SUGA®

SUGA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 912

ANNUAL REPORT 2009/10

SYSTEMATIC MANAGEMENT
UNDERSTANDING OF CUSTOMERS' REQUIREMENTS
GOOD QUALITY
ADVANCED TECHNOLOGY

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

Dr. Ng Chi Ho *(Chairman)*
Mr. Ma Fung On *(Deputy Chairman)*
Mr. Wong Wai Lik, Lamson (resigned on 1 September 2009)

Non-executive

Mr. Lee Kam Hung (appointed on 1 September 2009)

Independent Non-executive

Professor Wong Sook Leung, Joshua
Mr. Leung Yu Ming, Steven
Mr. Chan Kit Wang

COMPANY SECRETARY

Mr. Huen Po Wah

AUDIT COMMITTEE

Professor Wong Sook Leung, Joshua
Mr. Leung Yu Ming, Steven
Mr. Chan Kit Wang

AUDITORS

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

22nd Floor
Tower B
Billion Centre
1 Wang Kwong 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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Stock code: 912

Financial Highlights

	2010 HK$'000	2009 HK$'000
OPERATING RESULTS		
For the year ended 31 March		
Revenue	**959,866**	812,034
Gross profit	**127,015**	96,608
Operating profit	**63,407**	28,553
Profit attributable to equity holders of the Company	**56,505**	24,924
Earnings per share – Basic (HK cents)	**23.94**	10.80
Interim dividend, paid, per ordinary share (HK cents)	**4.0**	2.0
Final dividend, proposed, per ordinary share (HK cents)	**6.5**	3.5
FINANCIAL POSITION		
As at 31 March		
Total equity	**330,608**	284,327
Net current assets	**245,831**	220,311
Net cash	**92,818**	67,286
Capital expenditure	**56,660**	12,361
Net assets value per share (HK cents)	**136.3**	123.2
FINANCIAL RATIOS		
Current ratio	**2.57**	3.01
Debt to equity ratio	**10.5%**	4.3%
Inventory turnover days	**54**	68
Debtors turnover days	**36**	38
Return on average equity	**18.4%**	9.1%

Financial Highlights

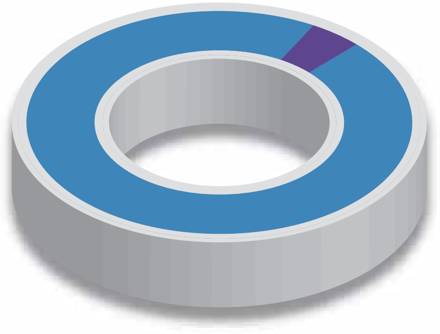
REVENUE BY PRODUCT TYPE

	For the year ended 31 March		
	2010 HK$'000	2009 HK$'000	% Change
Electronic products	**917,638**	791,109	16.0%
Moulds and plastic products	**42,228**	20,925	101.8%
Total	**959,866**	812,034	18.2%

REVENUE BY GEOGRAPHICAL SEGMENT

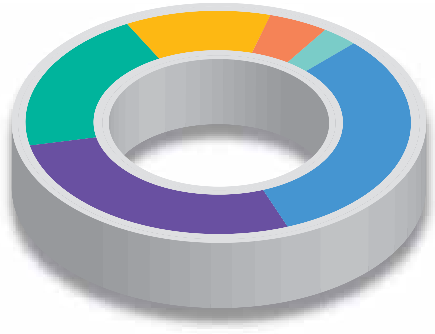
	For the year ended 31 March		
	2010 HK$'000	2009 HK$'000	% Change
United Kingdom	**305,043**	191,417	59.4%
The United States of America	**263,358**	326,120	-19.2%
Japan	**197,906**	170,519	16.1%
Australia	**116,951**	47,550	146.0%
PRC (including Hong Kong)	**48,060**	39,635	21.3%
Others	**28,548**	36,793	-22.4%
Total	**959,866**	812,034	18.2%

REVENUE BY PRODUCT TYPE 2010



95.6% Electronic products
4.4% Moulds and plastic products

REVENUE BY GEOGRAPHICAL SEGMENT 2010



31.8% United Kingdom
27.4% The United States of America
20.6% Japan
12.2% Australia
5.0% PRC (including Hong Kong)
3.0% Others

XI XIANG PLANTS

Gross Floor Area: 120,000 sq.ft.
Products : Electronic Products

Production Facility

HUIZHOU PLANTS

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

BUJI PLANTS

Gross Floor Area: 520,000 sq.ft.
Products : Electronic Products

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 ("SUGA" or the "Group") for the fiscal year ended 31 March 2010 ("FY2009/10").

FINANCIAL PERFORMANCE

During the latest financial period, the market experienced a gradual recovery, enabling SUGA to record a turnover of approximately HK$959.9 million, up 18.2% from HK$812.0 million last year. The rise in turnover was largely attributed to an increase in orders for our specialized electronic products, offsetting weaker demand for our general consumer electronic products. Gross profit grew 31.5% to HK$127.0 million, while gross profit margin was 13.2% (FY2008/09: 11.9%). The increase in gross profit margin was mainly the result of a change in product mix to include more specialized electronic products that generally provide higher margins compared with our traditional electronic products.

Owing to effective cost control measures, the Group achieved profit attributable to shareholders of HK$56.5 million, up 126.7% from HK$24.9 million last year. Net profit margin increased to 5.9% (FY2008/09: 3.1%) and basic earnings per share was HK23.9 cents (FY2008/09: 10.8 cents) for the year.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of HK6.5 cents per share (FY2008/09: HK3.5 cents per share) to shareholders whose names appear on the Register of Shareholders of the Company on 25 August 2010. Together with the interim dividend of HK4.0 cents per share paid earlier, the total dividend for the year amounts to HK10.5 cents per share (FY2008/09: HK5.5 cents per share). Subject to approval of shareholders at the 2010 Annual General Meeting, the final dividend is to be paid on or before 10 September 2010.

BONUS ISSUE OF SHARES

The Directors have recommended a bonus issue of shares on the basis of one bonus share for every ten existing shares held by shareholders whose names appear on the Register of Shareholders of the Company on 25 August 2010. The bonus issue is subject to the conditions and trading arrangements set out in the circular dispatched together with this Annual Report.

BUSINESS OVERVIEW

Beginning in the year under review, our consumer electronic products and telecommunication products businesses have been combined into a single reporting segment – electronic products, while a new segment – moulds and plastic products – has also been added. We believe that these changes more accurately reflect our areas of focus.

Electronic Products

Sales from the electronic products segment was HK$917.6 million, accounting for 95.6% of the Group's total sales. The segment covers specialized electronic products such as interactive educational products, auto-fare collection systems (formerly known as "electronic ticket processors"), professional audio equipment, pet training devices, general consumer electronic products and other electronic products.

Within this segment, the interactive educational products proved to be highly popular, with sales recording a significant rise of 43.3% over last year. Our business partner, a world leader in interactive learning technology, is selling the products mainly in the United States and Europe. We have seen an increasingly receptive response even though many schools have yet to adopt the interactive education mode, hence, there remains enormous room for growth.

Income from sales of auto-fare collection systems and professional audio equipment have both continued to achieve strong growth, enjoying increases of 146.0% and115.4% respectively. We are thrilled that these two products have grown substantially and both have contributed significant revenue to the Group. The encouraging results have validated our decision to direct effort toward developing specialized electronic products. We believe that both products will continue to provide solid income to the Group.

For pet training devices, our business partner maintained a lower inventory level in the first half year, and sales for the whole financial year dropped compared to last year. However, with the market gradually picking up in the second half of FY2009/10, the business partner has started to restock. We are therefore optimistic about the sales of pet training devices in the coming year.

Chairman's Statement

General consumer electronic products, including telecommunication products, reported a decline in revenue. Nevertheless, this business has continued to deliver stable revenue to the Group. We intend to maintain close relationship with our renowned Japanese partners as their orders are expected to pick up as the global economy continues to revive.

Moulds and Plastic Products

The moulds and plastic products segment experienced a surge in sales, up 101.8% to HK$42.2 million, accounting for 4.4% of the Group's total sales. Operated by a subsidiary acquired in 2004, in the past this segment was mainly responsible for supplying plastic components to the Group for internal use. After a RMB3.0 million cash injection for new plant and machinery during the second half of FY2008/09, the capacity of our moulds and plastic operation was significantly boosted, enabling it to serve other enterprises as well. The extended business scope of the subsidiary has expanded our revenue base and we are confident of receiving more orders.

Accreditation

While proudly witnessing SUGA make solid steps forward during the year, we also were gratified to receive recognition from the industry and the investment community. For the second consecutive year, we have placed second in the "Best Small-Cap" company (Hong Kong) category within "Asia's Best Managed Companies Poll", conducted by the authoritative *FinanceAsia* magazine. The accolade is recognition by the investment community of our corporate strategy and management style and we are motivated to build on our achievements.

Meanwhile, our subsidiary, Suga Electronics (Shenzhen) Co, Ltd., recently achieved an important milestone, earning the "Class A Enterprise" rating based on the Assessment on Classification of Manufacturing Enterprises of Export Industrial Products, as authorized by the Shenzhen Entry-Exit Inspection and Quarantine Bureau. Among the criteria assessed included enterprise integrity, production conditions, quality of staff, condition of products exported, and an enterprise's quality management system. Only enterprises with an "excellent" rating are categorized as a "Class A Enterprise".

Our commitment to excellence also extends to conducting business in a manner that respects the environment. Consequently, we have obtained green certifications, including ISO 14001 and QC 080000, RoHS and WEEE compliance, and GPMS and the Green Mark certificates from Hong Kong Q-Mark Council. Moreover, during the review period we have been honored as a Green Medalist within the One Factory-One year-One Environmental Project Program within the Hang Seng Pearl River Delta Environmental Awards. As well, the SUGA Interactive LED Projector won the Silver Award for outstanding innovation from Hong Kong Electronic Industries Association in October 2009. The Group is also a participant of "Cleaner Production Partnership Program" sponsored by the Government of HKSAR, which strives for continuous improvements in environmental protection with regard to factory operations. What is more, our commitment to environmental protection includes the use of LED lighting in our new Hong Kong office. As of January 2010, we have in operation a Green Management Committee that ensures various green policies are promulgated and observed by every member of the Group.

PROSPECTS

Looking ahead, we see opportunities as well as challenges in the market. The growth momentum of the Group's key products looks set to continue, providing healthy income streams. However, the weakening European economy does raise concerns that the world could be hit by yet another financial crisis. We will therefore strive to achieve organic growth and prudently tap new opportunities whenever appropriate.

We remain confident that our existing businesses will continue to deliver solid results. A number of our products, including professional audio equipment and interactive educational products are expected to achieve satisfactory growth in the coming fiscal year. The solid performance of our business partners is an important factor that will also drive demand. For example, the Group's interactive educational products partner reported a strong first quarter in 2010, with sales increasing by nearly 50%. Our pet training devices partner has started to replenish inventory, and we expect more orders from them in the coming fiscal year. With the shared optimism among our general consumer electronic product customers about the market, we expect to roll out a new project for one of our Japanese partners in the second half of FY2010/11.

We are steadfastly committed to bringing more innovative products to market while also looking for fresh opportunities. In late 2009, the Group introduced an interactive LED projector

Chairman's Statement

mainly targeting the commercial and education markets, and we will explore opportunities to work with our customers in promoting this product. We have already received enquiries from different international markets, thus we believe demand for the interactive LED projector will grow stronger in the years ahead.

