SUGA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

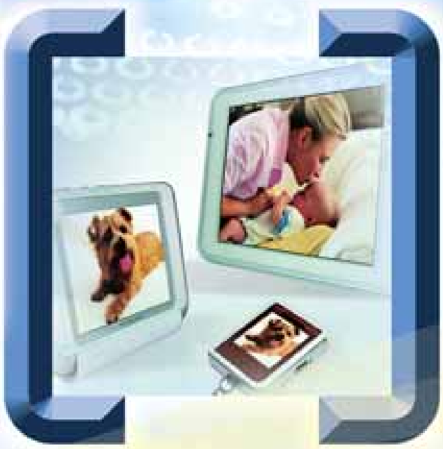
Stock Code: 912

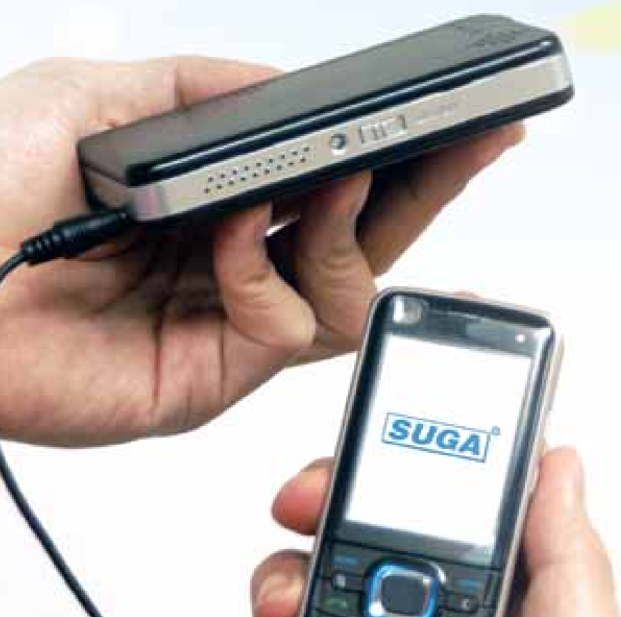
Systematic Management

Understanding of Customers' Requirements

Good Quality

Advanced Technology





Annual Report **2008/09**

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.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive

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

Independent Non-executive

Professor Wong Sook Leung, Joshua
Mr. 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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Mallesons Stephen Jaques

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

BERMUDA PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PUBLIC RELATIONS CONSULTANT

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

CONTACTS

Telephone: (852) 2953 0383
Facsimile: (852) 2953 1523
Website: www.suga.com.hk
Stock code: 912

Financial Highlights

	2009 (HK$'000)	2008 (HK$'000)
OPERATING RESULTS		
Revenue	**812,034**	707,711
Gross profit	**96,608**	92,833
Operating profit	**28,553**	24,232
Profit attributable to equity holders of the Company	**24,924**	20,687
Earnings per share – Basic (HK cents)	**10.80**	8.97
Interim dividend, paid, per ordinary share (HK cents)	**2.0**	1.0
Final dividend, proposed, per ordinary share (HK cents)	**3.5**	3.0
FINANCIAL POSITION		
Total equity	**284,327**	264,996
Net current assets	**220,311**	204,982
Net cash	**67,286**	34,432
Capital expenditure	**12,361**	4,132
Net assets value per share (HK cents)	**123.2**	114.8
FINANCIAL RATIOS		
Current ratio	**3.01**	2.67
Debt to equity ratio	**4.3%**	11.5%
Inventory turnover days	**68**	80
Debtors turnover days	**38**	51
Return on average equity	**9.1%**	8.2%

Financial Highlights

REVENUE BY PRODUCT TYPE

	For the year ended 31 March		
	2009 HK$'000	2008 HK$'000	% Change
Consumer Electronic Products and other products	**697,854**	555,518	25.6%
Telecommunication Products	**114,180**	152,193	-25.0%
Total	**812,034**	707,711	14.7%

REVENUE BY GEOGRAPHICAL SEGMENT

	For the year ended 31 March		
	2009 HK$'000	2008 HK$'000	% Change
The United States of America	**321,321**	235,857	36.2%
Asia Pacific Region (including Mainland China)	**256,965**	388,170	-33.8%
Europe	**233,748**	83,684	179.3%
Total	**812,034**	707,711	14.7%

REVENUE BY PRODUCT TYPE 2009

85.9% Consumer Electronic Products and other products

14.1% Telecommunication Products

REVENUE BY GEOGRAPHICAL SEGMENT 2009

39.6% The United States of America

31.6% Asia Pacific Region (including Mainland China)

28.8% Europe

BUJI PLANTS

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

Production Facility

HUIZHOU PLANTS

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

XI XIANG PLANTS

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

Systematic Management

Chairman's Statement

On behalf of the Board, I am pleased to present the annual results of Suga International Holdings Limited (the "Company") and its subsidiaries ("SUGA" or the "Group") for the fiscal year ended 31 March 2009 ("FY2008/09").

