shareholders of the Company on 28 August 2008. Together with the interim dividend of HK1.0 cent per share paid earlier, the total dividend for the year amounts to HK4.0 cents per share (FY2006/07: HK2.5 cents per share). Subject to approval of the Shareholders at the 2008 Annual General Meeting, the final dividend will be paid on or before 12 September 2008.

BUSINESS OVERVIEW

Consumer Electronic Appliances

Sales from the consumer electronic appliances business grew by 11.7% to HK$555.5 million, making up 78.5% of the Group's total sales. This segment continued to grow and remained as the Group's major source of revenue.

The major revenue contributor of this sector, pet training devices, continues to generate satisfactory income for the Group. Building on our long-standing relationship with a US partner, who is the largest supplier in the US pet training device market, we secured more orders of new model products and better margin for the Group.

The Group's continued effort in expanding customer base and enriching product portfolio has paid off. Since 2006, it has been manufacturing interactive educational products for a European customer headquartered in Britain, who is a global leader and innovator in interactive learning technology with the support of a worldwide distribution network. Sales to this client rocketed more than 2.5 times in FY2007/08. We believe orders from this client will continue to surge and this high-margin product will become the second largest revenue contributor of the Group in the coming year.

Business with a second European customer for whom we manufacture Bluetooth headsets is providing the Group with steadily growing income. Another customer we won during the year is from Australia. It specializes in developing and supply of integrated fare management and software system, smart card systems and services for the transit industry. Since the first shipment of such processors was made in September 2007, orders have been growing. More significant order quantity is expected in FY2008/09.

Telecommunication Products

Revenue from the telecommunication products segment declined by 23.5% to HK$152.2 million from last year's HK$199.0 million and accounted for 21.5% of the Group's total turnover. The decline was mainly attributable to the departure of a networking product customer, which sold its business to another leading networking provider in China. Nevertheless, riding on our solid relationship with Japanese customers, we saw strong orders for key telephone systems and voice-over-internet protocol ("VoIP") phones during the year. That helped greatly offset the loss in revenue and profit contribution from the departed networking product customer. In addition, by offering relatively higher profit margin, sales to these Japanese customers boosted the Group's overall profitability.

Accolades for Quality Services

SUGA's quality services have won wide recognition. In October 2007, SUGA was awarded "The Best Vendor for Brookstone 2007" for its efficient, timely and high volume product delivery. In the same month, it secured the "Green Mark" under the Hong Kong Green Mark Certification Scheme acknowledging it as an environmentally friendly enterprise.

PROSPECTS

We are confident of the prospects of the consumer electronic appliances segment in the coming year. This business will continue to be our key revenue contributor in FY2008/09. We will implement two major initiatives to exploit the untapped market potential and expand our customer portfolio.

The Group will strengthen its R&D capability to provide customers with value-added total solutions. SUGA is looking at cooperation opportunities with technology partners in engineering and R&D that can enable it to develop products with niche advantages and rich growth potential for winning more customers. In addition, the Group intends to forge strategic alliances with overseas marketing experts. Marrying their local knowledge with our competence in serving customers in niche markets, we aim to bring in more overseas customers and in turn widen market coverage. The Group now enjoys a net-cash position. The healthy finance position will give it greater flexibility in attracting potential partners in the future.

Striving for organic growth, for pet training devices, we will focus on manufacturing new models for customer, which will boost the margin of the product type further. Pet training devices will remain as this segment's largest income stream.

On the interactive educational products front, at this stage, the products we manufacture for the European customer are mainly distributed in Europe and the United States. The Asian market and the global trend of interactive learning have yet to be explored and tapped, which will be the long-term goal of the Group. We expect orders for interactive educational products to stay strong and the high-margin business to enhance the Group's profitability in the future.

Regarding the business of electronic ticket processors and Bluetooth headsets, these products will be a steadily growing source of income for the Group. Orders for electronic ticket processors in particular are expected to increase notably in the coming year.

As for the telecommunication products business, VoIP phones and key telephone systems will continue to bring stable revenues to the Group. Enjoying long-standing relationship with Japanese customers, we expect the segment to keep delivering steady performance next year.

Our ability in developing high-margin business is mirrored in our improving profitability. Combining this ability with its proven growth strategy, the Group is confident of generating greater returns for shareholders.

APPRECIATION

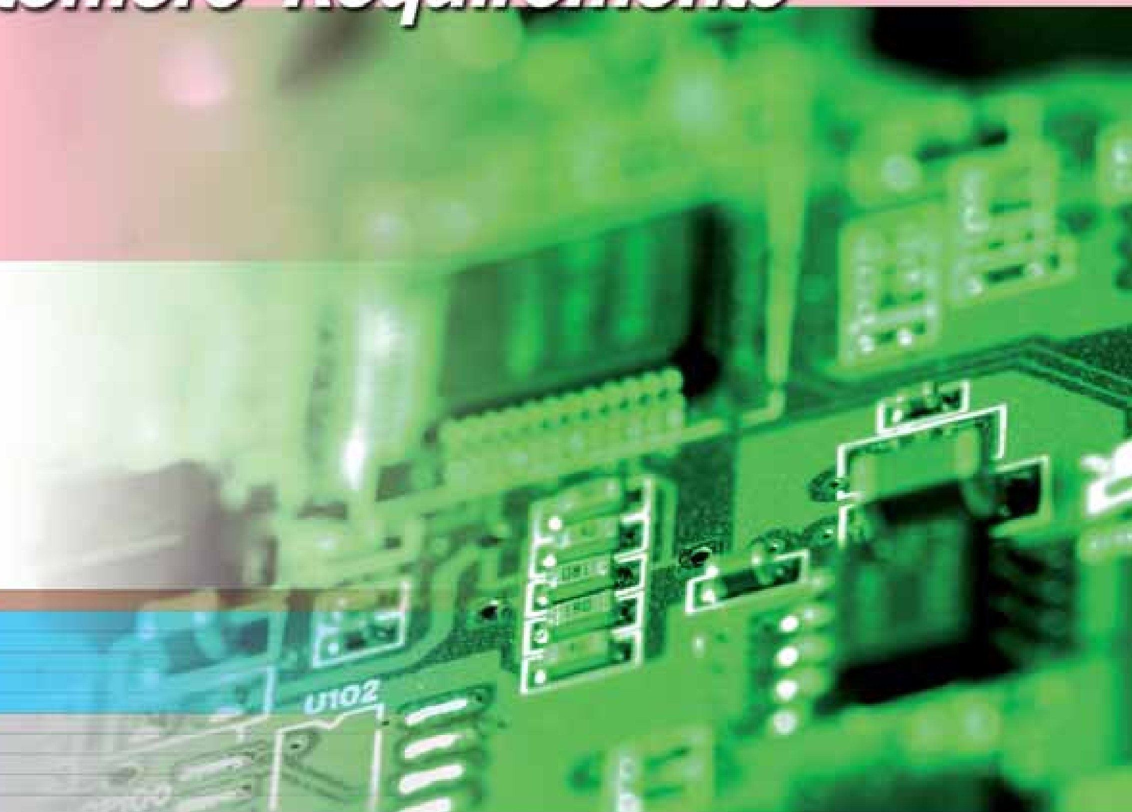
I would like to express my heartfelt gratitude to our business associates, customers and all stakeholders for their contribution to the Group's continuous success. My thanks also go to our dedicated management team and staff for their hard work in the past year.

On behalf of the Board of Directors,

Ng Chi Ho
Chairman

Hong Kong, 22 July 2008

Understanding of Customers' Requirements



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2008, the Group recorded total revenue of approximately HK$707.7 million, an increase of 1.6% as compared to last year. In terms of business segment, consumer electronic appliances achieved sale growth of 11.7% but for telecommunication products, the sale declined by 23.5%.

Consumer electronic appliances continued to have a satisfactory growth during the year. Sales of this segment reached HK$555.5 million, which accounted for 78.5% of the Group's total revenue for the year. The sale of pet training devices remained as the major revenue contributor and accounted for 37.7% of this segment's revenue. In addition, sales of interactive educational products and bluetooth headsets had recorded significant growth for the year under review and accounted for 24.7% of this segment's revenue. Also, shipment of electronic ticket processors to a new customer has commenced in September 2007 and the seven months sale to this customer accounted for 5.8% of this segment's revenue.

For the digital Audio-Visual ("A/V") products, the Group has stopped all trading business since July 2006 and is now focused on producing digital photo album on ODM basis. As the sales of digital photo albums was not significant as compared with the Group's total revenue, the sales of digital A/V products was grouped under the segment of consumer electronic appliances starting from the year under review.

The sales of telecommunication products amounted to HK$152.2 million for the year and accounted for 21.5% of Group's total revenue, down from 23.5% last year. The drop in revenue was mainly due to substantial drop in orders from a networking product customer, which sold a significant portion of its business to another leading networking provider in China in June 2006. Excluding the sales to this networking product customer, the sales of key telephone systems and VoIP phones actually increased by 19.4% for the year.

Geographically, Asia Pacific Region remained as the major market of the Group with a sales growth of 17.8% as compared with last year, representing 50.5% of total revenue of the Group. The increase was mainly due to the sales growth in key telephone systems, VoIP and electronic household appliances to several Japanese customers. The sales to United States dropped by 10.9% to HK$235.9 million this year, representing 33.3% of the Group's total revenue. The decrease was mainly due to the downturn of the US economy during the year, which affected our sales to some of the US customers. Sales to Europe recorded significantly growth from HK$39.7 million last year to HK$83.7 million this year, mainly contributed by increase in sales of interactive educational products and bluetooth headsets. Due to the drop in networking products sale to a customer in Mainland China, the sales to Mainland China decreased significantly by 65.5% to HK$30.5 million, representing only 4.3% of the Group's total revenue, down from 12.7% last year.

Profit Attributable to Equity Holders of the Company

Despite the continuous rise in labour cost, material price and appreciation of Renminbi during the year under review, the Group managed to improve its gross profit margin from 12.9% to 13.1%. The operations profit was increased to HK$24.2 million from HK$20.7 million last year, an increase of 17.2%. Total operating expenses decreased by 1.3% to HK$68.9 million from HK$69.8 million last year, representing 9.7% of the Group's total revenue. The general and administrative expenses decreased by HK$0.8 million while the distribution and selling expenses remained steady at HK$15.5 million this year. The increase in gross profit margin and decrease in operating expenses was mainly due to the implementation of stringent cost control measures and the capture of higher profit margin business by the Group during the year.

Finance costs for the year reduced to HK$3.2 million from HK$6.9 million last year. The drop was mainly attributable to lower interest rate and the decrease of bank borrowings during the year, which was resulted from the tightening of credit controls and efficient fund management.

As a result of the aforementioned factors, profit attributable to equity holders of the Company increased significantly to HK$20.7 million from HK$12.1 million last year, representing an increase of 71.6%.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the net current assets of the Group was HK$205.0 million with liquidity ratio maintained at a healthy level of 2.67, up from 2.12 last year. Bank borrowings were reduced to HK$30.4 million from HK$41.9 million last year. Gearing ratio (calculated by dividing total bank borrowings by total equity) decreased from 17.5% to 11.5%. The Group was able to maintain a net cash of HK$34.4 million as at the balance sheet date, up from HK$3.2 million last year.

The Group had an aggregate banking facilities of approximately HK$439 million as at 31 March 2008 (31 March 2007: HK$366 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$354 million (31 March 2007: HK$267 million).

The Group generally finances its operations by internally generated resources and banking facilities provided by its principal bankers in Hong Kong. Banking facilities used by the Group include revolving loans, trust receipt loans, overdrafts, leasing and term loans, which are primarily on floating interest rates basis.

CAPITAL EXPENDITURES

The Group's total capital expenditures for the year was HK$4.1 million, mainly comprised of investment in machineries and equipment for production plants in Mainland China.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions are denominated either in HKD, USD or RMB. As USD is pegged to HKD, the Group does not expect any significant movements in the USD/HKD exchange rate.

As all of the Group's production plants are based in the People's Republic of China, most of the wages and salaries and manufacturing overheads are denominated in RMB. The continued appreciation of RMB since July 2005 inevitably increased our production costs. The Group has entered into several foreign exchange contracts during the year to minimize the currency translation risk of RMB against HKD/USD.

PLEDGE OF ASSETS

As at 31 March 2008, the Group did not pledge any of its assets (31 March 2007: nil) as securities for generating banking facilities granted to the Group.