Aside from our products, SUGA's ability to penetrate markets has played a vital role in our success. China's strong economic growth and expanding consumer market definitely warrants ongoing exploration which we will carry out by expanding partnerships with our customers. Leveraging our thorough understanding of the local environment there, we will also align with new customers that complement the Group's goal of tapping the market's full potential.

Currently, the Group has a cash balance of more than HK$127.4 million and significant banking facilities, affording us the flexibility to pursue opportunities, including business expansion. We will thoroughly review all options presented to us while being mindful of shareholders' interests. Building on our present solid foundation, we are confident of our ability to deliver satisfactory returns to shareholders in the future.

APPRECIATION

On behalf of the Group, I would like to express my heartfelt appreciation to our management team and staff for their dedication and hard work during the year. My sincere gratitude is also extended to our business partners, customers and stakeholders for their support which is critical to the continued success of the Group.

On behalf of the Board of Directors,

Ng Chi Ho
Chairman

Hong Kong, 8 July 2010

Understanding of Customers' Requirements

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2010, the Group recorded total revenue of HK$959.9 million, an increase of 18.2% as compared to last year. The Group was able to maintain a steady growth in revenue as a result of focusing on specialized electronic products such as interactive educational products, auto-fare collection system and professional audio equipments of which the sales were not so affected by the recent poor economic environments.

The Group determines its operating segments based on the reports that are used to make strategic decisions by the Group senior management. The Group senior management considers the Group business mainly from product perspective, and the products of the Group are mainly divided into electronic products and moulds and plastic products.

For the year ended 31 March 2010, sales of electronic products increased by 16.0% to HK$917.6 million (2009: HK$791.1 million). The electronic products segment covers specialized electronic products, general consumer electronic products and other electronic products. The increase in sales of electronic products was mainly attributable to growth in sales of interactive educational products, auto-fare collection system and professional audio equipments by 43.3%, 146.0% and 115.4% respectively. The increase in turnover offsetting the weaker demand for some other electronic products, such as digital photo album, key telephone system and pet training devices.

As for moulds and plastic products, revenue increased by 101.8% to HK$42.2 million (2009: HK$20.9 million). The increase is mainly attributable by injection of new plant and machinery in the Huizhou plants in second half of FY2008/09, which significantly boosted the capacity of mould and plastic operation, enabling it to produce large plastic components and to serve other customers as well.

Geographically, for the year ended 31 March 2010, revenue generated from Australia and United Kingdom had increased significantly by 146.0% and 59.4% respectively. The increase was mainly due to rise in sales of auto-fare collection system and interactive educational products respectively.Sales to United States market dropped by 19.2% to HK$263.4 million. The decrease was primarily due to a decrease in sales of pet training products and digital photo album.

Profit Attributable to Equity holders of the Company

Gross profit for the year increased by 31.5% to HK$127.0 million (2009: HK$96.6 million) and gross profit margin was improved from 11.9% to 13.2%. The Group's continued effort to enhance production efficiency and focusing on specialize electronic products with higher margins paid off, resulting in lower manufacturing costs and improvement in gross profit margin. The increase in sales and rise in gross profit margin contribute for the increase in gross profit.

Operating profit was HK$63.4 million, compared with HK$28.6 million last year, an increased of 122.0%. The increase in operating profit was primarily attributable by the increase in gross profit. Besides, the decrease in distribution and selling expenses by HK$1.8 million and reduction of general and administrative expenses by HK$3.3 million also accounted for the increase in operating profit. The reductions were mainly resulted from effective cost controls and tightening of expenditures.

Net finance costs for the year reduced to HK$0.2 million from HK$0.4 million last year. The decrease was primarily due to the bank interest rate was maintained at a very low level during the year.

As a result of the aforementioned factors, profit attributable to equity holders of the Company increased to HK$56.5 million from HK$24.9 million last year, representing an increase of 126.7%.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the Group has current assets of HK$402.8 million and current liabilities of HK$156.9 million. The current ratio was 2.57. (31 March 2009: 3.01).

Bank borrowings were HK$34.6 million as at 31 March 2010 (31 March 2009: HK$12.3 million). The increase in bank borrowings was mainly due to a mortgage loan was incurred in October 2009 for financing the acquisition of one floor of office building and 4 car parking spaces located in Kowloon Bay, Hong Kong. Gearing ratio (calculated by dividing total bank borrowings by total equity) was 10.5% (31 March 2009: 4.3%) The Group maintained a net cash balance of HK$92.8 million as at the balance sheet date (31 March 2009: HK$67.3 million).

Management Discussion and Analysis

As at 31 March 2010, the Group had aggregate banking facilities of approximately HK$432.3 million (31 March 2009: HK$375.8 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$393.3 million (31 March 2009: HK$318.3 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 under review was HK$56.7 million. The expenditures included HK$49.6 million for acquisition of one floor of an office building located at 22nd Floor, Tower B, Billion Centre, No. 1, Wang Kwong Road, Kowloon Bay together with 4 car parking spaces. The office premise is used as the Group's Head Office in Hong Kong. The remaining balance of the capital expenditures is mainly for the furniture and equipments of the new head office, machineries and equipments for production plants in Mainland China.

FOREIGN EXCHANGE EXPOSURE

The Group's transaction and monetary assets are principally dominated in Renminbi, Hong Kong dollars and United States dollars. The Group has not experienced any difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the year ended 31 March 2010.

During the year, the Group had entered into several foreign exchange contracts to hedge the currency translation risk of Renminbi against United States dollars. All these foreign exchange contracts were for hedging purpose and it is the policy of the Group not to enter into any derivative contracts purely for speculative activities.

PLEDGE OF ASSETS

As at 31 March 2010, the Group pledged its office premise located at 22nd Floor, Tower B, Billion Centre, Kowloon Bay together with 4 car parking spaces to secure a bank mortgage loan of HK$30 million for financing the acquisition of the office premise and car parking spaces. Other than the said mortgage loan, the Group did not pledge any of its assets (2009: nil) as securities for the banking facilities granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2010, the Group had no outstanding capital commitment (31 March 2009: nil). Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2010 amounted to HK$39.0 million (31 March 2009: HK$55.2 million) and the Group did not have any significant contingent liability.

HUMAN RESOURCES

As at 31 March 2010 the Group employed 1,828 employees, of which 59 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 of this annual report.

Good Quality

Directors and Senior Management Profiles

EXECUTIVE DIRECTOR

Dr. NG Chi Ho, aged 60, 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. Dr. Ng has over 33 years of management experience in the electronics industry and had been a lecturer in electronic engineering at the Hong Kong Polytechnic University for 4 years. Dr. Ng holds a bachelor degree in science from the Chinese University of Hong Kong, a master of philosophy degree in computer engineering from the University of Hong Kong, and a honorary doctor of engineering degree from Lincoln University, USA. Dr. Ng is a chartered engineer, a fellow member of the Institution of Engineering and Technology, UK, a fellow member of the Hong Kong Institute of Directors and honorary fellow of the Canadian Chartered Institute of Business Administration. In addition, Dr Ng is a general committee member of the Federation of Hong Kong Industries, chairman of Hong Kong Electronics Industries Council, vice chairman of Hong Kong Electronic Industries Association, and vice president of Hong Kong Semiconductor Industry Council. He is also a member of the advisory committee of Electronic and Electrical Industries of the Hong Kong Trade Development Council, as well as member of the advisory committee of the Electronic and Information Engineering Department of Hong Kong Polytechnic University.

Mr. MA Fung On, aged 52, is the deputy chairman of the Group. Mr. Ma is responsible for the formulation of 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 17 years and has over 28 years of experience in the electronics industry. He graduated from the Hong Kong Polytechnic University with a higher diploma in electronic engineering.

NON-EXECUTIVE DIRECTOR

Mr. LEE Kam Hung, aged 52, was appointed as an non-executive director of the Company on 1 September 2009. Mr. Lee holds a master degree in engineering business management from the University of Warwick in the UK. Mr. LEE is now the founder, chairman and technical director of Hong Kong Automotive X'tals Limited and its group companies. In addition, Mr. LEE is the vice president of Hong Kong Young Industrialists Council, director of Hong Kong Auto Parts Industry Association and executive committee member of Hong Kong Electronics Industry Council. He is also an advisory committee member on Department of Applied Physics and honorary life director of PolyU Development Foundation of the Hong Kong Polytechnic University.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Professor WONG Sook Leung, Joshua, aged 71, is an independent non-executive director of the Group. He is also the chairman of the audit committee, remuneration committee and nomination committee of the Group. Prof. Wong is presently the Professor Emeritus of the Hong Kong Polytechnic University. He has over 34 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, 10 years as 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, 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. Prof. Wong is currently president of the Hong Kong Semiconductor Industries Council. Prof. Wong obtained his bachelor of engineering degree from the University of Hong Kong and his doctor of philosophy degree from Leeds University, UK. He is also a chartered engineer, a fellow member of the Institution of Engineering and Technology, UK and a fellow member of the Hong Kong Institution of Engineers.

Mr. LEUNG Yu Ming, Steven, aged 51, is an independent non-executive Director of the Group and a member of audit committee, remuneration committee and nomination committee 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 practising certified accountant of CPA Australia and a fellow member of The Association of Chartered Certified Accountants, 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 25 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 Hong Kong Stock Exchange.

Directors and Senior Management Profiles

Mr. CHAN Kit Wang, aged 57, is an independent non-executive director of the Group and a member of audit committee, remuneration committee and nomination committee of the Group. Mr. Chan graduated from the Hong Kong Polytechnic University in 1977 with a higher diploma in accountancy. Mr. Chan is a fellow member of The Association of Chartered Certified Accountants, associate member of The Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. He is now a senior partner of a certified public accountants firm. Mr. Chan has over 33 years of working experience in accounting, auditing and taxation.

SENIOR MANAGEMENT

Mr. LEE Yiu Cheung, Alex, aged 53, is the chief financial officer 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 30 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 Dr. Ng Chi Ho, the Chairman and Managing Director of the Group.

Mr. WONG Wai Lik, Lamson, aged 46, is the general manager of moulds and plastic products division and is responsible for overseeing the operations of the Huizhou plants. 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 23 years of experience in production operations and supervision. Mr. Wong resigned as executive director of the Group with the effect from 1 September 2009.

Ms. WONG Sin, Kathy, aged 40, is the general manager of electronic manufacturing service ("EMS') division of the Group in Xixiang plants and is responsible for overseeing the operations of the factory. Ms. Wong holds a master degree in EMBA from Shanghai Jiao Tong University, China. She joined the Group in 2002 and has over 17 years of experience in the electronics manufacturing industry.

Mr. MAO Jian Quan, aged 39, is the general manager of the EMS division of the Group in Buji plants and is responsible for overseeing the operations of the factory. Mr. Mao holds a bachelor degree of engineering from the Shanxi Institute of Mechanical Engineering in China. He joined the Group in 1994 and has over 16 years of experience in the electronic manufacturing industry.

Mr. TENG Boon Han, Eric, aged 32, is the general manager of pet training products division of the Group. Mr. Teng holds a bachelor degree in business administration from University of New Brunswick, Canada. He joined the group in 2007. Prior to joining Suga group, Mr. Teng worked for an international telecommunication company.

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.

During the financial year ended 31 March 2010, the Company has 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 Dr. 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 in compliance with the code provisions set out in the CG Code for the year under review.