FINANCIAL PERFORMANCE

Affected by the global financial turmoil, in particular in the second half of 2008, economies around the world slumped. As a result, consumer confidence plummeted and the manufacturing industry had to face severe pressure and challenges. Notwithstanding the tough market environment, by focusing on niche products with higher margins and implementing stringent cost control measures, the Group achieved satisfactory results for the year under review. This is proof of our solid foundation and that our effort in developing niche products has been effective.

SUGA recorded turnover of approximately HK$812.0 million, up 14.7% from HK$707.7 million last year. Gross profit grew 4.1% and reached HK$96.6 million while gross profit margin was 11.9% (FY2007/08: 13.1%). The slight decrease in gross profit margin was mainly the results of increase in operating costs in China, appreciation of the Renminbi against the Unites States dollar especially in the first half of the financial year, and pricing pressure from our customers amid the downturn of the global economy during the year. General and administrative expenses were at a similar level as last year, whereas finance costs during the year was down at our continuous effort in reducing bank borrowings thus bringing down related interest payment. The Group managed to achieve profit attributable to shareholders of HK$24.9 million, a 20.5% increase from last year's HK$20.7 million. Net profit margin increased to 3.1% (FY2007/08: 2.9%) and basic earnings per share was HK10.8 cents (FY2007/08: HK9.0 cents) for the year.

FINAL DIVIDEND

The Directors recommend payment of a final dividend of HK3.5 cents per ordinary share (FY2007/08: HK3.0 cents per ordinary share) to shareholders whose names appear on the Register of Shareholders of the Company on 26 August 2009. Together with the interim dividend of HK2.0 cents per share paid earlier, the total dividend for the year amounts to HK5.5 cents per share (FY2007/08: HK4.0 cents per share). Subject to approval of shareholders at the 2009 Annual General Meeting, the final dividend will be paid on or before 11 September 2009.

BUSINESS OVERVIEW

Consumer Electronic Products

Sales of the consumer electronic products segment increased by 25.6% to HK$697.9 million, which represented 85.9% of the Group's total sales. At the continuous effort of the Group in developing specialised electronic products, the segment continued to grow and remained as the Group's major source of revenue.

Pet training devices, one of the major revenue contributors of the sector, continued to deliver satisfactory performance to the Group. Apart from contributing income, our pet training devices also won market recognition. The "Spray Pet Training Products" of the Group was awarded the "Innovation Award of 2008" in August 2008 by our pet training devices partner.

The revenue from interactive educational products tripled that of last year, attributable to a market increasingly receptive to interactive education. While Europe and the United States continue to be the largest markets of the products, the Asian markets, for example, China and Taiwan, have become more and more ready to apply technology in education. Riding on this trend, this operation has become another major revenue contributor of the Group in FY2008/09.

As for the production of electronic ticket processor, business with the Australian customer had been growing strong during the year. The processors are mainly sold in the Asian Pacific Region and Europe. We are confident of receiving bigger orders for the processor and generating more revenue as the product continues to penetrate its markets.

During the year, we secured a new customer who is a leading US professional audio equipment company and received good revenue from this customer for the year. We believe orders from this client will continue to surge. However, the revenue from some other general consumer electronic products which are more sensitive to the global economic downturn, declined. The Group has reallocated spared resources to support niche products with higher margins.

Chairman's Statement

Telecommunication Products

As for the telecommunication products segment, its revenue declined by 25.0% to HK$114.2 million from last year's HK$152.2 million and accounted for 14.1% of the Group's total turnover. With consumption sentiment dampened by the financial crisis, the order from our Japanese customers for key telephone systems and voice-over-internet protocol (VoIP) phones also dropped during the year. Nevertheless, this segment remains a stable revenue source to the Group and we maintain close relationship with these renowned Japanese customers, whose stringent requirements have helped to enhance our operational efficiency.

Accreditation

Shortly after the end of FY2008/09, the Group was honoured for its quality management. In May 2009, it came second in the "Best Small-cap" company (Hong Kong) in the 2009 "Asia's Best Managed Companies Poll" conducted by the leading financial magazine in Asia Pacific FinanceAsia, speaking to the recognition from the investment community for the hard work and achievements of the Group in running an efficient corporation.

PROSPECTS

Looking ahead, the global economic downturn is expected to bottom out by the end of 2009 though uncertainty will prevail in the second half of 2009. Taking advantage of the market going through consolidation, we will continue to develop niche products and perfect our services and solutions, which will allow us to strengthen our foundation when the market revives.

To enhance our ability to sell products to customers in the niche markets, we will continue to look for opportunities to forge strategic alliances with overseas marketing experts. Our aim is to secure more overseas customers through such alliances and widen market coverage drawing on the knowledge and local network of our partners.

With the support of a strong research and development team, the Group has set up a new WIFI division in April 2009 to tap the growing market. This new division was formed by acquiring an experienced team in the Hong Kong WIFI industry and will develop WIFI modules for application in all suitable electronic devices. Research efforts in this area have been limited in Hong Kong, meaning the Group is looking at a largely untapped market and strong potential revenue contribution from the division in the coming years. In addition to tapping the WIFI market, we are also looking into capturing potential in the healthcare product segment.