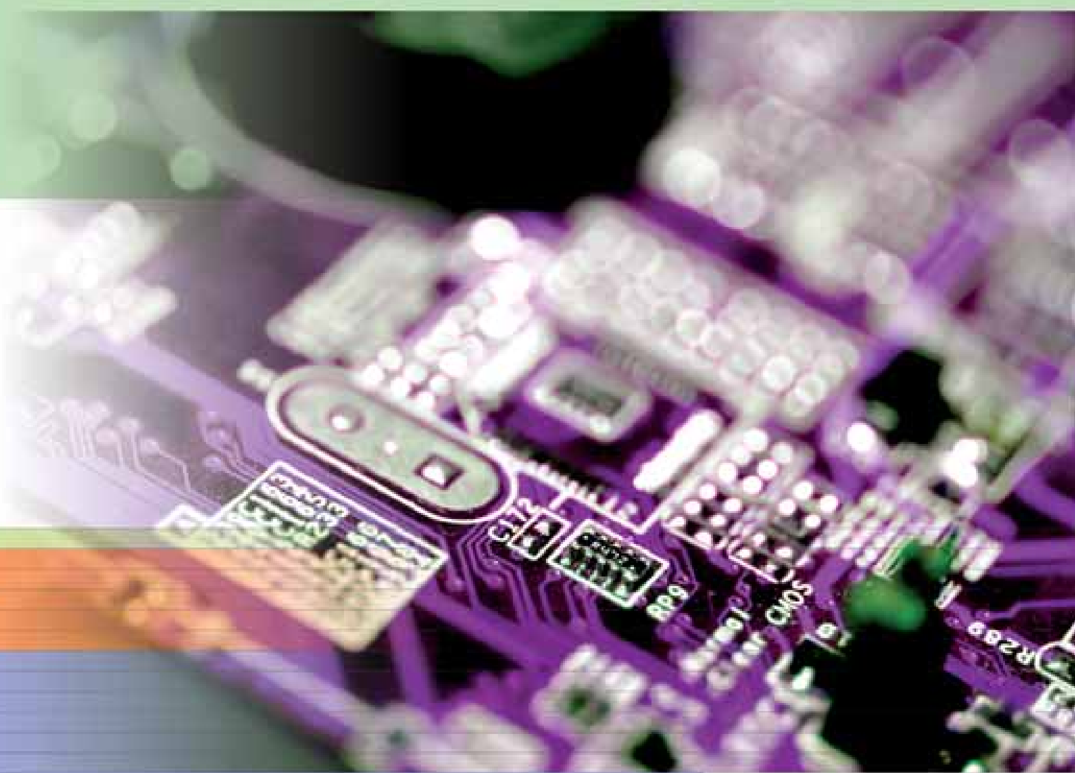
CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2008, the Group had no outstanding capital commitment (31 March 2007: nil). Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2008 amounted to HK$77.3 million (31 March 2007: HK$90.6 million) and the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 31 March 2008, the Group employed 2,066 employees, of which 73 were based in Hong Kong and Macao while the rest were mainly in Mainland China. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the individual and company performance. In addition to salaries and other usual benefits like annual leave, medical insurance and various mandatory pension schemes, the Group also provides educational sponsorship subsidies, discretionary performance bonus and share options. A share option scheme was adopted on 17 September 2002 which is valid and effective for a period of 10 years from the adoption date, detailed of which are specified in the Section "Share Option Scheme" on page 25.

Good Quality



DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTOR

Mr. NG Chi Ho, aged 58, is the founder, Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategy, strategic planning and development, and overall management of the Group. Mr. Ng has over 31 years of management experience in the electronics industry and has been a lecturer in electronic engineering at the Hong Kong Polytechnic University for 4 years. Mr. Ng holds a bachelor degree in science from the Chinese University of Hong Kong and a master of philosophy degree in computer engineering from the University of Hong Kong. He is also a chartered engineer, a fellow of the Institution of Engineering and Technology, UK and a fellow of the Hong Kong Institute of Directors. In addition, Mr. Ng is a Director of the Applied Research Council, the HKSAR Government, Vice Chairman of Hong Kong Electronic Industries Association Limited ("HKEIA") and the Chairman of the Technology and Application Sub-Committee of the HKEIA.

Mr. MA Fung On, aged 50, is the Deputy Chairman of the Group. Mr. Ma is responsible for the Group's overall strategic planning and policies, as well as overseeing the personnel and administration of the Group. Mr. Ma has worked with the Group for more than 15 years and has over 26 years of experience in the electronics industry. He graduated from the Hong Kong Polytechnic University with a higher diploma in electronic engineering.

Mr. WONG Wai Lik, Lamson, aged 44, is the Executive Director of the Group. He is in charge of the plastic division and the overall manufacturing operations of the Group. Mr. Wong graduated from the Hong Kong Polytechnic University with a higher diploma in production and industrial engineering. He joined the Group in 1992 and has over 21 years of experience in production operations and supervision.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. WONG Sook Leung, Joshua, aged 69, is an independent non-executive Director of the Group. Mr. Wong is presently the Professor Emeritus of the Hong Kong Polytechnic University. He has over 35 years of working experience with tertiary educational institutions including 28 years with the Hong Kong Polytechnic University of which 6 years as the vice president, 2 years as the senior consultant and chair professor in electronic and information engineering department and 16 years as the head of electronic engineering department. Prior to joining the Hong Kong Polytechnic University, he was an associate professor of California State University at Los Angeles, the US from 1968 to 1974. In addition, he was the president of the Hong Kong Association for the Advancement of Science and Technology in 1988/89. Mr. Wong is currently Chairman of the Semiconductor Industries Group in Hong Kong. Mr. Wong obtained his bachelor degree of science in engineering from the University of Hong Kong and his doctor of philosophy degree from Leeds University, UK. He is also a chartered engineer, a fellow of the Institution of Engineering and Technology, UK and a fellow of the Hong Kong Institution of Engineers.

Mr. MURASE Hiroshi, aged 70, is an independent non-executive Director of the Group. Mr. Murase is currently an adviser of Yamato International Inc., Japan. He has over 40 years of working experience in Japanese corporations including 34 years with Mitsubishi Corporation, Japan, of which about 13 years he worked in management as a general manager or at higher levels. Mr. Murase also has 14 years' experience working outside Japan including 6 years as manager of the New York Office of Mitsubishi International Corporation, 4 years as general manager of the Foods Department of the London Office of Mitsubishi Corporation, and 4 years as president of Mitsubishi Corporation do Brazil, overseeing Mitsubishi Corporation's business in South America. In addition, Mr. Murase was the senior managing director of Asahimatsu Food Co. Limited from 1995 to 2000. Mr. Murase graduated from Kobe University, Japan with a bachelor degree in business administration.

Mr. LEUNG Yu Ming, Steven, aged 49, is an independent non-executive Director of the Group. Mr. Leung holds a master degree in Accounting from Charles Sturt University in Australia and a bachelor degree in social science from the Chinese University of Hong Kong. Mr. Leung is an associate member of The Institute of Chartered Accountants in England and Wales, a certified practising accountant of CPA Australia and a fellow member of The Association of Chartered Certified Accountants in the UK, the Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong respectively. Mr. Leung is also a practising certified public accountant in Hong Kong. Mr. Leung previously worked in Nomura International (Hong Kong) Limited as an Assistant Vice President in the International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation since 1990. He is now the senior partner of a certified public accountants firm. Mr. Leung has over 23 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is also an independent non-executive director of C C Land Holdings Limited, The Cross Harbour (Holdings) Limited, Y.T. Realty Group Limited and Yugang International Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

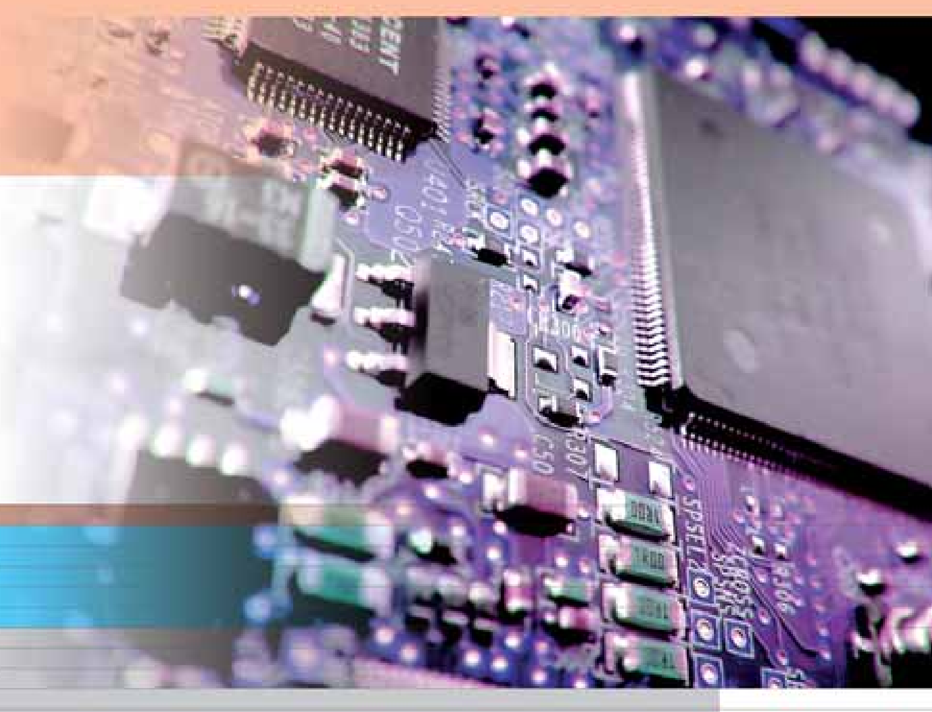
Mr. LEE Yiu Cheung, Alex, aged 51, is the Chief Financial Officer and Qualified Accountant of the Group. Mr. Lee is responsible for overseeing the corporate and financial matters of the Group. Mr. Lee is a practising certified public accountant in Hong Kong. He is also an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Lee joined the Group in early 2005 and has over 28 years of experience in corporate finance, accounting and auditing. Before joining the Group, he worked for a blue chip listed company in Hong Kong for over 17 years in a senior executive position. Mr. Lee graduated from the Hong Kong Polytechnic University with a higher diploma in accountancy. Mr. Lee is the brother-in-law of Mr. Ng Chi Ho, the Chairman and Managing Director of the Group.

Mr. KONG Ka Kong, Kenneth, aged 39, is the General Manager of the pet products division of the Group and is responsible for sale and marketing and co-ordinates the overall operation of the division. He joined the Group in 1991 and has over 14 years of experience in the pet industry. Mr. Kong holds a master degree of Business from University of Newcastle.

Ms. WONG Sin, Kathy, aged 38, is the General Manager of the networking products division of the Group and is responsible for overseeing the overall operation of the division. Ms. Wong holds a master degree in EMBA from Shanghai Jiao Tong University in Mainland China. She joined the Group in 2002 and has over 15 years of experience in the electronics manufacturing industry.

Mr. YEUNG Wai Hung, Jimmy, aged 39, is the General Manager of the EMS division of the Group. Mr. Yeung joined the Group in 2002 and is responsible for sale and marketing and co-ordinates the overall operation of the division. Mr. Yeung graduated from the Hong Kong Polytechnic University with a higher diploma in manufacturing engineering and has over 15 years of experience in electronics industry.

Advanced Technology



CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") is committed to maintain a high standard of corporate governance practices as set out in the Code of Corporate Governance Practice (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In the opinion of Board, the Company has applied the principles and complied with the CG Code except CG Code A.2.1 in respect of the roles of Chairman and Chief Executive Officer should be separate.

CG Code A2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Up to the date of this report, the Group does not have a separate Chairman and Chief Executive Officer and Mr. Ng Chi Ho currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. Going forward, the Group will periodically review the effectiveness of this arrangement and considers appointing an individual as Chief Executive Officer when it thinks appropriate.

Save the abovementioned deviation, none of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for the year under review, in compliance with the code provisions set out in the CG Code.

BOARD OF DIRECTORS

The Group's overall management is vested in its board of directors, which now comprises six members, coming from diverse businesses and professional backgrounds. The Board consisted of three executive directors, namely Mr. Ng Chi Ho (Chairman), Mr. Ma Fung On (Deputy Chairman) and Mr. Wong Wai Lik, Lamson and three independent non-executive directors ("INED") Professor Wong Sook Leung, Joshua, Mr. Murase Hiroshi and Mr. Leung Yu Ming, Steven (collectively the "Directors"). There is no financial, business or family relationship between the Directors. The principal functions of the Board are to supervise the group's business and affairs; to review the Group's financial performance; to review the Group's systems of internal control; to approve the strategic plans, investment and funding decision. For the financial reporting accountability, the Board has the ultimate responsibility for preparing the financial statements. When the Directors are aware of any events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, such events or conditions will be clearly set out and discussed in this Corporate Governance Report.

The Company has complied with Rules 3.10 (1) and (2) of the Listing Rules relating to the appointment of at least three INEDs among whom one has to have appropriate professional qualifications, or accounting of related finance management expertise. The role of INED is to bring an independent and objective view to the Board's deliberations and decisions. The Company has received from each of the INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

The Board meets at least four times annually to review business development and overall strategic policies. The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular board meeting. At least 14 days notice of a regular board meeting is given to all directors to give them the opportunity to attend. Board papers are dispatched to the directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The Board conducted a review of the Group's internal control system for the year ended 31 March 2008. The Board assessed the effectiveness of internal control by considering reviews performed by the Audit Committee, executive management and the independent auditors' management letters, if any.