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 two executive directors, Dr. Ng Chi Ho (Chairman), Mr. Ma Fung On (Deputy Chairman), one non-executive director, Mr. Lee Kam Hung (appointed on 1 September 2009) and three independent non-executive directors ('INED'), Professor Wong Sook Leung, Joshua, Mr. Leung Yu Ming, Steven and Mr. Chan Kit Wang (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. The day-to-day management is conducted by senior management and employees of the Group, under the direction and supervision of the Directors. 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.

All non-executive directors (including INEDs) shall have a fixed tenure and is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company.

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.

Corporate Governance Report

The Board is responsible for the system of internal controls of the Company and its subsidiaries, setting appropriate policies and reviewing the effectiveness of such controls. Internal control is defined as a process effected by the Board, management and other personnel, designed to manage rather then eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute assurance of the following:

– effectiveness and efficiency operations

– reliability of financial reporting

– compliance with applicable laws and regulations

– effectiveness of risk management functions

The Board conducted a review of the system of internal controls of the Company and its subsidiaries for the year ended 31 March 2010 including the consideration of the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget. The Board assessed the effectiveness of internal control by considering reviews performed by the Audit Committee, executive management and the independent auditor's management letters, if any, and is satisfied that the system of internal control of the Group is functioning properly.

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

Number of meetings	6
Name of directors	**Meeting attended**
Dr. Ng Chi Ho *(Chairman)*	6/6
Mr. Ma Fung On *(Deputy Chairman)*	6/6
Mr. Wong Wai Lik Lamson (resigned on 1 September 2009)	4/5
Mr. Lee Kam Hung (appointed on 1 September 2009)	1/1
Professor Wong Sook Leung Joshua	5/6
Mr. Leung Yu Ming Steven	6/6
Mr. Chan Kit Wang	5/6

The resignation of Mr. Wong Wai Lik Lamson was due to his increased devotion to his personal affairs. Mr. Wong Wai Lik Lamson also confirmed that there was no disagreement with the Board and there was no matter relating to his resignation that need to be brought to the attention of the shareholders of the Company.

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). The financial reporting responsibilities of the independent auditor are set out on page 33 to 34 of this annual report.

During the year, remuneration of approximately HK$1,887,000 was payable to PwC for the provision of audit services. In addition, approximately HK$414,100 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 the internal control systems of the Company and its subsidiaries, and also review and discuss the Group's interim and annual financial statements. Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues of which the Audit Committee considers necessary.

Corporate Governance Report

The main duties of the Audit Committee are as follows:

- To consider the appointment of the independent auditor, the audit fee, and any questions of resignation or dismissal of the independent auditor;
- To discuss with the independent auditor 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 auditor may wish to discuss;
- To review the independent auditor's management letter and the management's response;
- To discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- 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.

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	2/2
Mr. Leung Yu Ming Steven	2/2
Mr. Chan Kit Wang	2/2

During the year, the Audit Committee reviewed the fiscal year 2008/2009 annual report and fiscal year 2009/2010 interim report, reviewed and discussed the financial results and internal control systems of the group, conducted discussions with the independent auditor on financial reporting, compliance, and reported all relevant matters to the Board.

The Audit Committee has also reviewed the fiscal year 2009/2010 annual report in a meeting held on 5 July 2010.

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 authorities 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	2/2
Mr. Leung Yu Ming Steven	2/2
Mr. Chan Kit Wang	1/2

Corporate Governance Report

During the year, the Remuneration Committee reviewed the directors' fees of all current non-executive Director, determined the remuneration of all current executive Directors and proposed to determine the number of share options and the terms of share options to be granted to executive Directors and INEDs.

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	1/1
Mr. Leung Yu Ming Steven	1/1
Mr. Chan Kit Wang	1/1

The Nomination Committee recommended to the Board the appointment of Mr. Lee Kam Hung as non-executive director of the Company on 1 September 2009.

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 employees 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 useful 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.

VOTING BY POLL

Pursuant to the amendments to the Listing Rules, all votes of shareholders at the general meeting of the Company must be taken by poll with effect from 1 January 2009. The Company will ensure that shareholders are familiar with the procedures of voting by poll in all the general meetings of the Company. The results of the poll are published on the Hong Kong Stock Exchange's website and the Company's website.

Report of the Directors

The Directors are pleased 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 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its principal subsidiaries are engaged in the research and development, manufacturing and sale of electronic products, moulds and plastic 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 reportable segments 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 2010 are set out in the consolidated income statement on page 37 of this annual report.

An interim dividend of HK4.0 cents per ordinary share was paid during the year. The Directors have proposed the payment of a final dividend of HK 6.5 cents per ordinary share and a bonus issue of shares on the basis of one ordinary share for every ten ordinary shares held to the shareholders of the Company whose names appear on the register of shareholders of the Company on the date of the forthcoming annual general meeting. The Bonus Issue is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company, and the granting by the Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the new shares to be issued pursuant to the Bonus Issue. If passed, the proposed final dividend and share certificates will be paid and posted respectively on or before 10 September 2010. Total dividend for the year ended 31 March 2010 amounted to HK10.5 cents per ordinary share.

The register of shareholders of the Company will be closed from 23 August 2010 to 25 August 2010 (both days inclusive), during which period no transfer of shares will be effected.

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 2010 calculated under Company Act of Bermuda amounted to HK$83,419,000 (2009: HK$81,637,000).

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.

Report of the Directors

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$815,000.

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 2010 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 96 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

Dr. Ng Chi Ho *(Chairman)*
Mr. Ma Fung On *(Deputy Chairman)*
Mr. Wong Wai Lik, Lamson (Resigned on 1 September 2009)

Non-executive Directors

Mr. Lee Kam Hung (Appointed on 1 September 2009)

Independent Non-executive Directors

Professor Wong Sook Leung, Joshua
Mr. Leung Yu Ming, Steven
Mr. Chan Kit Wang

At the forthcoming annual general meeting, Dr. Ng Chi Ho, Prof. Wong Sook Leung, Joshua will retire by rotation in accordance with Bye-law 111 of the Company's Bye-laws and Mr. Lee Kam Hung will hold office until the annual general meeting in accordance with Bye-law 115 of the Company's Bye-law. All the retiring directors, are being eligible, offer themselves for re-election.

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

Report of the Directors

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

Dr. Ng Chi Ho, being executive director 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.

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

3. Total number of Share available for issue

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the issued shares of the Company at the time dealings in the shares commence on the Hong Kong Exchange. The 10% limit was refreshed by an ordinary resolution passed by shareholders at the annual general meeting of the Company held on 28 August 2007, which enabled the grant of further options to subscribe up to 23,044,000 shares, representing 10% of the share issued on 28 August 2007.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 17,844,000 shares (including 5,350,000 shares subject to options granted and yet to be exercised), which represented 7.33% of the issued share capital of the Company.

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.

Report of the Directors

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 2010 under the Scheme Option Scheme are as follows:–

	Number of share options							
	Outstanding at 1 April 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 March 2010	Exercise price (HK$)	Date of grant	Exercisable period
Dr. Ng Chi Ho	2,000,000	–	–	2,000,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
	–	2,300,000 (Note 1)	2,300,000 (Note 2)	–	–	0.750	4 August 2009	4 August 2009 – 3 August 2014
Mr. Ma Fung On	1,000,000	–	–	1,000,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000	–	2,000,000 (Note 3)	–	–	0.436	23 March 2007	23 March 2007 – 22 March 2012
	–	300,000 (Note 1)	300,000 (Note 4)	–	–	0.750	4 August 2009	4 August 2009 – 3 August 2014
Mr. Wong Wai Lik, Lamson (Note 5)	1,000,000	–	–	1,000,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000	–	2,000,000 (Note 6)	–	–	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
	–	400,000 (Note 1)	–	–	400,000	0.750	4 August 2009	4 August 2009 – 3 August 2014
Mr. Leung Yu Ming, Steven	–	300,000 (Note 1)	–	–	300,000	0.750	4 August 2009	4 August 2009 – 3 August 2014
Continuous contract Employees	500,000	–	–	500,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
	3,200,000	–	3,200,000 (Note 7)	–	–	0.436	23 March 2007	23 March 2007 – 22 March 2012
		4,700,000 (Note 1)	1,880,000 (Note 7)		2,820,000	0.750	4 August 2009	4 August 2009 – 3 August 2014
Others	500,000			500,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
		300,000 (Note 1)			300,000	0.750	4 August 2009	4 August 2009 – 3 August 2014
	12,700,000	8,300,000	11,680,000	5,500,000	3,820,000			

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

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

Notes:

1. During the financial year, the closing price of the Company's share immediately before the date (4 August 2009), on which the share options were granted was HK$0.750.

2. During the financial year, the weighted average closing price of the Company's share immediately before the date (23 November 2009), on which 2,300,000 share options were exercised was HK$0.805.

3. During the financial year, the weighted average closing price of the Company's share immediately before the date (22 June 2009), on which 2,000,000 share options were exercised was HK$0.594.

4. During the financial year, the weighted average closing price of the Company's share immediately before the date (23 November 2009), on which 300,000 share options were exercised was HK$0.805.

5. Mr. Wong Wai Lik, Lamson resigned as executive director of the Company with effect from 1 September 2009.

6. During the financial year, the weighted average closing price of the Company's share immediately before the date (11 December 2009), on which 2,000,000 share options were exercised was HK$1.205.

7. During the financial year, the weighted average closing price of the Company's share immediately before the date on which the share options were exercised:

Date of Grant	No. of share options exercised	Exercise price per share (HK$)	Weighted average closing price (HK$)
23 March 2007	3,200,000	0.436	0.914
4 August 2009	1,880,000	0.750	1.096

Details of the share option movements during the period from 1 April 2010 to 8 July 2010 under the Scheme Option Scheme are as follows:–

	Number of share options							
	Outstanding at 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 8 July 2010	Exercise price (HK$)	Date of grant	Exercisable period
Professor Wong Sook Leung Joshua	400,000	–	–	–	400,000	0.750	4 August 2009	4 August 2009 – 3 August 2014
Mr. Leung Yu Ming, Steven	300,000			–	300,000	0.750	4 August 2009	4 August 2009 – 3 August 2014
Continuous contract Employees	2,820,000	–	720,000 (Note 1)	–	2,100,000	0.750	4 August 2009	4 August 2009 – 3 August 2014
	–	1,300,000 (Note 2)		–	1,300,000	1.464	29 April 2010	29 April 2010 – 28 April 2015
	–	950,000 (Note 3)	–	–	950,000	1.260	3 June 2010	31 December 2013 – 3 June 2015
Others	300,000			–	300,000	0.750	4 August 2009	4 August 2009 – 3 August 2014
	3,820,000	2,250,000	720,000	–	5,350,000			

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

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

Notes:

1. During the financial year, the weighted average closing price of the Company's share immediately before the date on which the share options were exercised was HK$1.325.

2. During the financial year, the closing price of the Company's share immediately before the date (29 April 2010), on which 1,300,000 share options were granted was HK$1.470.