We are confident that our existing businesses will continue to deliver solid results. Just to highlight a few of them, the pet training devices division is expected to report steady income to the Group. As for interactive educational products, riding on the growing popularity of interactive education, orders for these products will stay strong. The Video Pico Projector, which has won awards for the Group is ideal for use with multimedia devices. Encouraged by the strong market response to the product, we are developing it for commercial application to use with notebook computers.

On 29 May 2009, the Group acquired a new premise in Kowloon Bay at a consideration of HK$49.6 million for use as our head office in Hong Kong. The acquisition will be financed by internal resources of the Group and bank borrowing. We believe the price of the new premise is reasonable in the current market environment. Having its own premise for long term use, the Group will not be affected by rental hikes in the future. With a cash balance of over HK$79.6 million and available banking facilities of HK$318.3 million as at 31 March 2009, the Group is in a strong financial position to pursue business development with flexibility.

Moving forward, we will enhance our competitiveness and profitability by focusing on high margin businesses and developing niche markets. With a solid foundation, we are confident of bringing satisfactory rewards to our shareholders.

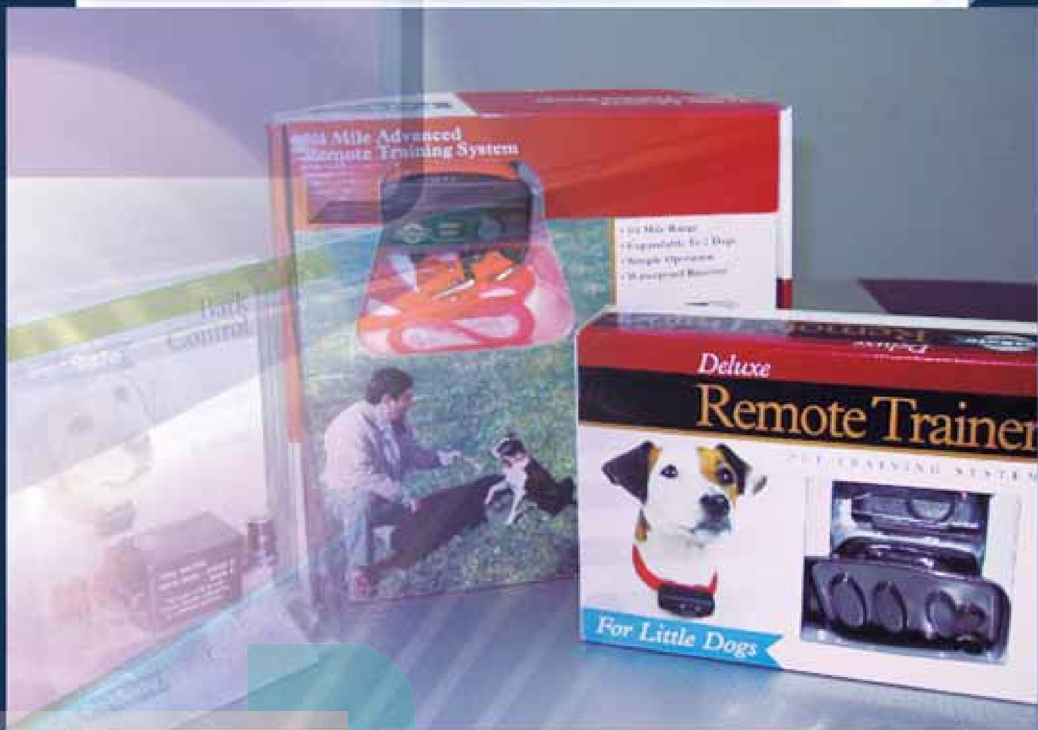
APPRECIATION

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 gratitude also goes to our business partners, customers and all stakeholders for their support which is critical to the continuous success of the Group.

On behalf of the Board of Directors,

Ng Chi Ho
Chairman

Hong Kong, 15 July 2009



Understanding of Customers' Requirements

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2009, the Group recorded total revenue of approximately HK$812.0 million, an increase of 14.7% as compared to last year. The increase was primarily attributable to the increase in sales of specialized electronic products such as pet training devices, interactive educational products, electronic ticket processors and professional audio equipments.

In terms of business segment, consumer electronics products remained as the major revenue contributor of the Group. This business segment achieved sales growth of 25.6% to reach HK$697.9 million and accounted for 85.9% of the Group's total revenue for the year.

Sales of pet training devices achieved steady growth and increased by 17.7% during the year. With the well acceptance of the interactive educational products by the market, the sales of these products were sharply increased by 212.8% during the year. These two product lines had became the two largest revenue contributors of the Group for the year under review. Sales of electronic ticket processors also increased by 46.6% during the year and are expected to grow continuously in the Asian Pacific and European market.