BOARD OF DIRECTORS *(Continued)*

The attendance record of the Board meeting during the year is as follow:

Number of meetings	**4**
Name of directors	**Meeting attended**
Mr. Ng Chi Ho *(Chairman)*	4
Mr. Ma Fung On *(Deputy Chairman)*	4
Mr. Wong Wai Lik, Lamson	4
Professor Wong Sook Leung, Joshua	4
Mr. Murase Hiroshi	4
Mr. Leung Yu Ming, Steven	4

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). The financial reporting responsibilities of the independent auditor are set out on page 33 of this annual report.

During the year, remuneration of approximately HK$1,550,000 was payable to PwC for the provision of audit services. In addition, approximately HK$361,600 was payable to PwC for other non-audit services. The non-audit services mainly consist of tax compliance and other services.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs. The Chairman of the Audit Committee is Professor Wong Sook Leung, Joshua. The meetings of the Audit Committee are held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meetings may also be held by the Committee from time to time to discuss special projects or other issues of which the Committee considers necessary.

The main duties of the Committee are as follows:

– To consider the appointment of the independent auditors, the audit fee, and any questions of resignation or dismissal of the independent auditors;

– To discuss with the independent auditors the nature and scope of the audit;

– To review the half-year and annual financial statements before submission to the Board;

– To discuss problems and reservations arising from the interim review and final audit, and any matters the independent auditors may wish to discuss;

– To review the independent auditors' management letter and the management's response;

– To review the Group's internal control system;

– To consider the major findings of any internal investigation and the management's response;

– To consider other matters, as defined or assigned by the Board from time to time.

AUDIT COMMITTEE *(Continued)*

The attendance record of the Audit Committee meetings during the year is as follows:

Number of meeting	**2**
Member of Audit Committee	**Meeting attended**
Professor Wong Sook Leung, Joshua	2
Mr. Murase Hiroshi	2
Mr. Leung Yu Ming, Steven	2

During the year, the Audit Committee reviewed the fiscal year 2006/2007 annual report and fiscal year 2007/2008 interim report, reviewed and discussed the financial results and internal control system of the group, conducted discussions with the independent auditors on financial reporting, compliance, and reported all relevant matters to the Board.

The Audit Committee has also reviewed the fiscal year 2007/2008 annual report in a meeting held on 11 July 2008.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three INEDs and is currently chaired by Professor Wong Sook Leung, Joshua. No director or senior executive will be involved in any discussion in connection with his or her own remuneration. The meeting of the Remuneration Committee shall normally be held not less than once a year

The Committee's principal responsibilities are reviewing remuneration packages of directors and senior management and make recommendations to the Board on the remuneration structure. It also reviews and guides the formulation of the Group's performance related pay schemes. Term of reference which described the authority and duties of the Remuneration Committee was adopted by the Board on August 2005 and the contents of which are in compliance with the Code Provisions of the CG Code.

The attendance record of the Remuneration Committee meeting during the year is as follow:

Number of meeting	**2**
Member of the Remuneration Committee	**Meeting attended**
Professor Wong Sook Leung, Joshua	2
Mr. Murase Hiroshi	2
Mr. Leung Yu Ming, Steven	2

During the year, the Remuneration Committee reviewed the remuneration of the executive directors and independent non-executive directors.

NOMINATION COMMITTEE

The Nomination Committee comprises three INEDs and is currently chaired by Professor Wong Sook Leung, Joshua. The meeting of the Nomination Committee shall normally be held not less than once a year. The Committee will identify qualified candidates to fill the Board membership whenever such vacancy arises. It will nominate such candidates for the Board to consider, and regularly review the composition of the Board as well as make suggestions as to any change that may be required.

The attendance record of the Nomination Committee meeting is as follow:

Number of meeting	**1**
Member of the Nomination Committee	**Meeting attended**
Professor Wong Sook Leung, Joshua	1
Mr. Murase Hiroshi	1
Mr. Leung Yu Ming, Steven	1

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group made specific enquiry of all directors as to whether they complied with the required standard set out in the Model Code (Appendix 10 of the Listing Rules) regarding their securities transactions. It was confirmed that there was full compliance. The relevant employee who, because of their office in the Group, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code.

INVESTOR RELATIONS

The Board recognizes the importance of maintaining effective communications with shareholders. In order to develop and maintain continuing relationship with the shareholders of the Company, the Company established various channels to facilitate and enhance communication:

(i) the annual general meeting provides a forum for the shareholders of the Company to raise comments and exchange views with the Board,

(ii) the company makes sure its website www.suga.com.hk contains the most current information, including annual reports, interim reports, announcements and press releases,

(iii) the management of the Group continually conducts meetings with investors, analysts and the media, and provides them with up-to-date and comprehensive information regarding the Company's development and answers to their queries.

REPORT OF THE DIRECTORS

The Directors would like to present to the shareholders their report and the audited financial statements of the Company and its subsidiaries (together, "the Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its principal subsidiaries are engaged in the research and development, manufacture and sale of electronic products. Details of the principal activities of the Group's subsidiaries are set out in note 8 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 26 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 37 of this annual report.

An interim dividend of HK1.0 cent per ordinary share was paid during the year. The Directors proposed the payment of a final dividend of HK3.0 cents per ordinary share for the year ended 31 March 2008. Total dividend for the year ended 31 March 2008 amounted to HK4.0 cents per ordinary share. The proposed final dividend, if approved at the forthcoming Annual General Meeting of the Company to be held on 28 August 2008 is expected to be paid on or before 12 September 2008 to shareholders of the Company whose names appear on the Register of Shareholders of the Company on 28 August 2008, and for the purpose of determining the entitlements of the shareholders, the Register of Shareholders of the Company will be closed from 25 August 2008 to 28 August 2008, both days inclusive.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the note 23 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set out in notes 21 and 22 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2008 calculated under Company Act of Bermuda amounted to HK$73,849,000 (2007: HK$70,949,000).

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its shares during the year. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$172,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group is set out in note 5 to the consolidated financial statements.

BANK BORROWINGS

Particular of bank borrowings as at 31 March 2008 are set out in note 17 to the consolidated financial statements.

RETIREMENT SCHEMES

Particulars of retirement schemes are set out in note 37 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 90 of this annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. NG Chi Ho *(Chairman)*
Mr. MA Fung On *(Deputy Chairman)*
Mr. WONG Wai Lik, Lamson

Independent Non-executive Directors

Professor WONG Sook Leung, Joshua
Mr. MURASE Hiroshi
Mr. LEUNG Yu Ming, Steven

At the forthcoming annual general meeting, Mr. Ng Chi Ho and Professor Wong Sook Leung, Joshua will retire by rotation in accordance with Bye-law 111 of the Company's Bye-laws and being eligible, offer themselves for re-election.

Each of independent non-executive directors is appointed for a term of one year.

Each of Mr. Ng Chi Ho and Mr. Wong Wai Lik, Lamson, both being executive Directors of the Company has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 September 2002 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Mr. Ma Fung On , an executive Director, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 April 2004 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Save as disclosed above, none of the directors proposed for re-election 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.

SHARE OPTION SCHEME

The Company has a share option scheme adopted on 17 September 2002 (the "Share Option Scheme"), under which it may grant options to eligible participants (including Directors of the Company) to subscribe for shares in the Company.

Principal terms of the Share Option Scheme are as follows:–

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, Directors and other selected participants for their contributions to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth of the Group.

2. Eligible participants of the Share Option Scheme

Eligible participants of the Share Option Scheme include:

(a) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;

(b) any non-executive directors (including independent non-executive directors) of the Company, and of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any joint venture partner or counter-party to business operations or business arrangements of the Group.

3. Total number of Shares available for issue

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not exceed 10% of the issue share capital of the Company. The 10% limit was refreshed by ordinary resolution pass by the shareholders at the annual general meeting held on 28 August 2007 which enabled the grant of further options to subscribe up to 23,044,000 shares.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 36,544,000 shares (including options for 13,500,000 shares that have been granted but not yet lapsed or exercised), which represented 15.83% of the issued share capital of the Company.

SHARE OPTION SCHEME *(Continued)*

4. Maximum entitlement of each participant

The total number of share issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to shareholders' approval in general meeting with such participant and his or her associates abstaining from voting.

Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital in issue for the time being and with a value in excess of HK$5 million must be approved by shareholders of the Company.

5. Basis of determining the subscription price

The subscription price for shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotations on the date of the offer of grant; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

6. Exercise period of an option

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date upon which the offer for the grant of the option is accepted but shall end on any event not later than 10 years from the date of the offer of the grant of the option.

7. Time and payment on acceptance

An option must be accepted by a participant within 21 days from the date of the offer of the grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

8. Minimum period and performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

9. Remaining life of the Share Option Scheme

Subject to earlier termination by the Company in general meeting, the Share Option Scheme shall be valid and effective till 16 September 2012. After the expiry of such valid period, no further options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

SHARE OPTION SCHEME *(Continued)*

9. Remaining life of the Share Option Scheme *(Continued)*

Details of the share option movements during the year ended 31 March 2008 under the Scheme Option Scheme are as follows:–

	Number of share options							
	Outstanding at 1 April 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 March 2008	Exercise price	Date of grant	Exercisable period
Mr. Ng Chi Ho	2,000,000	–	–	–	2,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Mr. Ma Fung On	1,070,000	–	–	–	1,070,000	1.230	5 May 2003	5 May 2003 – 4 May 2008
	1,000,000	–	–	–	1,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000	–	–	–	2,000,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Mr. Wong Wai Lik, Lamson	1,300,000	–	–	–	1,300,000	1.230	5 May 2003	5 May 2003 – 4 May 2008
	1,000,000	–	–	–	1,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000	–	–	–	2,000,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Professor Wong Sook Leung, Joshua	500,000	–	–	–	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Mr. Murase Hiroshi	500,000	–	–	–	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Employees	2,410,000	–	–	300,000	2,110,000	1.230	5 May 2003	5 May 2003 – 4 May 2008
	800,000	–	–	–	800,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	4,100,000	–	900,000 (Note 1)	–	3,200,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Others	1,800,000 (Note 2)				1,800,000	1.230	5 May 2003	5 May 2003 – 4 May 2008
	500,000 (Note 3)				500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	20,980,000	–	900,000	300,000	19,780,000			

Notes:

1. During the financial year, the weighted average closing price of the Company's share immediately before the date (19 April 2007) on which 300,000 share options were exercised was HK$0.526. The weighted average closing price of the Company's share immediately before the date (12 June 2007) on which 200,000 share options were exercised was HK$0.602. The weighted average closing price of the Company's share immediately before the date (23 July 2007) on which 300,000 share options were exercised was HK$0.758. The weighted average closing price of the Company's share immediately before the date (20 February 2008) on which 100,000 share options were exercised was HK$0.533.

2. The 1,800,000 share options are held by Mr. Fung Chi Leung, Mark who resigned as director of the Company on 31 October 2004.

3. The 500,000 share options are held by Mr. Kyle Arnold Shaw, Jr. who resigned as non-executive director of the Company on 31 October 2005.

SHARE OPTION SCHEME *(Continued)*

9. Remaining life of the Share Option Scheme *(Continued)*

Details of the share option movements during the period from 1 April 2008 to 22 July 2008 under the Scheme Option Scheme are as follows:–

	Number of share options							
	Outstanding at 1 April 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 22 July 2008	Exercise price	Date of grant	Exercisable period
Mr. Ng Chi Ho	2,000,000	–	–	–	2,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Mr. Ma Fung On	1,070,000	–	–	1,070,000	–	1.230	5 May 2003	5 May 2003 – 4 May 2008
	1,000,000	–	–	–	1,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000				2,000,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Mr. Wong Wai Lik, Lamson	1,300,000	–	–	1,300,000	–	1.230	5 May 2003	5 May 2003 – 4 May 2008
	1,000,000	–	–	–	1,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000				2,000,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Professor Wong Sook Leung, Joshua	500,000	–	–	–	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Mr. Murase Hiroshi	500,000	–	–	–	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Employees	2,110,000	–	–	2,110,000	–	1.230	5 May 2003	5 May 2003 – 4 May 2008
	800,000	–	–	–	800,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	3,200,000		–		3,200,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Others	1,800,000 (Note 1)	–	–	1,800,000	–	1.230	5 May 2003	5 May 2003 – 4 May 2008
	500,000 (Note 2)				500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	19,780,000	–	–	6,280,000	13,500,000			

Notes:

1. The 1,800,000 share options are held by Mr. Fung Chi Leung, Mark who resigned as director of the Company on 31 October 2004.