3. During the financial year, the closing price of the Company's share immediately before the date (3 June 2010), on which 950,000 share options were granted was HK$1.230.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2010, 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:-

(a) Interests in shares of the Company

Name of Director	Capacity	Number of shares	Total interests	Percentage of issued ordinary shares	Number of underlying shares held under equity derivatives (Note 1)
Dr. Ng Chi Ho	Beneficial owner	6,300,000	145,908,000	60.16%	–
	Interests of controlled corporation	39,608,000 (Note 2)			–
	Founder of a discretionary trust	100,000,000 (Note 3)			–
Mr. Ma Fung On	Beneficial owner	3,930,000	12,930,000	5.33%	–
	Interests of controlled corporation	9,000,000 (Note 4)			–
Mr. Lee Kam Hung	Beneficial owner	1,772,000	3,772,000	1.55%	–
	Interests of controlled corporation	2,000,000 (Note 5)			–
Professor Wong Sook Leung Joshua	Beneficial owner	–	–	–	400,000
Mr. Leung Yu Ming, Steven	Beneficial owner	–	–	–	300,000

Report of the Directors

DIRECTORS' INTERESTS IN SHARES *(Continued)*

(a) Interests in shares of the Company *(Continued)*

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 Dr. 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 Dr. 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.

5. 2,000,000 shares are held by Quick Fit Enterprises Limited, the ultimate shareholder is Mr. Lee Kam Hung.

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

Non-voting deferred shares of HK$1 each in Suga Electronics Limited, a wholly owned subsidiary of the Company:

Name of Director	Capacity	Number of shares	Percentage of issued shares
Dr. Ng Chi Ho	Interests of controlled corporation (Note 1)	3,680,000 Non-voting deferred shares of HK$1	92%
Mr. Ma Fung On	Interests of controlled corporation (Note 1)	240,000 Non-voting deferred shares of HK$1	6%

1. 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. Dr. 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.

2. 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.

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 2010.

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')

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, 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.

Name	Capacity	Number of ordinary shares	Percentage of issued shares
Superior View Inc. (Note 1)	Beneficial owner	100,000,000	41.23%
Billion Linkage Limited (Note 2)	Beneficial owner	39,608,000	16.33%

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 Dr. Ng Chi Ho.

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

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 2010.

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 28.0% of the Group's total revenue and the five largest customers accounted for approximately 73.1% of the Group's total revenue. In addition, the largest supplier of the Group accounted for approximately 5.8% of the Group's purchases while the five largest suppliers of the Group accounted for approximately 17.2% 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.

MATERIAL LEGAL PROCEEDINGS

As at 31 March 2010, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far the Company is aware.

Report of the Directors

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 19 to 22.

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, 8 July 2010

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 95, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, 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.

Independent Auditor's Report

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 2010 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, 8 July 2010

Balance Sheets

As at 31 March 2010

	Note	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**79,440**	62,761	**–**	–
Land use rights	6	**30,719**	4,399	**–**	–
Goodwill	7	**1,059**	1,059	**–**	–
Investment in subsidiaries	8	**–**	–	**65,468**	65,072
Interest in an associate	9	**–**	–	**–**	–
Interest in a jointly controlled entity	10	**–**	–	**–**	–
Deferred income tax assets	20	**2,301**	2,179	**–**	–
		113,519	70,398	**65,468**	65,072
Current assets					
Inventories	12	**122,890**	125,341	**–**	–
Trade and other receivables	13	**127,989**	96,018	**179**	418
Tax recoverable		**200**	1,116	**20**	63
Amounts due from subsidiaries	8	**–**	–	**104,513**	96,051
Amount due from a jointly controlled entity	10	**24,082**	27,601	**–**	–
Derivative financial instruments	14	**168**	–	**–**	–
Cash and cash equivalents	15	**127,429**	79,647	**1,332**	139
		402,758	329,723	**106,044**	96,671
Total assets		**516,277**	400,121	**171,512**	161,743
LIABILITIES					
Non-current liabilities					
Bank borrowings	17	**26,163**	3,636	**–**	–
Deferred income tax liabilities	20	**2,579**	2,746	**–**	–
		28,742	6,382	**–**	–
Current liabilities					
Trade and other payables	16	**130,097**	84,111	**2,182**	1,868
Income tax payable		**18,222**	14,401	**–**	–
Bank borrowings	17	**8,448**	8,683	**–**	–
Finance lease liabilities	18	**–**	42	**–**	–
Bank advances for factored receivables	19	**–**	2,175	**–**	–
Derivative financial instruments	14	**160**	–	**–**	–
		156,927	109,412	**2,182**	1,868
Total liabilities		**185,669**	115,794	**2,182**	1,868

Balance Sheets *(Continued)*

	Note	Group		Company	
		2010	2009	**2010**	2009
		HK$'000	HK$'000	**HK$'000**	HK$'000
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital	21	**24,252**	23,084	**24,252**	23,084
Other reserves	23	**103,237**	96,732	**126,531**	120,026
Retained earnings	23				
– Proposed dividend		**15,811**	8,149	**15,811**	8,149
– Others		**187,308**	156,362	**2,736**	8,616
Total equity		**330,608**	284,327	**169,330**	159,875
Total equity and liabilities		**516,277**	400,121	**171,512**	161,743
Net current assets		**245,831**	220,311	**103,862**	94,803
Total assets less current liabilities		**359,350**	290,709	**169,330**	159,875

NG Chi Ho
Director

MA Fung On
Director

The notes on pages 41 to 95 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	24	**959,866**	812,034
Cost of sales	27	**(832,851)**	(715,426)
Gross profit		**127,015**	96,608
Other income	25	**797**	1,460
Distribution and selling expenses	27	**(14,699)**	(16,514)
General and administrative expenses	27	**(49,706)**	(53,001)
Operating profit		**63,407**	28,553
Finance income	28	**458**	1,514
Finance costs	28	**(652)**	(1,869)
Finance costs – net	28	**(194)**	(355)
Profit before income tax		**63,213**	28,198
Income tax expense	29	**(6,708)**	(3,274)
Profit for the year		**56,505**	24,924
Attributable to:			
Equity holders of the Company	30	**56,505**	24,924
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic (HK cents)	31	**23.94**	10.80
– Diluted (HK cents)	31	**23.78**	10.77

Details of dividends to Equity holders of the Company are set out in Note 32. The notes on pages 41 to 95 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Profit for the year		**56,505**	24,924
Other comprehensive income:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries		**–**	5,949
Total comprehensive income for the year		**56,505**	30,873
Attributable to:			
Equity holders of the Company		**56,505**	30,873

The notes on pages 41 to 95 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to the equity holders of the Company			
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2008	23,084	90,783	151,129	264,996
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	5,949	–	5,949
Profit for the year	–	–	24,924	24,924
Total comprehensive income	–	5,949	24,924	30,873
Dividends paid	–	–	(11,542)	(11,542)
Balance at 31 March 2009	23,084	96,732	164,511	284,327
Balance at 1 April 2009	23,084	96,732	164,511	284,327
Profit for the year	–	–	56,505	56,505
Total comprehensive income	–	–	56,505	56,505
Employee share option scheme:				
Value of employee services	–	1,174	–	1,174
Proceeds from share issued upon exercise of options	1,168	5,331	–	6,499
Dividends paid	–	–	(17,897)	(17,897)
Balance at 31 March 2010	24,252	103,237	203,119	330,608

The notes on pages 41 to 95 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2010

	Note	**2010 HK$'000**	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	34	**95,970**	57,958
Hong Kong profits tax paid		**(608)**	(869)
Mainland Chinese corporate income tax paid		**(1,652)**	(1,584)
Net cash generated from operating activities		**93,710**	55,505
Cash flows from investing activities			
Purchase of property, plant and equipment		**(29,853)**	(12,361)
Purchase of land use rights		**(26,807)**	–
Proceeds from disposals of property, plant and equipment	34	**74**	53
Net proceeds from derivative financial instruments		**–**	28
Interest received		**458**	1,514
Net cash used in investing activities		**(56,128)**	(10,766)
Cash flows from financing activities			
Proceeds from issuance of shares upon exercise of share options		**6,499**	–
Proceeds from long-term bank loans		**30,000**	–
Repayment of long-term bank loans		**(8,405)**	(7,273)
Repayment of capital element of finance lease obligations		**(42)**	(81)
Increase/(decrease) in trust receipts bank loans		**697**	(10,721)
Interest paid		**(652)**	(1,869)
Dividends paid		**(17,897)**	(11,542)
Net cash generated from/(used in) financing activities		**10,200**	(31,486)
Net increase in cash and cash equivalents		**47,782**	13,253
Effect of changes in foreign exchange rates		**–**	1,526
Cash and cash equivalents, beginning of year		**79,647**	64,868
Cash and cash equivalents, end of year		**127,429**	79,647

The notes on pages 41 to 95 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, moulds and plastic 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 units of thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 8 July 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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') issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These consolidated financial statements are prepared under the historical cost convention, except that certain derivative financial instruments are stated at fair value.

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.

Changes in accounting and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs since 1 April 2009:

- HKFRS 2 (amendment), "Share-based payment" (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company have adopted HKFRS 2 (amendment) from 1 April 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKFRS 7 "Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting and disclosures *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

- HKFRS 8, "Operating segments' – effective 1 January 2009. HKFRS 8 replaces HKAS 14, "Segment reporting. It requires a "management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-marker has been identified as the Executive Directors that makes strategic decisions. The chief operating decision-marker considers the business from a product perspective and assesses separately the performance of electronic products, and moulds and plastics products.

  Goodwill is allocated by management to groups of cash – generating units on a segment level. Goodwill relating to previous acquisitions remains in the respective segments. There has been no further impact on the measurement of the Group's assets and liabilities.

- HKAS 1 (revised) "Presentation of financial statements'. The revised standard required "non-owner changes in equity" to be presented separately from owner changes in equity. As a result the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all "non-owner changes in equity" are presented in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (income statement and statement of comprehensive income). The Group has elected to present two statements: income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

- HKAS 23 (amendment), "Borrowing costs". 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 has been removed. The Group and Company have adopted HKAS 23 (amendment) from 1 April 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

(b) 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 April 2010 or later periods, but the Group has not early adopted them:

- HKFRS (amendments) Improvements to HKFRS 2009
- HKFRS 1 (revised) 'First-time adoption of HKFRS'
- HKFRS 1 (amendment) 'Additional exemptions for first-time adopters'
- HKFRS 2 (amendments) 'Group cash-settled share-based payment transactions'
- HKFRS 3 (revised) 'Business combinations'
- HKFRS 5 (amendment) 'Measurement of non-current assets (or disposal groups) classified as held for sale'
- HKFRS 9 'Financial instruments'
- HKAS 1 (amendment), 'Presentation of financial statements'
- HKAS 24 (revised) 'Related party disclosures'

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting and disclosures *(Continued)*

(b) 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'
- HKAS 32 (amendment) 'Classification of right issues'
- HKAS 38 (amendment) 'Intangible Assets'
- HKAS 39 (amendment) 'Eligible hedged items'
- HK(IFRIC) 14 (amendments) 'Prepayment of a minimum funding requirement"
- HK(IFRIC) 17 'Distribution of non-cash assets to owners'
- HK(IFRIC) 18 'Transfers of assets from customers'
- HK(IFRIC) 19 'Extinguishing financial liabilities with equity instruments'

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. So far it believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial positions.

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 (including special purpose 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 2.7).

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 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

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 identified on acquisition (net of any accumulated impairment loss).

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 2.8). 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 joint 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.

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.8). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors make collectively who strategic decisions.

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 (HK$), which is the Company's functional and the Group's 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 or valuation where items are remeasured. 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 consolidated income statement.

(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.