The Group continued to expand the customer base and diversify the product portfolio especially for products with higher margins. During the year, the Group has secured a new customer who is a leading audio equipment company in the United States ("US"). Revenue generated from this customer was satisfactory and was accounted for about 10% of the total sales of consumer electronics products segment. We believe orders from this customer will continue to grow in fiscal year 2009/2010.

Affected by the financial crisis during the year, sales of telecommunication products decreased by 25.0% to HK$114.2 million from last year's HK$152.2 million. This segment accounted for 14.1% of Group's revenue, down from 21.5% last year. The drop was primarily due to drop in orders from Japanese customers for both key telephone systems and voice-over-internet-protocol (VoIP).

Geographically, with the increase in sales of pet training products and the induction of new US audio equipment customer, US became the major market of the Group with sales growth of 36.2% as compared with last year, representing 39.6% of total revenue of the Group. Sales to Europe also increased significantly by 179.3% to HK$233.7 million from last year's HK$83.7 million. This sharp increase was mainly contributed by sales growth of interactive educational products during the year. Due to the drop in sales of key telephone systems and VoIP, sales to Asian market decreased by 33.8% to HK$257.0 million from last year's HK$388.2 million.

Profit Attributable to Equity holders of the Company

Gross profit for the year increased by 4.1% to HK$96.6 million while gross profit margin was reduced to 11.9% from last year's 13.1%. The decrease in gross profit margin was primarily due to increase in operating costs in China and appreciation in RMB against USD in the first half of the fiscal year, and the pricing pressure from our customers.

Operations profit was HK$28.6 million, compared with HK$24.2 million last year, an increased of 17.8%. Total operating expenses were similar to last year, representing 8.6% of the Group's total revenue. General and administrative expenses decreased by HK$0.4 million mainly attributed by the decrease in depreciation. Distribution and selling expenses increased by HK$1.0 million and was inline with the increase in revenue of the Group.

Net finance costs for the year reduced to HK$0.4 million from HK$2.6 million last year. The decrease was primarily attributable to lower in bank interest rates and decrease in bank borrowings during the year, which was resulted from the tightening of credit controls and efficient fund management.

As a result of the aforementioned factors, profit attributable to equity holders of the Company increased to HK$24.9 million from HK$20.7 million last year, representing an increase of 20.5%.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2009, net current assets of the Group was HK$220.3 million with a liquidity ratio of 3.01, up from 2.67 last year. Bank borrowings were reduced to HK$12.4 million from HK$30.4 million last year. Gearing ratio (calculated by dividing total bank borrowings by total equity) decreased from 11.5% to 4.3%. The Group maintained a net cash balance of HK$67.3 million as at the balance sheet date (31 March 2008: HK$34.4 million).

As at 31 March 2009, the Group had aggregate banking facilities of approximately HK$375.8 million (31 March 2008: HK$438.7 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$318.3 million (31 March 2008: HK$354.5 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.

Management Discussion and Analysis

CAPITAL EXPENDITURES

The Group's total capital expenditures for the year was HK$12.4 million of which mainly comprised investment in machineries and equipments for production plants in Mainland China.

FOREIGN EXCHANGE EXPOSURE

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

As all of the Group's production plants are based in the People's Republic of China, most of the wages, salaries and manufacturing overheads are denominated in RMB. The continued appreciation of RMB inevitably increased our production costs. In prior year and during the current year, the Group had entered into several foreign exchange contracts to minimize the currency translation risk of RMB against USD. 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. As at 31 March 2009, there was no outstanding foreign exchange contract to hedge against the foreign currency risk.

PLEDGE OF ASSETS

As at 31 March 2009, the Group did not pledge any of its assets (2008: nil) as securities for generating banking facilities granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2009, the Group had no outstanding capital commitment (31 March 2008: nil). Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2009 amounted to HK$55.2 million (31 March 2008: HK$77.3 million) and the Group did not have any significant contingent liability.

On 29 May 2009, the Group has signed a Memorandum for Sale ("Memorandum") to acquire one floor of office building at No.1 Wang Kwong Road, Kowloon Bay together with 4 car parking spaces at a consideration of HK$49.6 million. An initial deposit of HK$2.5 million was paid to the vendor on 29 May 2009 upon signing of the Memorandum. A further deposit of HK$7.4 million was paid to the vendor on 14 July 2009 upon signing of the formal Sale and Purchase Agreement. The balance of consideration (HK$39.7 million) shall be paid to the vendor upon completion of the acquisition, which is expected to be in December 2009. The office premise will be used as the Group's head office in Hong Kong. The Group is currently leasing Units 1904-1907 and Unit 1915 at Chevalier Commercial Centre, Kowloon Bay as its office and is subject to rental review at the end of each of the lease term. Having its own office premise for long term use, the Group will not be affected by rental hikes in the future.

HUMAN RESOURCES

As at 31 March 2009 the Group employed 1,717 employees, of which 57 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 24.