2. The 500,000 share options are held by Mr. Kyle Arnold Shaw, Jr. who resigned as non-executive director of the Company on 31 October 2005.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2008, the interests and the short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such positions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:–

Long position

(a) Interests in shares and underlying shares of the Company

	Number of ordinary share of HK$0.1 each							
Name of Director	**Personal interests**	**Corporate interests**	**Family interests**	**Trust/ similar interests**	**Other interests**	**Total interests**	**Percentage of issued ordinary share capital**	**Number of underlying shares held under equity derivatives** (Note 1)
Mr. Ng Chi Ho	4,000,000	39,608,000 (Note 2)	100,000,000 (Note 3)	–	–	143,608,000	62.21%	2,000,000
Mr. Ma Fung On	730,000	9,000,000 (Note 4)	–	–	–	9,730,000	4.22%	4,070,000
Mr. Wong Wai Lik, Lamson	500,000	–	–	–	–	500,000	0.22%	4,300,000
Professor Wong Sook Leung, Joshua	–	–	–	–	–	–	–	500,000
Mr. Murase Hiroshi	–	–	–	–	–	–	–	500,000

Notes:

1. These represent the interests in underlying shares in respect of the share opinions granted by the Company, the details of which are set out in the sub-section entitled "Share Option Scheme".

2. 39,608,000 shares are held by Billion Linkage Limited, the entire issued shares of which is held by Mr. Ng Chi Ho and his spouse in equal share.

3. 100,000,000 shares are held by Superior View Inc., the entire issued shares of which is ultimately held by Fidelitycorp Limited as the trustee of the C.H. Family Trust, the beneficiaries of which are the family members of Mr. Ng Chi Ho.

4. 9,000,000 shares are held by Global Class Enterprises Limited, the entire issued shares of which is held by Mr. Ma Fung On.

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Long position *(Continued)*

(b) *Interests in shares of the Company's associated corporation*

As at 31 March 2008, each of Mr. Ng Chi Ho and Mr. Ma Fung On held the following non-voting deferred shares of HK$1.0 each in Suga Electronics Limited, a wholly owned subsidiary of the Company:

Name of shareholder	**Number of non-voting deferred shares** (Note 1)
Mr. Ng Chi Ho (Note 2)	3,680,000
Mr. Ma Fung On (Note 2)	240,000

Notes:

1. These non-voting deferred shares have no voting rights, are not entitled to dividends, and are not entitled to any distributions upon winding up unless a sum of HK$10,000,000,000 per ordinary share has been distributed to the holders of ordinary shares.

2. The 4,000,000 non-voting deferred shares in Suga Electronics Limited are held as to 80% by Essential Mix Enterprises Limited and 20% by Broadway Business Limited. Mr. Ng Chi Ho and Mr. Ma Fung On hold 92% and 6% interests in each of Essential Mix Enterprises Limited and Broadway Business Limited respectively.

Save as disclosed above and under the "Share Option Scheme", none of the Directors of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations as defined in the SFO as at 31 March 2008.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company was materially interested, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

In the opinion of the Directors, there is no such competing business as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the following persons (not being a director or chief executive of the Company) had interests or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which have been recorded in the register kept by the Company pursuant to the section 336 of the SFO.

Long position

Name	Number of ordinary shares	Percentage of issued shares
Superior View Inc. (Note 1)	100,000,000	43.32%
Billion Linkage Limited (Note 2)	39,608,000	17.16%
Shaw, Kwei & Partners (Asia) Ltd (Note 3)	12,500,000	5.42%

Notes:

1. The entire issued share capital of Superior View Inc. is ultimately held by Fidelitycorp Limited as the trustee of the C.H. Family Trust, the beneficiaries of which are the family members of Mr. Ng Chi Ho.

2. The entire issued share capital of Billion Linkage Limited is held by Mr. Ng Chi Ho and his spouse in equal share and as such, Mr. Ng is deemed to be interested in all the shares held by Billion Linkage Limited under the SFO.

3. The interests in the 12,000,000 shares are held by Shaw, Kwei & Partners (Asia) Limited as a general partner of the Asian Value Investment Fund L.P. The entire issued share capital of Shaw, Kwei & Partners (Asia) Limited is held by Mr. Kyle Arnold Shaw, Jr.

Save as disclosed above, as far as is known to the Directors, there is no person, other than the Directors and chief executives of the Company, who has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision 2 and 3 of Part XV of the SFO as at 31 March 2008.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer for the year accounted for approximately 29.6% of the Group's total revenue and the five largest customers accounted for approximately 68.9% of the Group's total revenue. In addition, the largest supplier of the Group accounted for approximately 11.4% of the Group's purchases while the five largest suppliers of the Group accounted for approximately 23.0% of the Group's total purchases.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 18 to 21.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

INDEPENDENT AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offered themselves for re-appointment.

On behalf of the Board
Suga International Holdings Limited
NG Chi Ho
Chairman

Hong Kong, 22 July 2008

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF SUGA INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Suga International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 89, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 July 2008

BALANCE SHEETS

As at 31 March 2008

	Note	Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**65,195**	78,028	**–**	–
Land use rights	6	**4,458**	4,443	**–**	–
Goodwill	7	**1,059**	1,059	**–**	–
Investment in subsidiaries	8	**–**	–	**65,072**	65,072
Interest in an associate	9	**–**	–	**–**	–
Interest in a jointly controlled entity	10	**–**	–	**–**	–
Deferred tax assets	20	**3,106**	3,063	**–**	–
		73,818	86,593	**65,072**	65,072
Current assets					
Inventories	12	**139,664**	130,210	**–**	–
Trade and other receivables	13	**104,565**	119,902	**242**	193
Tax recoverable		**1,293**	577	**–**	–
Amounts due from subsidiaries	8	**–**	–	**86,382**	83,892
Amount due from a jointly controlled entity	10	**16,141**	–	**–**	–
Derivative financial instruments	14	**1,040**	–	**–**	–
Cash and cash equivalents	15	**64,868**	45,099	**1,346**	404
		327,571	295,788	**87,970**	84,489
Total assets		**401,389**	382,381	**153,042**	149,561
LIABILITIES					
Current liabilities					
Trade and other payables	16	**80,186**	76,058	**1,619**	1,431
Income tax payable		**14,266**	13,243	**–**	–
Bank borrowings	17	**19,404**	41,658	**–**	–
Finance lease liabilities	18	**81**	77	**–**	–
Bank advances for factored receivables	19	**6,777**	8,602	**–**	–
Derivative financial instruments	14	**1,875**	–	**–**	–
		122,589	139,638	**1,619**	1,431
Non-current liabilities					
Long term bank borrowings	17	**10,909**	–	**–**	–
Finance lease liabilities	18	**42**	123	**–**	–
Deferred tax liabilities	20	**2,853**	3,902	**–**	–
		13,804	4,025	**–**	–
Total liabilities		**136,393**	143,663	**1,619**	1,431

The notes on pages 40 to 89 are an integral part of these consolidated financial statements.

BALANCE SHEETS

As at 31 March 2008

	Note	Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital	21	**23,084**	22,994	**23,084**	22,994
Other reserves	23	**90,783**	78,442	**120,026**	119,806
Retained earnings	23				
– Proposed dividend		**6,925**	4,609	**6,925**	4,609
– Others		**144,204**	132,673	**1,388**	721
		264,996	238,718	**151,423**	148,130
Minority interests		**–**	–	**–**	–
Total equity		**264,996**	238,718	**151,423**	148,130
Total equity and liabilities		**401,389**	382,381	**153,042**	149,561
Net current assets		**204,982**	156,150	**86,351**	83,058
Total assets less current liabilities		**278,800**	242,743	**151,423**	148,130

NG Chi Ho
Director

MA Fung On
Director

The notes on pages 40 to 89 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	24	**707,711**	696,346
Cost of sales	27	**(614,878)**	(606,304)
Gross profit		**92,833**	90,042
Other income	25	**336**	465
Distribution and selling expenses	27	**(15,512)**	(15,558)
General and administrative expenses	27	**(53,425)**	(54,268)
		24,232	20,681
Finance income	28	**621**	1,205
Finance costs	28	**(3,226)**	(6,866)
Finance costs – net	28	**(2,605)**	(5,661)
Profit before income tax		**21,627**	15,020
Income tax expense	29	**(940)**	(2,967)
Profit for the year		**20,687**	12,053
Attributable to:			
Equity holders of the Company	30	**20,687**	12,053
Minority interests		**–**	–
		20,687	12,053
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic (HK cents)	31	**8.97**	5.29
– Diluted (HK cents)	31	**8.85**	5.25
Dividends	32	**9,239**	5,749

The notes on pages 40 to 89 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to the equity holders of the Company				
	Share capital HK$'000	**Other reserves** HK$'000	**Retained earnings** HK$'000	**Minority interest** HK$'000	**Total** HK$'000
Balance at 1 April 2006	22,794	69,879	126,184	–	218,857
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	7,144	–	–	7,144
Profit for the year	–	–	12,053	–	12,053
Total recognised income for the year ended 31 March 2007	22,794	77,023	138,237	–	238,054
Employee share option scheme expenses	–	932	–	–	932
Exercise of share options	200	487	185	–	872
Dividends paid	–	–	(1,140)	–	(1,140)
Balance at 31 March 2007	22,994	78,442	137,282	–	238,718
Balance at 1 April 2008	22,994	78,442	137,282	–	238,718
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	12,121	–	–	12,121
Profit for the year	–	–	20,687	–	20,687
Total recognised income for the year ended 31 March 2008	22,994	90,563	157,969	–	271,526
Exercise of share options	90	220	83	–	393
Dividends paid	–	–	(6,923)	–	(6,923)
Balance at 31 March 2008	23,084	90,783	151,129	–	264,996

The notes on pages 40 to 89 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	34	**45,109**	101,048
Hong Kong profits tax (paid)/refund		**(1,162)**	534
Mainland Chinese enterprise income tax paid		**(1,215)**	(706)
Net cash generated from operating activities		**42,732**	100,876
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,132)**	(3,842)
Proceeds from disposals of property, plant and equipment		**37**	–
Interest received		**621**	1,205
Net cash used in investing activities		**(3,474)**	(2,637)
Cash flows from financing activities			
Issuance of shares upon exercise of share options		**393**	872
New long-term bank loans		**18,182**	–
Repayment of long-term bank loans		**–**	(77,291)
New short-term bank loans		**–**	53,089
Repayment of short-term bank loans		**(28,700)**	(98,389)
Repayment of capital element of finance lease obligations		**(77)**	(946)
(Decrease)/increase in trust receipts bank loans		**(827)**	8,949
Interest paid		**(3,226)**	(6,866)
Dividends paid		**(6,923)**	(1,140)
Net cash used in financing activities		**(21,178)**	(121,722)
Net increase/(decrease) in cash and cash equivalents		**18,080**	(23,483)
Effect of changes in foreign exchange rates		**1,689**	5,683
Cash and cash equivalents, beginning of year		**45,099**	62,899
Cash and cash equivalents, end of year		**64,868**	45,099

The notes on pages 40 to 89 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Suga International Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda on 28 September 2001. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 September 2002.

The Company is an investment holding company. The Company and its subsidiaries (together, "the Group") are principally engaged in the research and development, manufacturing and sales of electronic products. The Group has operations mainly in Hong Kong, Mainland China and Macao.

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 July 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements comprise the consolidated and company balance sheets as at 31 March 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention, except that certain derivative financial instruments are stated at fair value as at the reporting date.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Standards, amendment and interpretations effective in 2007

HKFRS 7, "Financial Instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments. This Standard does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC)-Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC)-Int 10, "Interim Financial Reporting and Impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

HK(IFRIC)-Int 11, "HKFRS 2 – Group and Treasury Share Transactions", provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statement of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) *Standards, amendments and interpretations effective in 2007 but not relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HK(IFRIC)-Int 7, "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyper-inflationary Economies"; and

- HK(IFRIC)-Int 9, "Re-assessment of Embedded Derivatives".

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owners' changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 April 2009.

- HKAS 23 (Revised), "Borrowing Costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 April 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKFRS 8, "Operating Segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to Groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- HK(IFRIC)-Int 14, "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective from 1 January 2008). HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1 April 2008, but it is not expected to have any impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 April 2010.

- HKAS 32 and HKAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amendment require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

- HKFRS 3 (Revised) "Business Combinations" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 April 2010.

- HKFRS 2 Amendment "Share-based Payment – Vesting Conditions and Cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "Vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods but are not relevant to the Group's operations:

- HK(IFRIC)-Int 12, "Service Concession Arrangements" (effective from 1 January 2008). HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC)-Int 12 is not relevant to the Group's operations because none of the group companies provide public sector services.