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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

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

Subsequent costs are included in an 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 costs are charged to the income statement during the financial period in which they are incurred.

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

Buildings	35-40 years
Leasehold improvements	5-10 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 2.8).

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

2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Land use rights are amortised using the straight-line method over the period of the land use rights.

2.7 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/jointly controlled entity 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 identified according to operating segment (Note 2.8).

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Assets that have an indefinite useful life, for example goodwill, 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate accounts exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.9 Financial assets

(a) Classification

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

As at 31 March 2010, the Group's financial assets primarily comprise financial assets at fair value through profit or loss and loans and receivables.

(i) 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.

(ii) 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 which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheets (Note 2.11 and 2.12).

(b) Recognition and measurement

Regular 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. 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

(c) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.10 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 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.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.12 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.

2.13 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.15 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.

2.16 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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 the 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.

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Employee benefits

(a) Pension obligations

The Group operates a number of defined contribution pension schemes for its employees. The pension plans are funded by payments from employees and by the Group. 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 are held separately from those of the Group and managed by related independent professional fund managers.

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 specified percentages 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 a defined contribution retirement plan organised by the Macao 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 this plan 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.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 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. 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 is 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.

2.19 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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The group manufactures and sells a range of electronic, moulds and plastic products in the wholesale market. Sales of goods are recognized 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.

2.20 Leases

(a) Operating leases

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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Leases *(Continued)*

(b) Finance leases

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 lease 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.

2.21 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.

2.22 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 nature of item being hedged.

As at 31 March 2010, the Group had not designated 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.

2.23 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.

2.24 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 exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors *(Continued)*

(i) Foreign currency risk

The Group mainly operates in Hong Kong and Mainland China and its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, US 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. As Hong Kong dollars are pegged against US dollars, management considers that the Group is mainly exposed to foreign currency risk with respect to RMB. Management will continue to monitor foreign currency exchange exposure and will take measures to minimise the currency translation risk. As at 31 March 2010 apart from certain non-deliverable forward foreign exchange contracts entered into with commercial banks which were stated at fair value, the Group has not used any financial instruments 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.

As at 31 March 2010 and 2009, if both Hong Kong 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 losses/gains on translation of monetary assets and liabilities denominated in foreign currencies of the relevant group companies.

	2010 **HK$'000**	2009 HK$'000
Post-tax profit increase/(decrease)		
– Strengthen 5%	**3,710**	1,900
– Weakened 5%	**(3,710)**	(1,900)

(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 are disclosed in Note 15. The Group's interest rate risk primarily relates to its bank borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. The Group currently does not have a 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 interest rates and teams of repayment of borrowings are disclosed in Note 17.

The Group has no fixed interest rate borrowings. Therefore it does not have any fair value interest rate risk.

At 31 March 2010 and 2009, 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$173,000 (2009: HK$62,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank borrowings.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(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 64% of the Group's total trade receivables. The Group has policies in place to ensure that sales are made to customers with appropriate credit histories and to limit the amount of credit exposure to any 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 cash at banks is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Transactions in relation to derivative financial instruments, if any, are only carried out with financial institutions of high reputation. The Group has policies that limit the amount of credit exposure to any one financial institution.

For balances due from the jointly controlled entity and subsidiaries, the Group regularly monitors the financial positions of these companies to assess their recoverability.

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

(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 forecasts 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 non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iv) Liquidity risk *(Continued)*

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group					
31 March 2010					
Trade payables	**113,156**	**–**	**–**	**–**	**113,156**
Other payables and accruals	**16,058**	**–**	**–**	**–**	**16,058**
Borrowings	**8,787**	**3,000**	**9,000**	**15,224**	**36,011**
Net settled derivative financial instruments	**160**	**–**	**–**	**–**	**160**
	138,161	**3,000**	**9,000**	**15,224**	**165,385**
31 March 2009					
Trade payables	74,625	–	–	–	74,625
Other payables and accruals	9,486	–	–	–	9,486
Borrowings	8,877	3,656	–	–	12,533
Finance lease liabilities	42	–	–	–	42
Bank advances for factored receivables	2,175	–	–	–	2,175
	95,205	3,656	–	–	98,861

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Company					
31 March 2010					
Other payables and accruals	**2,182**	**–**	**–**	**–**	**2,182**
31 March 2009					
Other payables and accruals	1,868	–	–	–	1,868

Notes to the Financial Statements

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 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.

	2010	2009
	HK$'000	HK$'000
Total bank borrowings	**34,611**	12,319
Bank advances for factored receivables	**–**	2,175
	34,611	14,494
Total equity	**330,608**	284,327
Gearing ratio	**10.5%**	5.1%

The increase in the gearing ratio resulted primarily from the increase of bank borrowings for acquisition of property during the year ended 31 March 2010.

3.3 Fair value estimation

Effective 1 April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2010:

	Level 2 HK$'000
Financial assets at fair value through profit or loss	
– Derivative financial instruments	168
Financial liabilities at fair value through profit or loss	
– Derivative financial instruments	160

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price is the current bid price. These instruments are included in level 1 which comprise primarily equity investments classified as trading securities or available for sale. The Group did not have such instruments as at 31 March 2010.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group's derivative financial instruments above are level 2 instruments and their fair value is determined with reference to quotations provided by various banks.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group did not have such instrument as at 31 March 2010.

Notes to the Financial Statements

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 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates (Note 7). These calculations require the use of estimates.

(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. These estimates are based on the correct market condition and the historical experience of selling prices of similar nature. 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 assessments is based an the credit history of its customers and the current market condition, and 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.

Notes to the Financial Statements

5 PROPERTY, PLANT AND EQUIPMENT

	Group				
	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Total HK$'000
At 1 April 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
Year ended 31 March 2009					
Opening net book amount	38,677	2,327	18,753	5,438	65,195
Additions	771	86	9,427	2,077	12,361
Disposals	–	–	(1)	(1)	(2)
Depreciation	(1,141)	(1,211)	(10,650)	(2,880)	(15,882)
Exchange differences	393	96	460	140	1,089
Closing net book amount	38,700	1,298	17,989	4,774	62,761
At 31 March 2009					
Cost	46,281	19,603	100,846	30,478	197,208
Accumulated depreciation	(7,581)	(18,305)	(82,857)	(25,704)	(134,447)
Net book amount	38,700	1,298	17,989	4,774	62,761
Year ended 31 March 2010					
Opening net book amount	**38,700**	**1,298**	**17,989**	**4,774**	**62,761**
Additions	**22,820**	**2,119**	**2,233**	**2,681**	**29,853**
Disposals	**–**	**(350)**	**(4)**	**(15)**	**(369)**
Depreciation	**(1,465)**	**(822)**	**(8,434)**	**(2,084)**	**(12,805)**
Closing net book amount	**60,055**	**2,245**	**11,784**	**5,356**	**79,440**
At 31 March 2010					
Cost	**69,101**	**19,970**	**103,053**	**33,050**	**225,174**
Accumulated depreciation	**(9,046)**	**(17,725)**	**(91,269)**	**(27,694)**	**(145,734)**
Net book amount	**60,055**	**2,245**	**11,784**	**5,356**	**79,440**

Notes to the Financial Statements

5 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense of HK$8,434,000 (2009: HK$10,517,000) has been expensed in cost of sales, and HK$4,371,000 (2009: HK$5,365,000) has been expensed in general and administrative expenses.

The Group's buildings are built on land leased by the Group under certain land use rights with lease period ranges from 10 to 50 years.

As at 31 March 2010, certain bank borrowings are secured on buildings with a carrying amount of HK$22,518,000 (2009: Nil) (Note 17).

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

	2010 HK$'000	2009 HK$'000
Cost	–	419
Less: Accumulated depreciation	–	(343)
Net book value	–	76
Depreciation for the year	**76**	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	
	2010 HK$'000	2009 HK$'000
Beginning of the year	**4,399**	4,458
Additions	**26,807**	–
Amortisation	**(487)**	(132)
Exchange differences	–	73
End of the year	**30,719**	4,399
In Hong Kong, held on:		
Leases of between 10 to 50 years	**26,452**	–
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**4,267**	4,399
	30,719	4,399

As at 31 March 2010, certain bank borrowings are secured by certain land of the Group with a carrying amount of HK$26,452,000 (2009: Nil) (Note 17).

Notes to the Financial Statements

7 GOODWILL

Movements of goodwill during the year are as follows:

	HK$'000
Year ended 31 March 2009	
Net book amount at 1 April 2008 and 31 March 2009	1,059
At 31 March 2009	
Cost	1,059
Impairment charge	–
Net book amount	1,059
Year ended 31 March 2010	
Net book amount at 1 April 2009 and 31 March 2010	**1,059**
At 31 March 2010	
Cost	**1,059**
Impairment charge	**–**
Net book amount	**1,059**

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment.

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

	2010 HK$'000	2009 HK$'000
Electronic products	**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.

Notes to the Financial Statements

7 GOODWILL *(Continued)*

	2010	2009
Gross margin	**12.4%**	12.8%
Growth rate	**5.0%**	3.0%
Discount rate	**5.0%**	5.0%

The assumptions have been used for the analysis of the CGU within the operating 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 2010 and 2009.

8 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investment in subsidiaries

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**65,468**	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 2010.

(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.

Notes to the Financial Statements

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

(c) Details of the principal subsidiaries of the Company as at 31 March 2010 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ paid-up capital	Group equity interest 2010	Group equity interest 2009	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 electronic products 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 electronic products in Mainland China
On Million Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Property holding in Hong Kong
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%	Manufacturing of pet products in Mainland China

Notes to the Financial Statements

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

(c) Details of the principal subsidiaries of the Company as at 31 March 2010 are as follows: *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ paid-up capital	Group equity interest 2010	Group equity interest 2009	Principal activities and place of operation
Suga Digital Technology Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Design and trading of electronic products in Hong Kong
Precise Computer Tooling Co., Limited	Hong Kong, limited liability company	Ordinary shares HK$500,000	**100%**	100%	Trading of moulds and plastic products in Hong Kong
Precise Plastic Injection (Shenzhen) Co., Ltd. ("PPISL") (v), (ix)	Mainland China, limited liability company	HK$5,600,000	**100%**	100%	Manufacturing of moulds and plastic products in Mainland China
Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Limited ("Nodic") (vi), (ix)	Mainland China, limited liability company	US$6,000,000	**100%**	100%	Manufacturing of moulds and plastic products in Mainland China

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 Dr. 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.

(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 2010.

(ix) All subsidiaries established in Mainland China have a financial accounting year end date 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 management accounts of these subsidiaries for the twelve months ended 31 March 2010.

Notes to the Financial Statements

9 INTEREST IN AN ASSOCIATE

	Group 2010 HK$'000	2009 HK$'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	Group's share of Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Loss HK$'000	% Interest held
Modern Tech Limited	Ordinary shares HK$10,500,000 (2009: HK$10,500,000)	Hong Kong, limited liability company	2010	105	77	–	–	28.57%
			2009	105	77	–	–	28.57%

The accumulated losses not recognised by the Group for Modern Tech Limited were HK$546,000 (2009: HK$546,000), as the Group does not have further obligation to bear the losses of the associate beyond its cost of investment.

Notes to the Financial Statements

10 INTEREST IN A JOINTLY CONTROLLED ENTITY AND AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY ("JCE")

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets (Note (a))	**–**	–
Amount due from a jointly controlled entity (Note (b))	**24,082**	27,601

Notes:

(a) The accumulated losses not recognised by the Group for the JCE were HK$nil (2009: HK$40,000), as the Group does not have further obligation to bear the losses of the JCE beyond its cost of investment.