Good Quality

Directors and Senior Management Profiles

EXECUTIVE DIRECTOR

Mr. NG Chi Ho, aged 59, is the founder, Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategy, strategic planning and development, and overall management of the Group. Mr. Ng has over 32 years of management experience in the electronics industry and has been a lecturer in electronic engineering at the Hong Kong Polytechnic University for 4 years. Mr. Ng holds a bachelor degree in science from the Chinese University of Hong Kong and a master of philosophy degree in computer engineering from the University of Hong Kong. He is a chartered engineer, a fellow of the Institution of Engineering and Technology, UK and a fellow of the Hong Kong Institute of Directors. In addition, Mr. Ng is a General Committee Member of Federation of Hong Kong Industries, Chairman of Hong Kong Electronics Industries Council, Vice Chairman of Hong Kong Electronic Industries Association Limited ("HKEIA"), the Chairman of the Technology and Application Sub-Committee of the HKEIA. He is also Vice President of Hong Kong Semiconductor Industry Council.

Mr. MA Fung On, aged 51, is the Deputy Chairman of the Group. Mr. Ma is responsible for the Group's overall strategic planning and policies, as well as overseeing the personnel and administration of the Group. Mr. Ma has worked with the Group for more than 16 years and has over 27 years of experience in the electronics industry. He graduated from the Hong Kong Polytechnic University with a higher diploma in electronic engineering.

Mr. WONG Wai Lik, Lamson, aged 45, is the Executive Director of the Group. He is in charge of the plastic division and the overall manufacturing operations of the Group. Mr. Wong graduated from the Hong Kong Polytechnic University with a higher diploma in production and industrial engineering. He joined the Group in 1992 and has over 22 years of experience in production operations and supervision.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. WONG Sook Leung, Joshua, aged 70, 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. Mr. Wong is presently the Professor Emeritus of the Hong Kong Polytechnic University. He has over 36 years of working experience with tertiary educational institutions including 29 years with the Hong Kong Polytechnic University of which 6 years as the vice president, 2 years as the senior consultant and chair professor in electronic and information engineering department and 16 years as the head of electronic engineering department. Prior to joining the Hong Kong Polytechnic University, he was an associate professor of California State University at Los Angeles, the US from 1968 to 1974. In addition, he was the president of the Hong Kong Association for the Advancement of Science and Technology in 1988/89. Mr. Wong is currently President of Hong Kong Semiconductor Industry Council. Mr. Wong obtained his bachelor degree of science in engineering from the University of Hong Kong and his doctor of philosophy degree from Leeds University, UK. He is also a chartered engineer, a fellow of the Institution of Engineering and Technology, UK and a fellow of the Hong Kong Institution of Engineers.

Mr. LEUNG Yu Ming, Steven, aged 50, 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 certified practising accountant of CPA Australia and a fellow member of The Association of Chartered Certified Accountants in the UK, the Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong respectively. Mr. Leung is also a practising certified public accountant in Hong Kong. Mr. Leung previously worked in Nomura International (Hong Kong) Limited as an Assistant Vice President in the International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation since 1990. He is now the senior partner of a certified public accountants firm. Mr. Leung has over 24 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is also an independent non-executive director of C C Land Holdings Limited, The Cross Harbour (Holdings) Limited, Y.T. Realty Group Limited and Yugang International Limited, all of which are companies listed on the Stock Exchange.

Mr. CHAN Kit Wang, aged 56, 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 32 years of working experience in accounting, auditing and taxation.

Directors and Senior Management Profiles

SENIOR MANAGEMENT

Mr. LEE Yiu Cheung, Alex, aged 52, is the Chief Financial Officer and Qualified Accountant of the Group. Mr. Lee is responsible for overseeing the corporate and financial matters of the Group. Mr. Lee is a practising certified public accountant in Hong Kong. He is also an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Lee joined the Group in early 2005 and has over 29 years of experience in corporate finance, accounting and auditing. Before joining the Group, he worked for a blue chip listed company in Hong Kong for over 17 years in a senior executive position. Mr. Lee graduated from the Hong Kong Polytechnic University with a higher diploma in accountancy. Mr. Lee is the brother-in-law of Mr. Ng Chi Ho, the Chairman and Managing Director of the Group.

Ms. WONG Sin, Kathy, aged 39, is the General Manager of the networking products division of the Group and is responsible for overseeing the overall operation of the division. Ms. Wong holds a master degree in EMBA from Shanghai Jiao Tong University in the PRC. She joined the Group in 2002 and has over 16 years of experience in the electronics manufacturing industry.

Mr. YEUNG Wai Hung, Jimmy, aged 40, is the General Manager of the EMS division of the Group and is responsible for sale and marketing. Mr. Yeung graduated from the Hong Kong Polytechnic University with a higher diploma in manufacturing engineering. He joined the Group in 2002 and has over 16 years of experience in electronic industry.