- HK(IFRIC)-Int 13, "Customer Loyalty Programmes" (effective from 1 July 2008). HK(IRFIC)-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC)-Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in an associate includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet, investments in associates are stated at cost less provision for impairment losses (Note 2.7). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

(c) Jointly controlled entities

A jointly controlled entity is a joint venture in which the Group and other parties undertake an economic activity which is subject to jointly control and none of the participating parties has unilateral control over the economic activity. The Group's interests in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost less residual values over their estimated useful lives, as follows:

Buildings	37 – 42 years
Leasehold improvements	5 years
Plant and machinery	5 years
Furniture and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of an associate is included in investment in an associate. Separately recognised goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each geographical location in which it operates (Note 2.7).

2.7 Impairment of investments in subsidiaries, associates, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested at least annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

As at 31 March 2008, the Group's financial assets primarily comprise financial assets at fair value through profit or loss and loans and receivables.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and cash equivalents in the balance sheets.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in the income statement in the period in which they arise.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Current and deferred income tax *(Continued)*

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) Pension obligations

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. The assets of which are generally held in separate trustee-administrated funds. The pension plans are generally funded by payments from employees and by the Group.

For employees in Mainland China, the Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

For employees in Macao, the Group contributes to defined contribution retirement plan organised by government based on the amount as stipulated by the relevant rules and regulations. The Macao government undertakes to assume the retirement benefit obligations of all existing and future retired employees under the retirement plan and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Other benefits

Other directors' and employees' obligations are recorded as a liability and charged to the income statement when the Group is contractually obliged or when there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) *Sales of goods*

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products, the amount of sales can be reliably measured and it is probable that future economic benefits will flow to the entities.

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.19 Leases

(a) *Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged in the income statement on a straight-line basis over the period of the lease.

(b) *Finance lease*

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantee at inception, but performs a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

2.21 Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the date the derivative contracts are entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedged instrument, and if so, the mature of item being hedged.

As at 31 March 2008, the Group did not designate any derivatives as hedging instruments. Changes in fair values of derivatives that do not qualify for hedge accounting are being recognised in the income statement.

2.22 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders in case of final dividend and the Company's directors in case of interim dividend.

2.23 Contingent liability

A contingent liability is a possible obligation that arises from past events and 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. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign currency risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by core management team of the Group under directions from the Board of Directors.

(i) Foreign currency risk

The Group mainly operates in Hong Kong and Mainland China and most of its business transactions, assets and liabilities are principally denominated in HK dollars, U.S. dollars and Renminbi ("RMB"). Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign currency risk primarily with respect to RMB. Management will continue to monitor foreign currency exchange exposure and will take measures to minimise the currency translation risk. The Group also enters into certain forward foreign exchange contracts to hedge against foreign currency risk. The exchange rate of RMB to foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Mainland Chinese Government.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(i) Foreign currency risk (Continued)

As at 31 March 2008 and 2007, if both HK dollars and US dollars strengthen/weakened by 5% against RMB with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of monetary assets and liabilities denominated in foreign currencies of the relevant group companies.

	2008 HK$'000	2007 HK$'000
Post-tax profit increase/(decrease)		
– Strengthen 5%	**(2,164)**	(895)
– Weakened 5%	**2,164**	895

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash and cash equivalents, details of which have been disclosed in Note 15. The Group's interest rate risk primarily relates to its bank borrowings. The Group currently does not have hedging policy in respect of the interest rate risk. However, management monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

The Group has no fixed interest rate borrowings, as such the Group does not have any fair value interest rate risk.

At 31 March 2008, if the interest rates on bank borrowings had been 50 basis points higher/lower than the prevailing interest rate, with all other variables held constant, post-tax profit for the year would have been HK$152,000 (2007: HK$208,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank borrowings.

(iii) Credit risk

Credit risk is managed on a group basis. The Group's financial assets are trade and other receivables, derivative financial instruments, amount due from a jointly controlled entity and cash at banks. The amounts of those assets stated in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is concentrated on a number of major and long established customers. Trade receivables from the top five customers amounted to approximately 70% of the Group's total trade receivables. The Group has policies in place to ensure that sales are made to customers with appropriate credit history and to limit the amount of credit exposure to individual customer. The Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's past experience in collection of trade receivables falls within the recorded allowances. In order to minimise credit risk to the Group, the Group has certain non-recourse factoring arrangement with banks to cover the credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Transactions in relations to derivative financial instruments are only carried out with financial instrument of high reputations. The Group has policies that limit the amount of credit exposure to any one financial institution.

For balance due from the jointly controlled entity and subsidiaries, the Group regularly monitors the financial positions of those companies to access their recoverability.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The Group manages its liquidity risk by controlling the level of inventories, closely monitoring the turnover days of receivables, monitoring its working capital requirements and keeping credit lines available.

Management monitors rolling forecast of the Group's bank facilities and cash and cash equivalents on the basis of expected cash flows.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
2008			
Trade payables	**70,601**	**–**	**–**
Other payables and accruals	**9,585**	**–**	**–**
Borrowings	**19,404**	**7,452**	**3,654**
Finance lease liabilities	**81**	**42**	**–**
Bank advances for factored receivables	**6,777**	**–**	**–**
Derivative financial instruments	**1,875**	**–**	**–**
	108,323	**7,494**	**3,654**
2007			
Trade payables	65,361	–	–
Other payables and accruals	10,697	–	–
Borrowings	41,658	–	–
Finance lease liabilities	77	81	42
Bank advances for factored receivables	8,602	–	–
	126,395	81	42

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder's return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings (including bank borrowings and bank advances for factored receivables) divided by equity holders' equity as shown in the consolidated balance sheet.

	2008 **HK$'000**	2007 HK$'000
Total bank borrowings	**30,313**	41,658
Bank advances for factored receivables	**6,777**	8,602
	37,090	50,260
Total equity	**264,996**	238,718
Gearing ratio	**14.0%**	21.1%

The decrease in the gearing ratio during the relevant periods resulted primarily from the decrease of bank borrowings during the year ended 31 March 2008.

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payable are reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience 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.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(b) Income taxes

The Group is subject to various taxes in a number of jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised when the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimate is changed.

(c) Estimated write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

(d) Estimated provision for impairment of trade receivables

The Group makes provision for impairment of trade receivables based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and impairment is recognised in the year in which such estimate has been changed.

5 PROPERTY, PLANT AND EQUIPMENT

	Group				
	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Total HK$'000
At 1 April 2006					
Cost	43,712	16,422	83,003	23,889	167,026
Accumulated depreciation	(4,142)	(10,633)	(43,544)	(14,592)	(72,911)
Net book amount	39,570	5,789	39,459	9,297	94,115
Year ended 31 March 2007					
Opening net book amount	39,570	5,789	39,459	9,297	94,115
Exchange differences	334	212	644	207	1,397
Additions	220	447	2,185	990	3,842
Disposals	–	(29)	(98)	(95)	(222)
Depreciation	(1,101)	(2,397)	(14,174)	(3,432)	(21,104)
Closing net book amount	39,023	4,022	28,016	6,967	78,028
At 31 March 2007					
Cost	44,272	17,386	84,714	25,227	171,599
Accumulated depreciation	(5,249)	(13,364)	(56,698)	(18,260)	(93,571)
Net book amount	39,023	4,022	28,016	6,967	78,028
Year ended 31 March 2008					
Opening net book amount	**39,023**	**4,022**	**28,016**	**6,967**	**78,028**
Exchange differences	**781**	**336**	**1,269**	**350**	**2,736**
Additions	**–**	**47**	**2,679**	**1,406**	**4,132**
Disposals	**–**	**–**	**–**	**(27)**	**(27)**
Depreciation	**(1,127)**	**(2,078)**	**(13,211)**	**(3,258)**	**(19,674)**
Closing net book amount	**38,677**	**2,327**	**18,753**	**5,438**	**65,195**
At 31 March 2008					
Cost	**45,088**	**18,805**	**91,929**	**27,741**	**183,563**
Accumulated depreciation	**(6,411)**	**(16,478)**	**(73,176)**	**(22,303)**	**(118,368)**
Net book amount	**38,677**	**2,327**	**18,753**	**5,438**	**65,195**

Depreciation expense of HK$13,410,000 (2007: HK$14,228,000) has been expensed in cost of sales, and HK$6,264,000 (2007: HK$6,876,000) has been expensed in general and administrative expenses.

5 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Net book value of machinery held under finance leases of the Group is as follows:

	2008 HK$'000	2007 HK$'000
Cost	**419**	419
Less: Accumulated depreciation	**(259)**	(175)
Net book value	**160**	244
Depreciation for the year	**84**	84

6 LAND USE RIGHTS

The Group's interests in land use rights represented prepaid operating lease payments and their movements and net book value are analysed as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Beginning of the year	**4,443**	4,505
Exchange differences	**145**	64
Amortisation	**(130)**	(126)
End of the year	**4,458**	4,443

	2008 HK$'000	2007 HK$'000
In Mainland China, held on leases of between 10 and 50 years	**4,458**	4,443

7 GOODWILL

Movements of goodwill during the year are as follows:

	HK$'000
Year ended 31 March 2007	
Net book amount at 1 April 2006 and 31 March 2007	1,059
At 31 March 2007	
Cost	1,059
Impairment charge	–
Net book amount	1,059
Year ended 31 March 2008	
Net book amount at 1 April 2007 and 31 March 2008	1,059
At 31 March 2008	
Cost	1,059
Impairment charge	–
Net book amount	1,059

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below.

	2008 HK$'000	2007 HK$'000
Telecommunication products in Mainland China	**1,059**	1,059

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

	Telecommunication
Gross margin	11%
Growth rate	3%
Discount rate	5%

The assumptions have been used for the analysis of the CGU within the business segment.

Management determined budgeted gross margin based on past performance and their expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Based on discounted cash flow forecast prepared by management, the directors are of the view that there is no impairment of goodwill as at 31 March 2008 and 2007.

8 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investment in subsidiaries

	Company 2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**65,072**	65,072

The Directors are of the opinion that the underlying value of investment in subsidiaries is not less than its carrying values as at 31 March 2008.

(b) Amounts due from subsidiaries

The balances due from subsidiaries are unsecured, non-interest bearing and repayable on demand. The carrying values of the amounts due from subsidiaries approximate their fair values.

(c) Details of the principal subsidiaries of the Company as at 31 March 2008 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ paid-up capital	Group equity interest 2008	Group equity interest 2007	Principal activities and place of operation
Suga International Limited *(vii)*	British Virgin Islands, limited liability company	Ordinary shares US$700	**100%**	100%	Investment holding in Hong Kong
Speedy Source Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Trading of electronic products in Hong Kong
Suga Electronics Limited *(i)*	Hong Kong, limited liability company	Ordinary shares HK$2 Non-voting deferred shares HK$4,000,000 *(i)*	**100%**	100%	Trading of electronic products in Hong Kong
Suga Electronics (Shenzhen) Co., Ltd. *(ii), (ix)*	Mainland China, limited liability company	HK$33,500,000	**100%**	100%	Manufacturing of electronic products in Mainland China
Suga Networks Hong Kong Limited	Hong Kong, limited liability company	Ordinary shares HK$100,000	**100%**	100%	Trading of networking devices in Hong Kong
Suga Networks Equipment (Shenzhen) Co. Ltd. ("SNESL") *(iii), (ix)*	Mainland China, limited liability company	HK$17,500,000	**100%**	100%	Manufacturing of networking devices in Mainland China

8 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

(c) Details of the principal subsidiaries of the Company as at 31 March 2008 are as follows: *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ paid-up capital	Group equity interest 2008	Group equity interest 2007	Principal activities and place of operation
Typhoon International Limited	British Virgin Islands, limited liability company	Ordinary shares US$1	**100%**	100%	Property holding in Mainland China
P&S Macao Commercial Offshore Limited	Macao, limited liability company	Ordinary shares MOP100,000	**100%**	100%	Trading of pet products in Macao
Pets & Supplies (Shenzhen) Co., Ltd. ("PSSL") *(iv), (ix)*	Mainland China, limited liability company	HK$10,000,000	**100%**	100%	Manufacture of pet products in Mainland China
Suga Digital Technology Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Design and trading of digital A/V products in Hong Kong
Net-Tech Products Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Trading of electronic products in Hong Kong
Net-Tech Products Pte. Limited	Singapore, limited exempt private company	Ordinary shares SGD20,000	**90%**	90%	Trading of electronic products in Singapore
Precise Computer Tooling Co., Limited	Hong Kong, limited liability company	Ordinary shares HK$500,000	**100%**	100%	Manufacture and trading of plastic parts in Hong Kong
Precise Plastic Injection (Shenzhen) Co., Ltd. ("PPISL") *(v), (ix)*	Mainland China, limited liability company	HK$5,600,000	**100%**	100%	Manufacture of plastic parts in Mainland China
Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Limited ("Nodic") *(vi), (ix)*	Mainland China, limited liability company	US$3,957,407	**100%**	100%	Manufacture of plastic parts in Mainland China

8 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

(c) Details of the principal subsidiaries of the Company as at 31 March 2008 are as follows: *(Continued)*

Notes:

(i) The non-voting deferred shares of Suga Electronics Limited are held by Essential Mix Enterprises Limited and Broadway Business Limited, which are owned by Mr. Ng Chi Ho and Mr. Ma Fung On, directors and beneficial shareholders of the Company. These non-voting deferred shares have no voting rights, are not entitled to dividends, and are not entitled to any distributions upon winding up unless a sum of HK$10,000,000,000 per ordinary share has been distributed to the holders of the ordinary shares.