(b) The amount due from the JCE comprised trade receivables from the JCE. The carrying value of the amount due from the JCE approximates its fair value.

The credit quality of balances that are neither past due nor impaired in the amount of HK$24,082,000 (2009: HK$27,601,000) could be assessed by reference to their historical payment record. Management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are expected to be fully recoverable.

The balances are denominated in U.S. dollars.

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	Group's share of Assets HK$'000	Group's share of Liabilities HK$'000	Group's share of Revenue HK$'000	Group's share of Profit HK$'000	% Interest held
Suga-AI Limited	Ordinary shares HK$2	Hong Kong, limited liability company	2010	15,578	15,578	159,387	44	50%
			2009	16,185	16,230	112,614	–	50%

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.

Notes to the Financial Statements

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 2010			
Trade and other receivables, excluding prepayments (Note 13)	**127,599**	**–**	**127,599**
Amount due from a jointly controlled entity (Note 10)	**24,082**	**–**	**24,082**
Derivative financial instruments (Note 14)	**–**	**168**	**168**
Cash and cash equivalents (Note 15)	**127,429**	**–**	**127,429**
	279,110	**168**	**279,278**
At 31 March 2009			
Trade and other receivables, excluding prepayments (Note 13)	95,224	–	95,224
Amount due from a jointly controlled entity (Note 10)	27,601	–	27,601
Cash and cash equivalents (Note 15)	79,647	–	79,647
	202,472	–	202,472

	Other financial liabilities HK$'000	Liabilities at fair value through profit or loss HK$'000	Total HK$'000
Liabilities			
At 31 March 2010			
Trade and other payables (Note 16)	**130,097**	**–**	**130,097**
Bank borrowings (Note 17)	**34,611**	**–**	**34,611**
Derivative financial instruments (Note 14)	**–**	**160**	**160**
	164,708	**160**	**164,868**
At 31 March 2009			
Trade and other payables (Note 16)	84,111	–	84,111
Bank borrowings (Note 17)	12,319	–	12,319
Finance lease liabilities (Note 18)	42	–	42
Bank advances for factored receivables (Note 19)	2,175	–	2,175
	98,647	–	98,647

Notes to the Financial Statements

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 2010			
Amounts due from subsidiaries (Note 8)	**104,513**	**–**	**104,513**
Cash and cash equivalents (Note 15)	**1,332**	**–**	**1,332**
	105,845	**–**	**105,845**
At 31 March 2009			
Amount due from subsidiaries (Note 8)	96,051	–	96,051
Cash and cash equivalents (Note 15)	139	–	139
	96,190	–	96,190

	Other financial liabilities HK$'000	Liabilities at fair value through profit or loss HK$'000	Total HK$'000
Liabilities			
At 31 March 2010			
Trade and other payables (Note 16)	**2,182**	**–**	**2,182**
At 31 March 2009			
Trade and other payables (Note 16)	1,868	–	1,868

Notes to the Financial Statements

12 INVENTORIES

	Group 2010 HK$'000	2009 HK$'000
Raw materials	**94,276**	90,021
Work-in-progress	**23,243**	21,449
Finished goods	**11,663**	20,415
	129,182	131,885
Less: Provision for impairment	**(6,292)**	(6,544)
	122,890	125,341

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$748,838,000 (2009: HK$631,902,000).

The Group realised a loss of approximately HK$Nil for the year ended 31 March 2010 (2009: HK$221,000) 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	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Trade receivables	**116,212**	90,460	**–**	–
Less: Provision for impairment	**(6,964)**	(7,902)	**–**	–
Trade receivables, net	**109,248**	82,558	**–**	–
Prepayments	**390**	794	**179**	418
Rental and other deposits	**1,864**	1,900	**–**	–
Value added tax receivables	**8,595**	7,878	**–**	–
Others	**7,892**	2,888	**–**	–
	127,989	96,018	**179**	418

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

The credit quality of the trade receivables that are neither past due nor impaired in the amount of HK$88,411,000 (2009: HK$53,064,000) could be assessed by reference to their payment history and current financial position. These receivables relate to a whole range of customers for whom there was no recent history of default. Management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are expected to be fully recoverable.

Notes to the Financial Statements

13 TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0 to 30 days	**88,411**	53,064
31 to 60 days	**1,795**	11,744
61 to 90 days	**5,456**	9,430
91 to 180 days	**13,475**	3,491
Over 180 days	**7,075**	12,731
	116,212	90,460
Less: Provision for impairment	**(6,964)**	(7,902)
Trade receivables, net	**109,248**	82,558

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

As of 31 March 2010, trade receivables of HK$20,837,000 (2009: HK$29,494,000) 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:

	2010	2009
	HK$'000	HK$'000
31 to 60 days	**1,795**	11,744
61 to 90 days	**5,456**	9,430
91 to 180 days	**13,475**	3,491
Over 180 days	**111**	4,829
	20,837	29,494

Notes to the Financial Statements

13 TRADE AND OTHER RECEIVABLES *(Continued)*

As of 31 March 2010, trade receivables of HK$6,964,000 (2009: HK$7,902,000) were impaired. The individual impaired receivables are mainly related to customers which no longer have business relationship with the Group. The amount of provision was HK$6,964,000 as of 31 March 2010 (2009: HK$7,902,000). 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:

	2010 HK$'000	2009 HK$'000
Over 180 days	**6,964**	7,902

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

	2010 HK$'000	2009 HK$'000
At 1 April	**7,902**	10,156
(Reversal of)/provision for impairment	**(938)**	546
Receivables written off during the year as uncollectible	**–**	(2,903)
Others	**–**	103
At 31 March	**6,964**	7,902

As at 31 March 2010, the trade receivables from five customers accounted for approximately 64% (2009: 76%) of the total trade receivables. The Group's credit risk management is disclosed in Note 3 to the financial statements.

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

	Group	
	2010 HK$'000	2009 HK$'000
Hong Kong dollars	**1,008**	4,083
US dollars	**106,625**	76,235
Renminbi	**1,615**	2,240
	109,248	82,558

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 gain of HK$938,000 (2009: a provision of HK$546,000) for reversal of provision for impairment of its trade receivables. Such gain has been included in the general and administrative expenses in the income statement.

As at 31 March 2009, a subsidiary of the Company had factored trade receivables of approximately HK$2,175,000 (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 is 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. The majority of these financial assets are neither past due nor impaired and there is no history of default. The carrying amount of deposits, value added tax receivables and other receivables are denominated in the following currencies:

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**8,004**	2,329	**–**	–
Renminbi	**10,347**	10,337	**–**	–
	18,351	12,666	**–**	–

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			
	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward foreign exchange contracts	**168**	**160**	–	–

All of the Group's forward foreign exchange contracts will expire in March 2011. The maximum exposure to credit risk as at 31 March 2010 was the fair value of the derivative assets in the consolidated balance sheet.

Notes to the Financial Statements

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**12,090**	9,402	**494**	48
US dollars	**93,225**	47,239	**823**	76
Renminbi	**21,658**	22,796	**–**	–
Other currencies	**456**	210	**15**	15
	127,429	79,647	**1,332**	139

As at 31 March 2010, the effective interest rate on bank deposits was 0.4% (2009: 1.2%) per annum. The bank deposits of the Group have an average maturity of 25 days (2009: 19 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 China Government.

16 TRADE AND OTHER PAYABLES

The ageing analysis of the trade payables is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 30 days	**91,578**	66,592	**–**	–
31 to 60 days	**9,246**	1,801	**–**	–
61 to 90 days	**3,313**	1,034	**–**	–
91 to 180 days	**4,133**	897	**–**	–
Over 180 days	**4,886**	4,301	**–**	–
Trade payables	**113,156**	74,625	**–**	–
Salaries and staff welfare payable	**6,634**	4,724	**–**	–
Accrued expenses	**4,092**	3,395	**2,173**	1,860
Others	**6,215**	1,367	**9**	8
	130,097	84,111	**2,182**	1,868

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

Notes to the Financial Statements

16 TRADE AND OTHER PAYABLES *(Continued)*

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

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong dollars	**14,543**	9,424
US dollars	**85,528**	50,507
Renminbi	**12,620**	12,795
Other currencies	**465**	1,899
	113,156	74,625

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**7,804**	4,251	**2,182**	1,868
Renminbi	**9,137**	5,235	**–**	–
	16,941	9,486	**2,182**	1,868

17 BANK BORROWINGS

	Group	
	2010	2009
	HK$'000	HK$'000
Non-current		
Long-term bank borrowings	**32,504**	10,909
Less: current portion of long-term bank borrowings	**(6,341)**	(7,273)
	26,163	3,636
Current		
Trust receipt bank loans	**2,107**	1,410
Current portion of long-term bank borrowings	**6,341**	7,273
	8,448	8,683
Total borrowings	**34,611**	12,319

Notes to the Financial Statements

17 BANK BORROWINGS *(Continued)*

The terms of borrowings are as follows:

	Group					
	Trust receipt bank loans		Other bank borrowings		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Within one year	**2,107**	1,410	**6,341**	7,273	**8,448**	8,683
In the second year	**–**	–	**2,733**	3,636	**2,733**	3,636
Between 2 and 5 years	**–**	–	**8,377**	–	**8,377**	–
Over 5 years	**–**	–	**15,053**	–	**15,053**	–
	2,107	1,410	**32,504**	10,909	**34,611**	12,319

At 31 March 2010, the Group has aggregate banking facilities of approximately HK$432,304,000 (2009: HK$375,751,000) for overdrafts, loans and trade financing.

Unused facilities at the same date amounted to approximately HK$393,297,000 (2009: HK$318,334,000). These facilities are secured by:

(a) certain land and buildings (Note 5 and 6) of the Group with the carrying amount of HK$48,970,000 (2009: Nil).

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

(c) corporate guarantees 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.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates were as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
6 months or less	**3,455**	5,047
7 to 12 months	**4,993**	3,636
1 to 5 years	**11,110**	3,636
Over 5 years	**15,053**	–
	34,611	12,319

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

	2010	2009
	HK$'000	HK$'000
Trust receipt bank loans	**1.1%**	3.6%
Other bank borrowings	**1.6%**	2.8%

As all the bank borrowings were at floating interest rates, the carrying amounts of the borrowings approximate their fair values and all balance are denominated in Hong Kong dollars.

Notes to the Financial Statements

18 FINANCE LEASE LIABILITIES

At 31 March 2010, the Group's finance lease liabilities were repayable as follows:

	2010 HK$'000	2009 HK$'000
Within one year	–	42

The present value of finance lease liabilities is as follows:

	2010 HK$'000	2009 HK$'000
Within one year	–	42

19 BANK ADVANCES FOR FACTORED RECEIVABLES

At 31 March 2009, a subsidiary of the Company had factored trade receivables of approximately HK$2,175,000 to banks in exchange for cash under certain receivables purchase agreements. As the subsidiary of the Company still retained 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".