Mr. TENG Boon Han, Eric, aged 31, is the General Manager of the Pets and Supplies division of the Group. Mr. Teng holds a bachelor of Business Administration degree from University of New Brunswick, Canada. He joined the group in 2007. Prior to joining the Group, Mr. Teng worked for a global telecommunication company.

Mr. MAO Jian Quan, aged 38, is the General Manager of the EMS division of the Group and is responsible for overseeing the manufacturing operations. Mr. Mao holds a bachelor degree of engineering from the Shanxi Institute of Mechanical Engineering in the PRC. He joined the Group in 1994 and has over 15 years of experience in the electronic manufacturing industry.

Advanced Technology

Corporate Governance Report

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

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

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

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

BOARD OF DIRECTORS

The Group's overall management is vested in its board of directors, which now comprises six members, coming from diverse businesses and professional backgrounds. The Board consisted of three executive directors, namely Mr. Ng Chi Ho (Chairman), Mr. Ma Fung On (Deputy Chairman) and Mr. Wong Wai Lik, Lamson and three independent non-executive directors ("INED") Mr. Professor Wong Sook Leung, Joshua, Mr. Murase Hiroshi (resigned on 1 April 2009), Mr. Leung Yu Ming, Steven and Mr. Chan Kit Wang (appointed on 1 April 2009) (collectively the "Directors"). The resignation of Mr. Murase Hiroshi was due to his increased devotion to his personal affairs. Mr. Murase Hiroshi also confirmed that there was no disagreement with the Board and there was no matter relating to his resignation that needs to be brought to the attention of shareholders of the Company. There is no financial, business or family relationship between the Directors. The principal functions of the Board are to supervise the group's business and affairs; to review the Group's financial performance; to review the Group's systems of internal control; to approve the strategic plans, investment and funding decision. For the financial reporting accountability, the Board has the ultimate responsibility for preparing the financial statements. When the Directors are aware of any events or conditions that may cast significant doubt upon` the Group's ability to continue as a going concern, such events or conditions will be clearly set out and discussed in this Corporate Governance Report.

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

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

The Board conducted a review of the Group's internal control system for the year ended 31 March 2009. The Board assessed the effectiveness of internal control by considering reviews performed by the Audit Committee, executive management and the independent auditors' management letters, if any. The Board also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

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

Number of meetings	4
Name of directors	**Meeting attended**
Mr. Ng Chi Ho *(Chairman)*	4
Mr. Ma Fung On *(Deputy Chairman)*	4
Mr. Wong Wai Lik, Lamson	4
Professor Wong Sook Leung, Joshua	4
Mr. Murase Hiroshi (resigned on 1 April 2009)	4
Mr. Leung Yu Ming, Steven	4
Mr. Chan Kit Wang (appointed on 1 April 2009)	0

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). The auditor's responsibility on the accompanying consolidated financial statements is set out on page 33 to of this annual report.

During the year, remuneration of approximately HK$1,641,000 was payable to PwC for the provision of audit services. In addition, approximately HK$405,000 was payable to PwC for other non-audit services. The non-audit services mainly consist of tax compliance and other services.

AUDIT COMMITTEE

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

The main duties of the Committee are as follows:

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

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

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

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

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

– To 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.

Corporate Governance Report

AUDIT COMMITTEE *(Continued)*

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

Number of meeting	2

Member of Audit Committee	**Meeting attended**
Professor Wong Sook Leung, Joshua	1
Mr. Murase Hiroshi (resigned on 1 April 2009)	2
Mr. Leung Yu Ming, Steven	2
Mr. Chan Kit Wang (appointed on 1 April 2009)	0

During the year, the Audit Committee reviewed the fiscal year 2007/2008 annual report and fiscal year 2008/2009 interim report, reviewed and discussed the financial results and internal control systems of the group, conducted discussions with the independent auditors on financial reporting, compliance, and reported all relevant matters to the Board.

The Audit Committee has also reviewed the fiscal year 2008/2009 annual report in a meeting held on 10 July 2009.

REMUNERATION COMMITTEE

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

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

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

Number of meeting	1

Member of the Remuneration Committee	**Meeting attended**
Professor Wong Sook Leung Joshua	1
Mr. Murase Hiroshi (resigned on 1 April 2009)	1
Mr. Leung Yu Ming, Steven	1
Mr. Chan Kit Wang (appointed on 1 April 2009)	0

Corporate Governance Report

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	2
Member of the Nomination Committee	**Meeting attended**
Professor Wong Sook Leung, Joshua	2
Mr. Murase Hiroshi (resigned on 1 April 2009)	2
Mr. Leung Yu Ming, Steven	2
Mr. Chan Kit Wang (appointed on 1 April 2009)	0

The Nomination Committee recommended to the Board the appointment of Mr. Chan Kit Wang as INED of the Group on 1 April 2009, to replace Mr. Murase Hiroshi who resigned on the same day.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

INVESTOR RELATIONS

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

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

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

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

Report of the Directors

The Directors would like to present to the shareholders their report and the audited financial statements of the Company and its subsidiaries (together, "the Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its principal subsidiaries are engaged in the research and development, manufacture and sale of electronic products. Details of the principal activities of the Group's subsidiaries are set out in note 9 to the consolidated financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 37 of this annual report.