(ii) Suga Electronics (Shenzhen) Co., Ltd. is a wholly foreign owned enterprise established in Mainland China with an approved period of operation of 20 years until June 2014.

(iii) SNESL is a wholly foreign owned enterprise established in Mainland China with an approved period of operation of 20 years until October 2022.

(iv) PSSL is a wholly foreign owned enterprise established in Mainland China with an approved period of operation of 20 years until April 2024.

(v) PPISL is a wholly foreign owned enterprise established in Mainland China with an approved period of operation of 20 years until September 2025.

(vi) Nodic is a wholly foreign owned enterprise established in Mainland China with an approved period of operation of 30 year until September 2020. As at 31 March 2008, approximately HK$15,932,000 (2007: HK$15,932,000) of the registered capital has not yet been paid up.

(vii) The shares of Suga International Limited are held directly by the Company. The shares of the other subsidiaries are held indirectly.

(viii) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2008.

(ix) All subsidiaries established in Mainland China have financial accounting year end dated on 31 December in accordance with the local statutory requirements, which is not coterminous with the Group. The consolidated financial statements of the Group were prepared based on the financial statements of these subsidiaries for the twelve months ended 31 March 2008.

9 INTEREST IN AN ASSOCIATE

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**–**	–

The Group's indirect interest in an associate, which is unlisted, is as follows:

Name	Particulars of issued shares held	Country of incorporation	Year	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Loss HK$'000	% Interest held
Modern Tech Limited	Ordinary shares HK$10,500,000 (2007: HK$ HK$10,500,000)	Hong Kong, limited liability company	2008	105	77	–	–	28.57%
			2007	105	77	10	546	28.57%

The accumulated losses not recognised by the Group for Modern Tech Limited were HK$546,000 (2007: HK$546,000).

10 INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group 2008 HK$'000	2007 HK$'000
Share of net assets (Note (a))	**–**	–
Amount due from a jointly controlled entity (Note (b))	**16,186**	–
Less: provision for impairment	**(45)**	–
	16,141	–

Notes:

(a) The Group's share of net assets of the jointly controlled entity represents the Group's cost of investment plus its share of results and reserves in the jointly controlled entity. Under the equity method of accounting, the Group's share of losses of the jointly controlled entity is restricted to the cost of investment. As at 31 March 2008, the Group's share of loss of the jointly controlled entity exceeded its cost of investment. Accordingly, the share of net assets of the jointly controlled entity is reported at nil value.

(b) The amount due from the jointly controlled entity is unsecured, non-interest bearing and repayable on demand. The carrying value of the amount due from the jointly controlled entity approximates its fair value.

The Group's indirect interest in a jointly controlled entity, which is unlisted, is as follows:

Name	Particulars of issued shares held	Country of incorporation	Year	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Loss HK$'000	% Interest held
Suga-AI Limited	Ordinary shares HK$2	Hong Kong, limited liability company	2008	10,723	10,768	35,765	40	50%
			2007	–	–	–	–	–

There are no contingent liabilities relating to the Group's interest in the jointly controlled entity, and no contingent liabilities exist in the jointly controlled entity itself.

The Group has not recognised losses amounting to HK$40,000 (2007: Nil) for Suga-AI Limited. The accumulated losses not recognised were HK$40,000 (2007: Nil).

11 FINANCIAL INSTRUMENTS BY CATEGORY

	Group Loans and receivables HK$'000	Assets at fair value through profit or loss HK$'000	Total HK$'000
Assets			
At 31 March 2008			
Trade and other receivables, excluding prepayments (Note 13)	**102,460**	**–**	**102,460**
Amount due from a jointly controlled entity (Note 10)	**16,141**	**–**	**16,141**
Derivative financial instruments (Note 14)	**–**	**1,040**	**1,040**
Cash and cash equivalents (Note 15)	**64,868**	**–**	**64,868**
	183,469	**1,040**	**184,509**
At 31 March 2007			
Trade and other receivables, excluding prepayments (Note 13)	118,684	–	118,684
Cash and cash equivalents (Note 15)	45,099	–	45,099
	163,783	–	163,783

	Other financial liabilities HK$'000	Liabilities at fair value through profit or loss HK$'000	Total HK$'000
Liabilities			
At 31 March 2008			
Trade and other payables (Note 16)	**80,186**	**–**	**80,186**
Bank borrowings (Note 17)	**30,313**	**–**	**30,313**
Finance lease liabilities (Note 18)	**123**	**–**	**123**
Bank advances for factored receivables (Note 19)	**6,777**	**–**	**6,777**
Derivative financial instruments (Note 14)	**–**	**1,875**	**1,875**
	117,399	**1,875**	**119,274**
At 31 March 2007			
Trade and other payables (Note 16)	76,058	–	76,058
Bank borrowings (Note 17)	41,658	–	41,658
Finance lease liabilities (Note 18)	200	–	200
Bank advances for factored receivables (Note 19)	8,602	–	8,602
	126,518	–	126,518

11 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Company		
	Loans and receivables HK$'000	Assets at fair value through profit or loss HK$'000	Total HK$'000
Assets			
At 31 March 2008			
Amount due from subsidiaries (Note 8)	**86,382**	**–**	**86,382**
Cash and cash equivalents (Note 15)	**1,346**	**–**	**1,346**
	87,728	**–**	**87,728**
At 31 March 2007			
Rental and other deposits (Note 13)	20	–	20
Amount due from subsidiaries (Note 8)	83,892	–	83,892
Cash and cash equivalents (Note 15)	404	–	404
	84,316	–	84,316

	Other financial liabilities HK$'000	Liabilities at fair value through profit or loss HK$'000	Total HK$'000
Liabilities			
At 31 March 2008			
Trade and other payables (Note 16)	**1,619**	**–**	**1,619**
At 31 March 2007			
Trade and other payables (Note 16)	1,431	–	1,431

12 INVENTORIES

	Group	
	2008 HK$'000	2007 HK$'000
Raw materials	**108,225**	98,136
Work-in-progress	**25,317**	23,639
Finished goods	**12,445**	12,662
	145,987	134,437
Less: Provision for impairment	**(6,323)**	(4,227)
	139,664	130,210

Certain inventories were held under trust receipts bank loan arrangements. The cost of inventories recognised as expense and included in cost of sales amounted to HK$535,839,000 (2007: HK$539,647,000).

The Group realised a loss of approximately HK$2,096,000 for the year ended 31 March 2008 (2007: write back of HK$1,177,000) in respect of write down of inventories to their net realisable value. These amounts have been included in cost of sales in the income statement.

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**98,038**	119,546	**–**	–
Less: Provision for impairment	**(10,156)**	(9,224)	**–**	–
Trade receivables, net	**87,882**	110,322	**–**	–
Prepayments	**2,105**	1,218	**242**	173
Rental and other deposits	**7,432**	6,089	**–**	20
Value added tax receivables	**6,512**	1,572	**–**	–
Others	**634**	701	**–**	–
	104,565	119,902	**242**	193

The carrying values of the Group's trade and other receivables approximate their fair values.

The ageing analysis of trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
0 to 30 days	**63,696**	98,840
31 to 60 days	**6,220**	4,941
61 to 90 days	**6,790**	1,950
91 to 180 days	**9,896**	4,416
Over 180 days	**11,436**	9,399
	98,038	119,546
Less: Provision for impairment	**(10,156)**	(9,224)
Trade receivables, net	**87,882**	110,322

The Group generally granted credit terms of 30 days to its customers.

13 TRADE AND OTHER RECEIVABLES *(Continued)*

As of 31 March 2008, trade receivable of HK$24,186,000 (31 March 2007: HK$11,482,000) were past due but not impaired. These relate to a number of independent customers who have no recent history of default. The ageing analysis of these receivables is as follows:

	2008 HK$'000	2007 HK$'000
31 to 60 days	**6,220**	4,941
61 to 90 days	**6,790**	1,950
91 to 180 days	**9,896**	4,416
Over 180 days	**1,280**	175
	24,186	11,482

As of 31 March 2008, trade receivable of HK$10,156,000 (31 March 2007: HK$9,224,000) were impaired. The individual impairment receivables are mainly related to customers which no longer have business relationship with the Group. The amount of provision was HK$10,156,000 as of 31 March 2008 (31 March 2007: HK$9,224,000). The impairment was firstly assessed individually for significant or long ageing balances, and the remaining balances were grouped for collective assessment according to their ageing and historical default rates as these customers were of similar credit risk. The ageing analysis of these impaired receivables is as follows:

	2008 HK$'000	2007 HK$'000
Over 180 days	**10,156**	9,224

Movements of the provision for impairment of trade receivables are as follows:

	2008 HK$'000	2007 HK$'000
At 1 April	**9,224**	8,665
Provision for receivable impairment	**1,188**	878
Unused amounts reversed	**(373)**	(319)
Receivables written off during the year as uncollectible	**(33)**	–
Others	**150**	–
At 31 March	**10,156**	9,224

As at 31 March 2008, the trade receivables from five customers accounted for approximately 70% (2007: 64%) of the total trade receivables. The Group's credit risk management is disclosed in Note 3 to the financial statements.

The carrying amount of trade receivables are denominated in the following currencies:

	Group	
	2008 HK$'000	2007 HK$'000
Hong Kong dollars	**8,809**	19,353
US dollars	**73,523**	86,073
Renminbi	**5,550**	4,896
	87,882	110,322

13 TRADE AND OTHER RECEIVABLES *(Continued)*

All trade receivables are either repayable within one year or on demand. During the year, the Group recognised a loss of HK$815,000 (2007: HK$559,000) for the impairment of its trade receivables. Such loss has been included in general and administrative expenses in the income statement.

As at 31 March 2008, a subsidiary of the Company had factored trade receivables of approximately HK$6,777,000 (2007: HK$8,602,000) (the "Factored Receivables") to banks for cash under certain receivables purchase agreements. As the subsidiary of the Company still retained the risks and rewards associated with the default and delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of trade receivables have been accounted for as the Group's liabilities and included in "Bank advances for factored receivables" (Note 19).

The Group was not aware of any credit risk on deposits, value added tax receivables and other receivables as their counterparties are either banks or government or corporation with good credit ratings. Majority of these financial assets are neither past due nor impaired with no history of default. The carrying amount of deposits, value added tax receivables and other receivables are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**1,474**	1,373	**–**	20
Renminbi	**13,104**	6,989	**–**	–
	14,578	8,362	**–**	20

The maximum exposure to credit risk at each reporting date is the fair value of each class of receivables as mentioned above. The Group does not hold any collateral as security.

14 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward foreign exchange contracts (Note (a))	**1,040**	**(1,051)**	–	–
Structured forward contract (Note (b))	**–**	**(824)**	–	–
	1,040	**(1,875)**	–	–

14 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes:

(a) The Group entered into several forward foreign exchange contracts which enable the Group to (i) buy an aggregate of US$2,500,000 for RMB; and (ii) sell an aggregate of US$2,500,000 for RMB at certain fixed rates at the maturity dates. These forward contracts will mature within one year. The Group accounted for these contracts as financial assets at fair value through profit or loss and fair value changes are recorded in general and administrative expenses (Note 27) in the income statement.

(b) The Group entered into a structured forward contract with a bank in January 2008 with several settlement dates (the "Structured Contract"). The total notional principal amount under the Structured Contract amounted to approximately US$4,000,000. The Structured Contract will expire in January 2009 and the net settlement receivables/payables from/to the bank are determined based on the spot rates of RMB against US dollars on the three settlement dates prior to expiry of the Structured Contract. The Group accounted for these contracts as financial assets at fair value through profit or loss and fair value changes are recorded in general and administrative expenses (Note 27) in the income statement.

The maximum exposure to credit risk as at 31 March 2008 is the fair value of the derivative assets in the consolidated balance sheet.

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are denominated in the following currencies:

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**9,540**	5,789	**198**	374
US dollars	**41,928**	26,965	**1,134**	10
Renminbi	**13,153**	11,430	**–**	5
Other currencies	**247**	915	**14**	15
	64,868	45,099	**1,346**	404

As at 31 March 2008, the effective interest rate on bank deposits was 3.5% (2007: 4.0%), these deposits have an average maturity of 8 days (2007: 11 days).

The conversion of bank balances and cash of the Group denominated in Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Mainland Chinese government.