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	
	2010 HK$'000	2009 HK$'000
Deferred income tax assets:		
– Deferred income tax asset to be recovered after more than 12 months	(2,301)	(2,179)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	2,579	2,746

Notes to the Financial Statements

20 DEFERRED INCOME TAX *(Continued)*

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 April	**567**	(253)
(Credited)/charged in income statement (Note 29)	**(289)**	820
At 31 March	**278**	567

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	
	2010	2009
Deferred income tax liabilities	**HK$'000**	HK$'000
At 1 April	**2,746**	2,853
Credited to income statement	**(280)**	(107)
At 31 March	**2,466**	2,746

	Tax losses	
	2010	2009
Deferred income tax assets	**HK$'000**	HK$'000
At 1 April	**(2,179)**	(3,106)
(Credited)/charged to income statement	**(9)**	927
At 31 March	**(2,188)**	(2,179)

As at 31 March 2010, the Group has unrecognised tax losses of HK$20,446,000 (2009: HK$26,260,000) for Hong Kong profits tax purposes and unrecognised tax losses of HK$39,006,000 (2009: HK$17,247,000) for the Mainland Chinese enterprise income tax which will expire during 2010 to 2014. No deferred tax assets have been recognised for these tax losses as the directors consider that it is probable that the temporary difference will not be reversed in the foreseeable future.

Notes to the Financial Statements

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 2008, 31 March 2009, and 1 April 2009	230,840	23,084
Issue of shares upon exercise of share options (Note (a))	11,680	1,168
At 31 March 2010	**242,520**	**24,252**

Note:

(a) During the year ended 31 March 2010, 11,680,000 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 of 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:

	2010		2009	
	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	**0.780**	**12,700**	0.941	19,780
Granted during the year	**0.750**	**8,300**	–	
Exercised	**0.556**	**(11,680)**	–	–
Lapsed/cancelled	**1.230**	**(5,500)**	1.230	(7,080)
At 31 March		**3,820**		12,700

The weighted average closing price of the Company's share immediately before the date of exercise of share options was HK$0.87.

Notes to the Financial Statements

22 SHARE OPTIONS *(Continued)*

As at 31 March 2010 and 2009, all the outstanding options were fully vested and exercisable.

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

Expiry date	Exercise price	Number of options 2010	Number of options 2009	Vested percentages 2010	Vested percentages 2009
	HK$	'000	'000		
Directors					
6 May 2009	1.230	–	4,500	–	100%
22 March 2012	0.436	–	4,000	–	100%
3 August 2014	0.750	**700**	–	**100%**	–
Employees					
6 May 2009	1.230	–	500	–	100%
22 March 2012	0.436	–	3,200	–	100%
3 August 2014	0.750	**3,120**	–	**100%**	–
Ex-directors					
6 May 2009	1.230	–	500	–	100%
		3,820	12,700		

The fair value of options granted during the year ended 31 March 2010 determined using the binomial option pricing model was approximately HK$1,174,000. The significant inputs into the model were share price of HK$0.75 as at the grant date, exercise price as shown above, volatility of the share of 55%, expected life of options of five years, expected dividend yield of 7% and annual risk-free interest rate of 1.75%. 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.

No options were granted during the years ended 31 March 2009.

Notes to the Financial Statements

23 RESERVES

	Group					
	Share premium HK$'000	Capital reserve (Note (a)) HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2008	54,490	10,591	664	25,038	151,129	241,912
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	5,949	–	5,949
Profit for the year	–	–	–	–	24,924	24,924
Dividends paid	–	–	–	–	(11,542)	(11,542)
At 31 March 2009	54,490	10,591	664	30,987	164,511	261,243
Representing:						
Proposed dividend					8,149	
Others					156,362	
					164,511	
At 1 April 2009	**54,490**	**10,591**	**664**	**30,987**	**164,511**	**261,243**
Employee share option scheme:						
Value of employee services	**–**	**–**	**1,174**	**–**	**–**	**1,174**
Proceeds from shares issued upon exercise of options	**5,331**	**–**	**–**	**–**	**–**	**5,331**
Transfer of reserve upon exercise of options	**1,298**	**–**	**(1,298)**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**56,505**	**56,505**
Dividends paid	**–**	**–**	**–**	**–**	**(17,897)**	**(17,897)**
At 31 March 2010	**61,119**	**10,591**	**540**	**30,987**	**203,119**	**306,356**
Representing:						
Proposed dividend					15,811	
Others					187,308	
					203,119	

Note:

(a) The capital reserve of the Group comprises, among others, the 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.

Notes to the Financial Statements

23 RESERVES *(Continued)*

	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 2008	54,490	64,872	664	8,313	128,339
Profit for the year	–	–	–	19,994	19,994
Dividends paid	–	–	–	(11,542)	(11,542)
At 31 March 2009	54,490	64,872	664	16,765	136,791
Representing:					
Proposed dividend				8,149	
Others				8,616	
				16,765	
At 1 April 2009	**54,490**	**64,872**	**664**	**16,765**	**136,791**
Employee share option scheme:					
Value of employee services	**–**	**–**	**1,174**	**–**	**1,174**
Proceeds from shares issued upon exercise of options	**5,331**	**–**	**–**	**–**	**5,331**
Transfer of reserve upon exercise of options	**1,298**	**–**	**(1,298)**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**19,679**	**19,679**
Dividends paid	**–**	**–**	**–**	**(17,897)**	**(17,897)**
At 31 March 2010	**61,119**	**64,872**	**540**	**18,547**	**145,078**
Representing:					
Proposed dividend				15,811	
Others				2,736	
				18,547	

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.

Notes to the Financial Statements

24 REVENUE

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

	2010 HK$'000	2009 HK$'000
Sales of goods		
– electronic products	**917,638**	791,109
– moulds and plastic products	**42,228**	20,925
	959,866	812,034

25 OTHER INCOME

	2010 HK$'000	2009 HK$'000
Scrap sales	**447**	1,460
Others	**350**	–
	797	1,460

26 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group (collectively referred to as the "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from a product perspective and assesses separately the performance of electronic products, and moulds and plastics products.

The CODM assesses the performance of the operating segments based on a measure of the results of reportable segments. Finance income and costs, corporate income and expenses and amortisation of intangible assets are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

Revenue from external customers are after elimination of inter-segment revenue. Sales between segments are carried out at mutually agreed terms. The revenue from external parties reported to CODM is measured in a manner consistent with that in the consolidated income statement.

Assets of reportable segments exclude deferred income tax assets, tax recoverable and corporate assets, all of which are managed on a central basis. Liabilities of reportable segment exclude current and deferred income tax liabilities and corporate liabilities. These are part of the reconciliation to total balance sheet assets and liabilities.

Notes to the Financial Statements

26 SEGMENT INFORMATION *(Continued)*

The segment information provided to the CODM for the reportable segments for the year ended 31 March 2010 and 2009 is as follows:

	2010			
	Electronic products HK$'000	Moulds and plastic products HK$'000	Elimination HK$'000	Total HK$'000
Revenue				
Revenue from external customers	917,638	42,228	–	959,866
Inter-segment revenue	–	11,173	(11,173)	–
	917,638	53,401	(11,173)	959,866
Results of reportable segments	56,980	7,444	–	64,424
A reconciliation of results of reportable segments to profit for the year is as follows:				
Results of reportable segments				64,424
Unallocated expenses				(1,814)
Other income				797
Operating profit				63,407
Finance income				458
Finance costs				(652)
Profit before income tax				63,213
Income tax expense				(6,708)
Profit for the year				56,505

	Electronic products HK$'000	Moulds and plastic products HK$'000	Other Segments HK$'000	Total HK$'000
Other segment information				
Depreciation on property, plant and equipments	8,389	3,052	1,364	12,805
Amortization of land use rights	–	52	435	487
Additions to non-current assets (other than deferred tax assets)	2,869	1,209	52,582	56,660
Income tax expense	5,595	1,292	(179)	6,708

Notes to the Financial Statements

26 SEGMENT INFORMATION *(Continued)*

	2009			
	Electronic products HK$'000	Moulds and plastic products HK$'000	Elimination HK$'000	Total HK$'000
Revenue				
Revenue from external customers	791,109	20,925	–	812,034
Inter-segment revenue	–	18,692	(18,692)	–
	791,109	39,617	(18,692)	812,034
Results of reportable segments	30,687	(3,977)	–	26,710
A reconciliation of results of reportable segments to profit for the year is as follows:				
Results of reportable segments				26,710
Unallocated income				383
Other income				1,460
Operating profit				28,553
Finance income				1,514
Finance costs				(1,869)
Profit before income tax				28,198
Income tax expense				(3,274)
Profit for the year				24,924

	Electronic products HK$'000	Moulds and plastic products HK$'000	Other Segments HK$'000	Total HK$'000
Other segment information				
Depreciation on property, plant and equipments	10,675	4,038	1,169	15,882
Amortization of land use rights	–	52	80	132
Additions to non-current assets (other than deferred tax assets)	7,353	4,744	264	12,361
Income tax expense	3,187	93	(6)	3,274

Notes to the Financial Statements

26 SEGMENT INFORMATION *(Continued)*

The segment assets and segment liabilities as at 31 March and the reconciliation to the total assets and total liabilities are as follows:

	2010 Electronic products HK$'000	2010 Moulds and plastic products HK$'000	2010 Total HK$'000
Segment assets	**418,751**	**36,859**	**455,610**
Deferred income tax assets			**2,301**
Tax recoverable			**200**
Unallocated:			
Property, plant and equipment			**25,774**
Land use rights			**26,452**
Other unallocated assets			**5,940**
Total assets per consolidated balance sheet			**516,277**
Segment liabilities	**124,755**	**4,954**	**129,709**
Income tax payable			**18,222**
Deferred income tax liabilities			**2,579**
Unallocated:			
Bank borrowings			**32,504**
Other unallocated liabilities			**2,655**
Total liabilities per consolidated balance sheet			**185,669**

	2009 Electronic products HK$'000	2009 Moulds and plastic products HK$'000	2009 Total HK$'000
Segment assets	360,386	31,614	392,000
Deferred income tax assets			2,179
Tax recoverable			1,116
Unallocated:			
Other unallocated assets			4,826
Total assets per consolidated balance sheet			400,121
Segment liabilities	82,811	3,048	85,859
Income tax payable			14,401
Deferred income tax liabilities			2,746
Unallocated:			
Bank borrowings			10,909
Other unallocated liabilities			1,879
Total liabilities per consolidated balance sheet			115,794

Notes to the Financial Statements

26 SEGMENT INFORMATION *(Continued)*

The Company is domiciled in Bermuda. An analysis of the Group's revenue from external customers by country for the year ended 31 March 2010 and 2009 is as follows:

	2010 HK$'000	2009 HK$'000
United Kingdom	**305,043**	191,417
The United States of America	**263,358**	326,120
Japan	**197,906**	170,519
Australia	**116,951**	47,550
PRC (including Hong Kong)	**48,060**	39,635
Others	**28,548**	36,793
	959,866	812,034

An analysis of the Group's non-current assets, excluding deferred income tax assets, by geographical locations is as follows:

	2010 HK$'000	2009 HK$'000
Hong Kong	**55,328**	4,685
Mainland China	**55,542**	62,966
Macao	**348**	568
	111,218	68,219

For the year ended 31 March 2010, external revenue of approximately HK$534,253,000 (2009: HK$436,702,000) is generated from three (2009: two) major customers, each of which accounts for 10% or more of the Group's external revenue. The revenue is attributable to the segment of electronic products.