An interim dividend of HK2.0 cents per ordinary share was paid during the year. The Directors proposed the payment of a final dividend of HK3.5 cents per ordinary share for the year ended 31 March 2009. Total dividend for the year ended 31 March 2009 amounted to HK5.5 cents per ordinary share. The proposed final dividend, if approved at the forthcoming Annual General Meeting of the Company to be held on 26 August 2009 is expected to be paid on or before 11 September 2009 to shareholders of the Company whose names appear on the Register of Shareholders of the Company on 26 August 2009, and for the purpose of determining the entitlements of the shareholders, the register of Shareholders of the Company will be closed from 21 August 2009 to 26 August 2009, both days inclusive.

RESERVES

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

SHARE CAPITAL AND SHARE OPTIONS

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2009 calculated under Company Act of Bermuda amounted to HK$82,301,000 (2008: HK$73,849,000).

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$85,000.

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 2009 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 86 of this annual report.

Report of the Directors

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

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

Independent Non-executive Directors

Professor Wong Sook Leung, Joshua
Mr. Murase Hiroshi (resigned on 1 April 2009)
Mr. Leung Yu Ming, Steven
Mr. Chan Kit Wang (appointed on 1 April 2009)

Pursuant to Bye-law 115 of the Bye-Laws, Mr. Chan Kit Wang will hold office until the AGM. Pursuant to Bye-law 111 of the Bye-Laws, Mr. Ma Fung On and Mr. Leung Yu Ming, Steven will retire by rotation at the AGM. The retiring Directors, being eligible, offer themselves for re-election.

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

Each of Mr. Ng Chi Ho and Mr. Wong Wai Lik, Lamson, both being executive Directors of the Company has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 September 2002 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Mr. Ma Fung On, an executive Director, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 April 2004 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Save as disclosed above, none of the directors proposed for re-election has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

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

Principal terms of the Share Option Scheme are as follows:

1. Purpose of the Share Option Scheme

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

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

2. Eligible participants of the Share Option Scheme

Eligible participants of the Share Option Scheme include:

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

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

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

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

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

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

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

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

3. Total number of Share available for issue

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not exceed 10% of the issue share capital of the Company. The 10% limit was refreshed by 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 for up to 23,044,000 shares, representing 10% of the shares 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 28,244,000 shares (including 5,200,000 shares subject to options that have been granted before refreshment but not yet lapsed or exercised), which represented 12.13% 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.

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

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 2009 under the Scheme Option Scheme are as follows:

	Number of share options							
	Outstanding at 1 April 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 March 2009	Exercise price	Date of grant	Exercisable period
Mr. Ng Chi Ho	2,000,000	–	–	–	2,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Mr. Ma Fung On	1,070,000	–	–	1,070,000	–	1.230	5 May 2003	5 May 2003 – 4 May 2008
	1,000,000	–	–	–	1,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000	–	–	–	2,000,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Mr. Wong Wai Lik, Lamson	1,300,000	–	–	1,300,000	–	1.230	5 May 2003	5 May 2003 – 4 May 2008
	1,000,000	–	–	–	1,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000	–	–	–	2,000,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Professor Wong Sook Leung, Joshua	500,000	–	–	–	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Mr. Murase Hiroshi	500,000	–	–	500,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
Employees	2,110,000	–	–	2,110,000	–	1.230	5 May 2003	5 May 2003 – 4 May 2008
	800,000	–	–	300,000	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	3,200,000	–	–	–	3,200,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Others	1,800,000	–	–	1,800,000	–	1.230	5 May 2003	5 May 2003 – 4 May 2008
	500,000 (Note)	–	–	–	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	19,780,000	–	–	7,080,000	12,700,000			

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

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 period from 1 April 2009 to 15 July 2009 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 15 July 2009	Exercise price	Date of grant	Exercisable period
Mr. Ng Chi Ho	2,000,000	–	–	2,000,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
Mr. Ma Fung On	1,000,000	–	–	1,000,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000	–	2,000,000 (Note)	–	–	0.436	23 March 2007	23 March 2007 – 22 March 2012
Mr. Wong Wai Lik, Lamson	1,000,000	–	–	1,000,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000	–	–	–	2,000,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Professor Wong Sook Leung, Joshua	500,000	–	–	500,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
Continuous contract	500,000	–	–	500,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
Employees	3,200,000	–	–	–	3,200,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Others	500,000	–	–	500,000	–	1.230	7 May 2004	7 May 2004 – 6 May 2009
	12,700,000	–	2,000,000	5,500,000	5,200,000			

Note: The weighted average closing price of the Company's share immediately before the date of exercise of share options (22 June 2009) was HK$0.59.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2009, the interests and the short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such positions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Long position

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

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

Notes:

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

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

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

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

Report of the Directors

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Long position *(Continued)*

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

As at 31 March 2009, each of Mr. Ng Chi Ho and Mr. Ma Fung On held the following non-voting deferred shares of HK$1 each in Suga Electronics Limited, a wholly owned subsidiary of the Company:

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

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. Mr. Ng Chi Ho and Mr. Ma Fung On hold 92% and 6% interests in each of Essential Mix Enterprises Limited and Broadway Business Limited respectively.