16 TRADE AND OTHER PAYABLES

The ageing analysis of the trade payables is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 30 days	**55,082**	54,186	**–**	–
31 to 60 days	**6,108**	8,849	**–**	–
61 to 90 days	**1,963**	234	**–**	–
91 to 180 days	**4,882**	1,712	**–**	–
Over 180 days	**2,566**	380	**–**	–
Trade payables	**70,601**	65,361	**–**	–
Salaries and staff welfare payable	**4,871**	3,926	**–**	–
Accrued expenses	**2,816**	2,577	**1,611**	1,424
Value added tax payable	**–**	2,471	**–**	–
Others	**1,898**	1,723	**8**	7
	80,186	76,058	**1,619**	1,431

The fair values of the Group's trade and other payables approximate their carrying value.

The carrying amount of trade payables are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
Hong Kong dollars	**16,719**	20,865
US dollars	**50,217**	35,229
Renminbi	**3,665**	7,587
Other currencies	**–**	1,680
	70,601	65,361

The carrying amount of other payables are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**4,363**	3,533	**1,619**	1,431
Renminbi	**5,222**	7,164	**–**	–
	9,585	10,697	**1,619**	1,431

17 BANK BORROWINGS

	Group 2008 HK$'000	2007 HK$'000
Non-current		
Long-term bank borrowings	**18,182**	–
Less: current portion of long-term bank borrowings	**(7,273)**	–
	10,909	–
Current		
Trust receipt bank loans	**12,131**	12,958
Other bank borrowings	**–**	28,700
Current portion of long-term bank borrowings	**7,273**	–
	19,404	41,658
Total borrowings	**30,313**	41,658

The maturity of borrowings is as follows:

	Group					
	Trust receipt bank loans		Bank borrowings		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Within one year	**12,131**	12,958	**7,273**	28,700	**19,404**	41,658
In the second year	**–**	–	**7,273**	–	**7,273**	–
In the third year	**–**	–	**3,636**	–	**3,636**	–
	12,131	12,958	**18,182**	28,700	**30,313**	41,658

At 31 March 2008, the Group has aggregate banking facilities of approximately HK$438,704,000 (2007: HK$366,000,000) for overdrafts, loans and trade financing.

Unused facilities at the same date amounted to approximately HK$354,494,000 (2007: HK$266,562,000). Certain of these facilities are secured by:

(a) certain inventories held under trust receipt bank loans arrangements.

(b) corporate guarantee provided by the Company and certain of its subsidiaries.

In addition to the above, the Group has agreed to comply with certain restrictive financial covenants imposed by certain banks.

17 BANK BORROWINGS *(Continued)*

The effective interest rates at the balance sheet date were as follows:

	2008 HK$'000	2007 HK$'000
Trust receipt bank loans	**6.4%**	6.0%
Other bank borrowings	**5.0%**	6.1%

The carrying amounts of the borrowings approximate their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
Hong Kong dollars	**30,313**	39,200
US dollars	**–**	2,458
	30,313	41,658

18 FINANCE LEASE LIABILITIES

At 31 March 2008, the Group's finance lease liabilities were repayable as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**85**	85
In the second to fifth year	**42**	127
	127	212
Less: future finance charges on finance leases	**(4)**	(12)
	123	200
Less: current portion	**(81)**	(77)
	42	123

The present value of finance lease liabilities is as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**81**	77
In the second to fifth year	**42**	123
	123	200

19 BANK ADVANCES FOR FACTORED RECEIVABLES

The Group factored certain receivables to banks in exchange for cash. The transactions have been accounted for as bank advances for the year ended 31 March 2008. The factored receivables to banks and remained outstanding as at 31 March 2008 amounted to HK$6,777,000 (2007: HK$8,602,000).

The fair values of the Group's bank advances for factored receivables approximate their carrying values.

20 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Deferred income tax assets:		
– Deferred income tax asset to be recovered after more than 12 months	**(3,106)**	(3,063)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**2,853**	3,902

The movement in the net deferred income tax liabilities/(assets) account is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 April	**839**	497
(Credited)/charged in income statement (Note 29)	**(1,092)**	342
At 31 March	**(253)**	839

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation	
	2008	2007
Deferred income tax liabilities	**HK$'000**	HK$'000
At 1 April	**4,301**	4,572
Credited to income statement	**(1,448)**	(271)
At 31 March	**2,853**	4,301

20 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets	Tax losses 2008 HK$'000	2007 HK$'000
At 1 April	**(3,462)**	(4,075)
Charged to income statement	**356**	613
At 31 March	**(3,106)**	(3,462)

As at 31 March 2008, the Group has unrecognised tax losses of HK$26,103,000 (2007: HK$26,070,000) for Hong Kong profits tax purposes with no expiry date and unrecognised tax losses of HK$15,362,000 (2007: HK$16,683,000) for the Mainland Chinese enterprise income tax that will expire within five years.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. Further, pursuant to the Detailed Implementation Regulations issued by the State Council on 6 December 2007, a reduced tax rate of 15% will be granted to those high/new technology enterprises. The Group has assessed the impact of such new CIT Law and considers that there is no significant effect to the carrying value of deferred income tax balance as at 31 March 2008.

The State Council may issue further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions under the new CIT Law. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

21 SHARE CAPITAL

	Number of shares '000	Nominal value HK'000
Authorised – ordinary shares of HK$0.1 each	2,000,000	200,000
Issued and fully paid – ordinary shares of HK$0.1 each		
At 1 April 2006	227,940	22,794
Issue of shares upon exercise of share options (Note (a))	2,000	200
At 31 March 2007 and 1 April 2007	229,940	22,994
Issue of shares upon exercise of share options (Note (a))	900	90
At 31 March 2008	230,840	23,084

Note:

(a) During the year, 900,000 (2007: 2,000,000) ordinary shares of HK$0.1 each were issued upon the exercise of share options (Note 22).

22 SHARE OPTIONS

The Company adopted a share option scheme (the "Share Option Scheme") on 17 September 2002. Pursuant to the Share Option Scheme, the Company may grant share options to certain grantees (including directors and employees) of the Group to subscribe for shares in the Company. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30 per cent of the share capital of the Company in issue from time to time. The subscription price will be determined by the directors, and will not be less than the highest of the nominal value of the shares, the closing price of the shares quoted on the Stock Exchange on the trading day of granting the options and the average of the closing prices of the shares quoted on the Stock Exchange for the five trading days immediately preceding the date of granting the options.

Movements in the number of share options outstanding during the year are as follows:

	2008		2007	
	Average exercise price in HK$ per share	**Number of options '000**	Average exercise price in HK$ per share	Number of options '000
At 1 April	**0.923**	**20,980**	1.230	13,680
Granted	**–**	**–**	0.436	10,100
Exercised	**0.436**	**(900)**	0.436	(2,000)
Lapsed/cancelled	**1.230**	**(300)**	1.230	(800)
At 31 March		**19,780**		20,980

As at 31 March 2008 and 2007, all the outstanding options were fully vested and exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	**Exercise price** HK$	**Number of options** **2008** **'000**	2007 '000	**Vested percentages** **2008**	2007
Directors					
4 May 2008	1.230	**2,370**	2,370	**100%**	100%
6 May 2009	1.230	**5,000**	5,000	**100%**	100%
22 March 2012	0.436	**4,000**	4,000	**100%**	100%
Employees					
4 May 2008	1.230	**2,110**	2,410	**100%**	100%
6 May 2009	1.230	**800**	800	**100%**	100%
22 March 2012	0.436	**3,200**	4,100	**100%**	100%
Ex-directors					
4 May 2008	1.230	**1,800**	1,800	**100%**	100%
6 May 2009	1.230	**500**	500	**100%**	100%
		19,780	20,980		

No options were granted during the year ended 31 March 2008.

The fair value of options granted during the year ended 31 March 2007 determined using the binomial option pricing model was approximately HK$932,000. The significant inputs into the model were share price of HK$0.43 as at the grant date, exercise price as shown above, volatility of the share of 40%, expected life of options of five years, expected dividend yield of 3% and annual risk-free interest rate of 3.9%. The volatility measured at the standard deviation of expected share price returns is based on the historical volatility of the Company's share price over a period of 4 years before the date when the options were granted.

23 RESERVES

	Share premium HK$'000	Capital reserve (Note (a)) HK$'000	Group Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2006	53,515	10,591	–	5,773	126,184	196,063
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	7,144	–	7,144
Profit for the year	–	–	–	–	12,053	12,053
Dividends paid	–	–	–	–	(1,140)	(1,140)
Employee share option scheme expenses	–	–	932	–	–	932
Exercise of share options	672	–	(185)	–	185	672
At 31 March 2007	54,187	10,591	747	12,917	137,282	215,724
Representing:						
Proposed dividend					4,609	
Others					132,673	
					137,282	
At 1 April 2007	54,187	10,591	747	12,917	137,282	215,724
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	12,121	–	12,121
Profit for the year	–	–	–	–	20,687	20,687
Dividends paid	–	–	–	–	(6,923)	(6,923)
Exercise of share options	303	–	(83)	–	83	303
At 31 March 2008	**54,490**	**10,591**	**664**	**25,038**	**151,129**	**241,912**
Representing:						
Proposed dividend					6,925	
Others					144,204	
					151,129	

Note:

(a) The capital reserve of the Group comprises, among others, difference between the nominal value of the ordinary shares issued by the Company and the aggregate amount of the share capital and share premium of subsidiaries acquired through an exchange of shares pursuant to the Group's reorganisation in September 2002.

	Share premium HK$'000	Contributed surplus (Note (a)) HK$'000	Company Share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2006	53,515	64,872	–	416	118,803
Profit for the year	–	–	–	5,869	5,869
Dividends paid	–	–	–	(1,140)	(1,140)
Employee share option scheme expenses	–	–	932	–	932
Exercise of share options	672	–	(185)	185	672
At 31 March 2007	54,187	64,872	747	5,330	125,136
Representing:					
Proposed dividend				4,609	
Others				721	
				5,330	
At 1 April 2007	54,187	64,872	747	5,330	125,136
Profit for the year	–	–	–	9,823	9,823
Dividends paid	–	–	–	(6,923)	(6,923)
Exercise of share options	303	–	(83)	83	303
At 31 March 2008	**54,490**	**64,872**	**664**	**8,313**	**128,339**
Representing:					
Proposed dividend				6,925	
Others				1,388	
				8,313	

Note:

(a) Contributed surplus represents the difference between the nominal amount of the shares issued and the book value of the underlying net assets of subsidiaries acquired.

Under the Companies Act 1981 of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

24 REVENUE

The Group is principally engaged in the research and development, manufacture and sales of electronic products. Revenue recognised during the year are as follows:

	2008 HK$'000	2007 HK$'000
Sales of electronic products		
– consumer electronic appliances and other products	**555,518**	497,359
– telecommunication products	**152,193**	198,987
	707,711	696,346

25 OTHER INCOME

	2008 HK$'000	2007 HK$'000
Scrap sales	**336**	465

26 SEGMENT INFORMATION

(a) Primary reporting format – business segments:

The Group has categorised its business segment by product types into consumer electronic appliances and telecommunication products. An analysis of the Group's segment information by business segment is set out as follows:

	2008		
	Consumer electronic appliances and other products HK$'000	Telecom-munication products HK$'000	Total HK$'000
Total segment revenue	555,518	152,193	707,711
Segment results	20,826	3,070	23,896
Other income			336
Finance income			621
Finance costs			(3,226)
Income tax expense			(940)
Profit for the year			20,687
Segment assets	309,078	22,004	331,082
Unallocated assets			70,307
			401,389
Segment liabilities	75,008	11,955	86,963
Unallocated liabilities			49,430
			136,393
Other information			
Depreciation	18,929	745	19,674
Amortisation of land use rights	126	4	130
Capital expenditures	3,930	202	4,132

26 SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments: *(Continued)*

	2007		
	Consumer electronic appliances and other products HK$'000	Telecom-munication products HK$'000	Total HK$'000
Total segment revenue	497,359	198,987	696,346
Segment results	18,087	2,129	20,216
Other income			465
Finance income			1,205
Finance costs			(6,866)
Income tax expense			(2,967)
Profit for the year			12,053
Segment assets	271,915	61,727	333,642
Unallocated assets			48,739
			382,381
Segment liabilities	58,008	26,652	84,660
Unallocated liabilities			59,003
			143,663
Other information			
Depreciation	17,306	3,798	21,104
Amortisation of land use rights	116	10	126
Capital expenditures	3,511	331	3,842

Segment assets consist primarily of property, plant and equipment, land use rights, goodwill, inventories and receivables. They exclude deferred income tax assets, tax recoverable, prepayment, deposits and other receivables and operating cash.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 5) and land use rights (Note 6).