	2010 HK$'000	2009 HK$'000
Customer A	**268,971**	189,940
Customer B	**148,331**	246,762
Customer C	**116,951**	47,550
	534,253	484,252

Notes to the Financial Statements

27 EXPENSES BY NATURE

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

	2010 HK$'000	2009 HK$'000
Cost of inventories	**748,838**	631,902
Depreciation of property, plant and equipment		
– owned assets	**12,729**	15,798
– assets held under finance leases	**76**	84
Amortisation of land use rights	**487**	132
Loss/(gain) on disposals of property, plant and equipment	**295**	(51)
Operating lease rental of premises	**6,282**	4,342
Net foreign currency exchange loss	**1,243**	700
Employee benefit expense (including directors' emoluments) (Note 33)	**82,439**	82,746
(Reversal of)/provision for impairment of trade receivables	**(938)**	546
Provision for obsolete and slow-moving inventories (included in cost of sales)	**–**	221
Fair value gain on derivative financial instruments	**(8)**	(863)
Auditor's remuneration	**1,887**	1,891
Other expenses	**43,926**	47,493
Total cost of sales, distribution and selling expenses and general and administrative expenses	**897,256**	784,941

28 FINANCE INCOME AND FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest income from:		
– bank deposits	**458**	890
– others	**–**	624
Finance income	**458**	1,514
Interest on:		
– bank borrowings wholly repayable within five years	**(651)**	(1,865)
– finance lease liabilities	**(1)**	(4)
Finance costs	**(652)**	(1,869)
Finance costs – net	**(194)**	(355)

Notes to the Financial Statements

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 16.5% (2009: 16.5%) on the estimated assessable profits 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 ("PSSL"), Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Ltd. ("Nodic") and Precise Plastic Injection (Shenzhen) Co., Ltd. ("PPISL") are subsidiaries established in Mainland China. All the Group's subsidiaries in Mainland China are subject to corporate income tax at 25% effective from 1 January 2009.

(d) Macao taxation

P&S Macao Commercial Offshore Limited is a subsidiary established in Macao and is exempted from Macao Complementary Tax (2009: Nil).

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

	2010 HK$'000	2009 HK$'000
Current income tax:		
– Hong Kong profits tax	**6,594**	710
– Income tax outside Hong Kong	**2,205**	1,744
– Over-provision in prior years	**(1,802)**	–
Deferred income tax relating to the origination and reversal of temporary differences (Note 20)	**(289)**	820
	6,708	3,274

Notes to the Financial Statements

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:

	2010 HK$'000	2009 HK$'000
Profit before income tax	**63,213**	28,198
Calculated at a taxation rate of 16.5% (2009: 16.5%)	**10,430**	4,653
Effect of different income tax rates on income arising outside Hong Kong	**477**	14
Tax loss not recognised	**567**	2,042
Expenses not deductible for income tax purpose	**200**	522
Income not subject to income tax	**(2,615)**	(4,088)
Effect of changes in tax rate on deferred taxation	**–**	131
Over-provision in prior years	**(1,802)**	–
Utilization of previously unrecognized tax losses	**(549)**	–
Income tax expense	**6,708**	3,274

There is no tax charge relating to components of other comprehensive income.

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$19,679,000 (2009: HK$19,994,000).

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.

	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**56,505**	24,924
Weighted average number of ordinary shares in issue ('000)	**236,031**	230,840
Basic earnings per share (HK cents)	**23.94**	10.80

Notes to the Financial Statements

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.

	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**56,505**	24,924
Weighted average number of ordinary shares in issue ('000)	**236,031**	230,840
Adjustments for share options ('000)	**1,607**	593
Weighted average number of ordinary shares for diluted earnings per share ('000)	**237,638**	231,433
Diluted earnings per share (HK cents)	**23.78**	10.77

32 DIVIDENDS

	2010 HK$'000	2009 HK$'000
Interim dividend, paid, of HK4.0 cents (2009: HK2.0 cents) per ordinary share	**9,518**	4,617
Final dividend, proposed, of HK 6.5 cents (2009: HK3.5 cents) per ordinary share	**15,811**	8,149
	25,329	12,766

At a meeting held on 8 July 2010, the directors proposed the payment of a final dividend of HK6.5 cents per share for the year ended 31 March 2010. Such dividend is to be approved by the shareholders at the Annual General Meeting on 25 August 2010. 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 2011.

Notes to the Financial Statements

33 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$'000	2009 HK$'000
Wages and salaries	72,268	71,444
Bonus	2,240	1,534
Unutilised annual leave	74	–
Pension costs – defined contribution plans	1,662	2,578
Staff welfare	5,021	7,190
Share-based compensation expenses	1,174	–
	82,439	82,746

(a) Directors' emoluments and senior management emoluments

The emoluments of every director for the year ended 31 March 2010 is set out below:

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Share-based compensation HK$'000	Total emoluments HK$'000
Dr. Ng Chi Ho	–	2,900	290	325	3,515
Mr. Ma Fung On	–	1,240	62	42	1,344
Mr. Wong Wai Lik, Lamson (Note 1)	–	400	20	–	420
Professor Wong Sook Leung, Joshua	240	–	–	57	297
Mr. Leung Yu Ming, Steven	180	–	–	42	222
Mr. Murase Hiroshi (Note 2)	–	–	–	–	–
Mr. Chan Kit Wang (Note 3)	180	–	–	–	180
Mr. Lee Kam Hung (Note 4)	105	–	–	–	105

Note:

1. Mr. Wong Wai Lik, Lamson resigned as executive director on 1 September 2009.

2. Mr. Murase Hiroshi resigned as independent non-executive director on 1 April 2009.

3. Mr. Chan Kit Wang was appointed as independent non-executive director on 1 April 2009.

4. Mr. Lee Kam Hung was appointed as non-executive director on 1 September 2009.

Notes to the Financial Statements

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

(a) Directors' emoluments and senior management emoluments *(Continued)*

The emoluments of every director for the year ended 31 March 2009 is set out below:

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Dr. Ng Chi Ho	–	2,760	276	3,036
Mr. Ma Fung On	–	1,128	56	1,184
Mr. Wong Wai Lik, Lamson	–	1,044	52	1,096
Professor Wong Sook Leung, Joshua	240	–	–	240
Mr. Murase Hiroshi	180	–	–	180
Mr. Leung Yu Ming, Steven	180	–	–	180

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: two) individuals during the year are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries, allowances and other benefits in kind	**3,790**	2,876
Contribution to retirement scheme	**182**	144
Share-based compensation expenses	**85**	–
	4,057	3,020

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	1
	3	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.

Notes to the Financial Statements

34 CASH GENERATED FROM OPERATIONS

Reconciliation of profit for the year to cash generated from operations as follows:

	2010 HK$'000	2009 HK$'000
Profit for the year	**56,505**	24,924
Adjustments for:		
– Income tax expense	**6,708**	3,274
– Depreciation of property, plant and equipment	**12,805**	15,882
– Amortisation of land use rights	**487**	132
– Loss/(gain) on disposals of property, plant and equipment	**295**	(51)
– Finance income	**(458)**	(1,514)
– Finance cost	**652**	1,869
– Share based compensation expenses	**1,174**	–
– Fair value gain on derivative financial instruments	**(8)**	(863)
Changes in working capital:		
– Inventories	**2,451**	17,455
– Trade and other receivables	**(34,146)**	4,766
– Amount due from a jointly controlled entity	**3,519**	(11,460)
– Trade and other payables	**45,986**	3,544
Cash generated from operations	**95,970**	57,958

Proceeds from disposal of property, plant and equipment comprise:

	2010 HK$'000	2009 HK$'000
Net book value (Note 5)	**369**	2
Loss/(gain) on disposals of property, plant and equipment	**(295)**	51
Proceeds from disposal of property, plant and equipment	**74**	53

35 FINANCIAL GUARANTEE

As at 31 March 2010, the Company had provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$432,304,000 (2009: HK$352,309,000). The facilities utilised by the subsidiaries as at 31 March 2010 amounted to HK$39,007,000 (2009: HK$55,199,000).

Notes to the Financial Statements

36 OPERATING LEASE COMMITMENTS

At 31 March 2010, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**5,130**	3,941
Later than one year and not later than five years	**1,760**	3,898
	6,890	7,839

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. The Group has no further payment obligations once the contributions have been paid.

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 to 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 2010, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$1,662,000 (2009: HK$2,578,000).

38 RELATED PARTY TRANSACTIONS

As at 31 March 2010, 41.23% of the total issued shares of the Company is owned by Superior View Inc., a company incorporated in BVI. 16.33% of the total issued shares of the Company is owned by Billion Linkage Limited, a company incorporated in BVI. The ultimate controlling party of the Group is Dr Ng Chi Ho and Ms Lee Wai Fun.

(a) Transaction with related parties

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

	2010	2009
	HK$'000	HK$'000
Sales of electronic products to a jointly controlled entity	**268,971**	189,940
Management fee received from a jointly controlled entity	**180**	180

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.

Notes to the Financial Statements

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:

	2010 HK$'000	2009 HK$'000
Salaries and other short-term employee benefits	**9,400**	9,299
Post-employment benefits	**563**	561
Share-based compensation expenses	**523**	–
	10,486	9,860

(c) Year-end balances with related parties

	2010 HK$'000	2009 HK$'000
Amount due from a jointly controlled entity	**24,082**	27,601

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

39 BONUS ISSUE

In addition to the proposed final cash dividend set forth above on 8 July 2010, the Directors also proposed to make bonus issue of new shares to the shareholders whose names appear on the Register of Shareholders of the Company on the date of the forthcoming annual general meeting of the Company on the basis of 1 bonus share for every 10 ordinary shares held by the shareholders. Based on a total of 243,240,000 shares in issue as at 8 July 2010, 24,324,000 bonus shares will be issued by the Company. The share capital of the Company will increase from approximately HK$24,324,000 to approximately HK$26,756,400 upon completion of the bonus issue. The bonus issue will be funded by way of capitalization of certain amount of the Company's share premium.

The bonus issue is subject to approval of the Company's shareholders at the forthcoming annual general meeting and the granting by The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the new shares to be issued pursuant to the bonus issue.

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				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
CONSOLIDATED RESULTS					
Revenue	771,968	696,346	707,711	812,034	**959,866**
Operating profit	14,569	20,681	24,232	28,553	**63,407**
Profit before income tax	3,431	15,020	21,627	28,198	**63,213**
Income tax expense	(2,082)	(2,967)	(940)	(3,274)	**(6,708)**
Profit attributable to the equity holders of the Company	1,349	12,053	20,687	24,924	**56,505**

	As at 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
CONSOLIDATED ASSETS AND LIABILITIES					
Property, plant and equipment	94,115	78,028	65,195	62,761	**79,440**
Land use rights	4,505	4,443	4,458	4,399	**30,719**
Goodwill	1,059	1,059	1,059	1,059	**1,059**
Interest in an associate	–	–	–	–	**–**
Deferred income tax assets	3,489	3,063	3,106	2,179	**2,301**
Current assets	398,162	295,788	327,571	329,723	**402,758**
Current liabilities	(278,287)	(139,638)	(122,589)	(109,412)	**(156,927)**
Net current assets	119,875	156,150	204,982	220,311	**245,831**
Total assets less current liabilities	223,043	242,743	278,800	290,709	**359,350**
Long term borrowings	–	–	(10,909)	(3,636)	**(26,163)**
Finance lease liabilities	(200)	(123)	(42)	–	**–**
Deferred income tax liabilities	(3,986)	(3,902)	(2,853)	(2,746)	**(2,579)**
Total equity	218,857	238,718	264,996	284,327	**330,608**