26 SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format – geographical segments:

An analysis of the Group's segment information by geographical segments is set out as follows:

(i) Analysis by revenue and segment results – by location of customers

	2008		2007	
	Revenue HK$'000	**Segment results HK$'000**	Revenue HK$'000	Segment results HK$'000
The United States of America	**235,857**	**19,059**	264,683	22,471
Asia Pacific Region (excluding Mainland China)	**357,665**	**2,029**	303,641	(5,212)
Mainland China	**30,505**	**663**	88,323	1,308
Europe	**83,684**	**2,145**	39,699	1,649
	707,711	**23,896**	696,346	20,216

(ii) Analysis by segment asset and capital expenditure – by location of assets

	2008		2007	
	Segment assets HK$'000	**Capital expenditures HK$'000**	Segment assets HK$'000	Capital expenditures HK$'000
Hong Kong	**188,876**	**303**	142,347	182
Mainland China	**169,554**	**3,760**	190,570	3,618
Macao	**42,959**	**69**	48,570	42
Singapore	**–**	**–**	894	–
	401,389	**4,132**	382,381	3,842

27 EXPENSES BY NATURE

Expenses included in cost of sales, distribution and selling expenses and general and administrative expenses are analysed as follows:

	2008 HK$'000	2007 HK$'000
Cost of inventories	**535,839**	539,647
Depreciation of property, plant and equipment		
– owned assets	**19,590**	21,020
– assets held under finance leases	**84**	84
Amortisation of land use rights	**130**	126
(Gain)/loss on disposals of property, plant and equipment	**(10)**	222
Operating lease rental of premises	**2,231**	2,128
Net foreign currency exchange loss	**1,704**	1,353
Staff costs, including directors' remuneration (Note 33)	**73,179**	69,711
Provision for impairment of amount due from a jointly controlled entity	**45**	–
Provision for impairment of trade receivables	**815**	559
Provision for/(write back of provision for) obsolete and slow-moving inventories (included in cost of sales)	**2,096**	(1,177)
Fair value loss on derivative financial instruments	**835**	–
Auditor's remuneration	**1,857**	1,453
Research and development cost	**3,134**	3,941
Other expenses	**42,286**	37,063
Total cost of sales, distribution and selling expenses and general and administrative expenses	**683,815**	676,130

28 FINANCE INCOME AND FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
– bank borrowings wholly repayable within five years	**(3,218)**	(6,839)
– finance lease liabilities	**(8)**	(27)
Finance costs	**(3,226)**	(6,866)
Finance income	**621**	1,205
Finance costs – net	**(2,605)**	(5,661)

29 INCOME TAX EXPENSE

(a) Bermuda and British Virgin Islands income tax

The Company is exempted from taxation in Bermuda until 2016. The Company's subsidiaries in the British Virgin Islands are incorporated under the International Business Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income taxes.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

(c) Mainland Chinese enterprise income tax

Suga Electronics (Shenzhen) Co., Ltd. ("SESL"), Suga Networks Equipment (Shenzhen) Co., Ltd. ("SNESL"), Pets & Supplies (Shenzhen) Co., Ltd ("PSSZ"), Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Ltd. ("Nodic") and Precise Plastic Injection (Shenzhen) Co., Ltd. ("PPISL") are subsidiaries established in Mainland China. Being enterprises established in the special economic zones of Mainland China, they are subject to Mainland Chinese enterprise income tax ("EIT") of 15% to 27% on their taxable income in accordance with the relevant Mainland Chinese tax laws and regulations in year 2007. With the effective of the new CIT Law from 1 January 2008, the general applicable Mainland China corporate income tax rate under the new CIT Law is 25%. Accordingly, all the Group's subsidiaries in Mainland China are subject to corporate income tax at 25% effective from 1 January 2008.

(d) Macao taxation

P&S Macao Commercial Offshore Limited is a subsidiary established in Macao and is exempted from Macao Complementary Tax (2007: Nil).

The amount of income tax charged to the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Current income tax:		
– Hong Kong profits tax	**2,102**	1,553
– Income tax outside Hong Kong	**597**	1,191
– Over-provision in prior years	**(667)**	(119)
Deferred income tax relating to the origination and reversal of temporary differences (Note 20)	**(1,092)**	342
	940	2,967

29 INCOME TAX EXPENSE *(Continued)*

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate in Hong Kong as follows:

	2008 **HK$'000**	2007 HK$'000
Profit before income tax	**21,627**	15,020
Calculated at a taxation rate of 17.5% (2007: 17.5%)	**3,785**	2,629
Effect of different income tax rates on income arising outside Hong Kong	**(53)**	(46)
Tax loss not recognised	**206**	2,093
Expenses not deductible for income tax purpose	**886**	2,147
Income not subject to income tax	**(3,217)**	(3,737)
Over-provision in prior years	**(667)**	(119)
Income tax expense	**940**	2,967

30 PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The profit attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of approximately HK$9,823,000 (2007: HK$5,869,000).

31 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**20,687**	12,053
Weighted average number of ordinary shares in issue ('000)	**230,604**	227,962
Basic earnings per share (HK cents)	**8.97**	5.29

31 EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is the share options granted to employees. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**20,687**	12,053
Weighted average number of ordinary shares in issue ('000)	**230,604**	227,962
Adjustments for share options ('000)	**3,105**	1,596
Weighted average number of ordinary shares for diluted earnings per share ('000)	**233,709**	229,558
Diluted earnings per share (HK cents)	**8.85**	5.25

32 DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim dividend, paid, of HK1.0 cents (2007: HK0.5 cents) per ordinary share	**2,314**	1,140
Final dividend, proposed, of HK3.0 cents (2007: 2.0 cents) per ordinary share	**6,925**	4,609
	9,239	5,749

At a meeting held on 22 July 2008, the directors proposed the payment of a final dividend of HK 3.0 cents per share for the year ended 31 March 2008. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of distributable reserves in the year ending 31 March 2009.

33 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Wages and salaries	**62,508**	59,827
Bonus	**1,939**	1,227
Unutilised annual leave	**108**	–
Pension costs – defined contribution plans	**1,193**	917
Social security costs	**915**	1,140
Staff welfare	**6,516**	5,668
Share-based compensation expenses	**–**	932
	73,179	69,711

(a) Directors' remuneration and senior management emoluments

The remuneration of every director for the year ended 31 March 2008 is set out below:

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Others HK$'000	Total emoluments HK$'000
Mr. Ng Chi Ho	**–**	**2,675**	**268**	**–**	**2,943**
Mr. Ma Fung On	**–**	**1,083**	**54**	**–**	**1,137**
Mr. Wong Wai Lik, Lamson	**–**	**1,069**	**53**	**–**	**1,122**
Professor Wong Sook Leung, Joshua	**200**	**–**	**–**	**–**	**200**
Mr. Murase Hiroshi	**150**	**–**	**–**	**–**	**150**
Mr. Leung Yu Ming, Steven	**150**	**–**	**–**	**–**	**150**

The remuneration of every director for the year ended 31 March 2007 is set out below:

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Others (Note) HK$'000	Total emoluments HK$'000
Mr. Ng Chi Ho	–	2,556	256	185	2,997
Mr. Ma Fung On	–	1,020	51	185	1,256
Mr. Wong Wai Lik, Lamson	–	984	49	185	1,218
Professor Wong Sook Leung, Joshua	200	–	–	–	200
Mr. Murase Hiroshi	150	–	–	–	150
Mr. Leung Yu Ming, Steven	150	–	–	–	150

Note: Others include share-based compensation expenses, which is based on the amount of share-based payment charged to the consolidated income statement during the last year. Refer to Note 22 for details.

33 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (2007: two individuals) during the year are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, allowances and other benefits in kind	**2,756**	2,590
Contribution to retirement scheme	**93**	90
Share-based compensation expenses	**–**	231
	2,849	2,911

The emoluments fell within the following bands:

	Number of individuals 2008	 2007
Emolument bands		
HK$Nil – HK$1,000,000	**1**	1
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**–**	1
	2	2

(c) No emoluments were paid to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the year. No directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

34 CASH GENERATED FROM OPERATIONS

Reconciliation of profit for the year to net cash generated from operations

	2008 HK$'000	2007 HK$'000
Profit for the year	**20,687**	12,053
– Income tax expense	**940**	2,967
– Depreciation of property, plant and equipment	**19,674**	21,104
– Amortisation of land use rights	**130**	126
– (Gain)/loss on disposals of property, plant and equipment	**(10)**	222
– Finance income	**(621)**	(1,205)
– Finance cost	**3,226**	6,866
– Share-based compensation expenses	**–**	932
– Fair value loss on derivative financial instruments	**835**	–
	44,861	43,065
Changes in working capital:		
– Inventories	**(1,265)**	34,485
– Trade and other receivables	**14,633**	53,212
– Amount due from a jointly controlled entity	**(16,141)**	–
– Trade and other payables	**3,021**	(29,714)
Cash generated from operations	**45,109**	101,048

35 FINANCIAL GUARANTEE

As at 31 March 2008, the Company had provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$415,182,000 (2007: HK$342,400,000). The facilities utilised by the subsidiaries as at 31 March 2008 amounted to HK$77,310,000 (2007: HK$90,636,000).

36 OPERATING LEASE COMMITTEES

At 31 March 2008, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Not later than one year	**1,527**	1,940
Later than one year and not later than five years	**774**	964
	2,301	2,904

37 EMPLOYEE RETIREMENT BENEFITS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"). The MPF Scheme is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees makes monthly contributions to the scheme at 5% to 10% of the employees' earnings as defined under the Mandatory Provident Fund legislation.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes approximately 7% to 12% of the basic salaries of its employees, and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

As stipulated by rules and regulations in Macao, the Group has arranged its Macao employees to join the government provident fund scheme ("the Macao Scheme"). The Group and its employees makes monthly contributions of MOP30 and MOP15, respectively, per month for each employee to the Macao Scheme, and had no further obligations for the actual payment of pensions or post-retirement benefits beyond the monthly contributions.

For the year ended 31 March 2008, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$2,108,000 (2007: HK$2,057,000).

38 RELATED PARTY TRANSACTIONS

(a) Except as otherwise stated, during the year, the Group has the following related party transactions:

	2008 HK$'000	2007 HK$'000
Technical consultancy fee paid to Micom Tech Limited (Note (i))	**–**	200
License fee paid to Micom Tech Limited (Note (i))	**–**	206
Sales of electronic products to an associate	**–**	226
Sales of electronic products to a jointly controlled entity	**60,715**	–
Management fee received from a jointly controlled entity	**90**	–

Notes:

(i) Mr. Ng Chi Ho, a director of the Company, holds interests and is a director of Micom Tech Limited.

(ii) In the opinion of the Directors, the above transactions were carried out in the normal course of the Group's business and conducted at terms mutually agreed by the respective parties.

38 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

Remuneration of key personnel management, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in Note 33, is as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other short-term employee benefits	**8,266**	7,935
Post-employment benefits	**502**	485
Share-based compensation expenses	**–**	821
	8,768	9,241

(c) Year-end balances with related parties

	2008 HK$'000	2007 HK$'000
Amount due from a jointly controlled entity	**16,141**	–

The terms of balances with related parties are disclosed in Note 10.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years is set out below:

	For the year ended 31 March				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK'000**
CONSOLIDATED RESULTS					
Revenue	600,911	591,424	771,968	696,346	**707,711**
Operating profit	48,660	26,289	14,569	20,681	**24,232**
Profit before income tax	46,282	21,810	3,431	15,020	**21,627**
Income tax expense	(2,376)	(2,593)	(2,082)	(2,967)	**(940)**
Profit for the year	43,906	19,217	1,349	12,053	**20,687**
Minority interest	(1,063)	9	–	–	**–**
Profit attributable to the equity holders of the Company	42,843	19,226	1,349	12,053	**20,687**

	As at 31 March				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK'000**
CONSOLIDATED ASSETS AND LIABILITIES					
Property, plant and equipment	66,598	77,382	94,115	78,028	**65,195**
Land use rights	–	2,987	4,505	4,443	**4,458**
Goodwill/negative goodwill	(9,263)	(9,543)	1,059	1,059	**1,059**
Deferred development cost	1,333	1,226	–	–	**–**
Interest in an associate	–	2,260	–	–	**–**
Unlisted investment	3,810	–	–	–	**–**
Deferred tax assets	412	2,515	3,489	3,063	**3,106**
Current assets	368,970	389,650	398,162	295,788	**327,571**
Current liabilities	(188,388)	(175,046)	(278,287)	(139,638)	**(122,589)**
Net current assets	180,582	214,604	119,875	156,150	**204,982**
Total assets less current liabilities	243,472	291,431	223,043	242,743	**278,800**
Bank borrowings	(35,522)	(77,292)	–	–	**(10,909)**
Finance lease liabilities	(3,573)	(1,145)	(200)	(123)	**(42)**
Deferred tax liabilities	(4,749)	(5,191)	(3,986)	(3,902)	**(2,853)**
Minority interests	–	–	–	–	**–**
Total equity	199,628	207,803	218,857	238,718	**264,996**