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 2009.

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 2009, the following persons (not being a director or chief executive of the Company) had interests or short positions 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	Number of ordinary shares	Percentage of issued shares
Superior View Inc. (Note 1)	100,000,000	43.32%
Billion Linkage Limited (Note 2)	39,608,000	17.16%
Shaw, Kwei & Partners (Asia) Ltd (Note 3)	12,500,000	5.42%

Notes:

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

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

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

Save as disclosed above, as far as is known to the Directors, there is no person, other than the Directors and chief executives of the Company, who has an interest or short positions in the shares or 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 2009.

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 30.4% of the Group's total revenue and the five largest customers accounted for approximately 76.0% of the Group's total revenue. In addition, the largest supplier of the Group accounted for approximately 8.3% of the Group's purchases while the five largest suppliers of the Group accounted for approximately 21.5% 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.

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 18 to 21.

PUBLIC FLOAT

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

INDEPENDENT AUDITOR

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

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

Hong Kong, 15 July 2009

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, 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 85, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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 2009 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, 15 July 2009

Balance Sheets

As at 31 March 2009

		Group		Company	
		2009	2008	**2009**	2008
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**62,761**	65,195	**–**	–
Land use rights	6	**4,399**	4,458	**–**	–
Goodwill	7	**1,059**	1,059	**–**	–
Investment in subsidiaries	8	**–**	–	**65,072**	65,072
Interest in an associate	9	**–**	–	**–**	–
Interest in a jointly controlled entity	10	**–**	–	**–**	–
Deferred tax assets	20	**2,179**	3,106	**–**	–
		70,398	73,818	**65,072**	65,072
Current assets					
Inventories	12	**125,341**	139,664	**–**	–
Trade and other receivables	13	**96,018**	104,565	**418**	242
Tax recoverable		**1,116**	1,293	**63**	–
Amounts due from subsidiaries	8	**–**	–	**96,051**	86,382
Amount due from a jointly controlled entity	10	**27,601**	16,141	**–**	–
Derivative financial instruments	14	**–**	1,040	**–**	–
Cash and cash equivalents	15	**79,647**	64,868	**139**	1,346
		329,723	327,571	**96,671**	87,970
Total assets		**400,121**	401,389	**161,743**	153,042
LIABILITIES					
Current liabilities					
Trade and other payables	16	**84,111**	80,186	**1,868**	1,619
Income tax payable		**14,401**	14,266	**–**	–
Bank borrowings	17	**8,683**	19,404	**–**	–
Finance lease liabilities	18	**42**	81	**–**	–
Bank advances for factored receivables	19	**2,175**	6,777	**–**	–
Derivative financial instruments	14	**–**	1,875	**–**	–
		109,412	122,589	**1,868**	1,619
Non-current liabilities					
Long term bank borrowings	17	**3,636**	10,909	**–**	–
Finance lease liabilities	18	**–**	42	**–**	–
Deferred tax liabilities	20	**2,746**	2,853	**–**	–
		6,382	13,804	**–**	–
Total liabilities		**115,794**	136,393	**1,868**	1,619

Balance Sheets *(Continued)*

As at 31 March 2009

		Group		Company	
		2009	2008	**2009**	2008
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital	21	**23,084**	23,084	**23,084**	23,084
Other reserves	23	**96,732**	90,783	**120,026**	120,026
Retained earnings	23				
– Proposed dividend		**8,149**	6,925	**8,149**	6,925
– Others		**156,362**	144,204	**8,616**	1,388
Total equity		**284,327**	264,996	**159,875**	151,423
Total equity and liabilities		**400,121**	401,389	**161,743**	153,042
Net current assets		**220,311**	204,982	**94,803**	86,351
Total assets less current liabilities		**290,709**	278,800	**159,875**	151,423

NG Chi Ho
Director

MA Fung On
Director

The notes on pages 40 to 85 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	24	**812,034**	707,711
Cost of sales	27	**(715,426)**	(614,878)
Gross profit		**96,608**	92,833
Other income	25	**1,460**	336
Distribution and selling expenses	27	**(16,514)**	(15,512)
General and administrative expenses	27	**(53,001)**	(53,425)
		28,553	24,232
Finance income	28	**1,514**	621
Finance costs	28	**(1,869)**	(3,226)
Finance costs – net	28	**(355)**	(2,605)
Profit before income tax		**28,198**	21,627
Income tax expense	29	**(3,274)**	(940)
Profit for the year		**24,924**	20,687
Attributable to: Equity holders of the Company	30	**24,924**	20,687
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic (HK cents)	31	**10.80**	8.97
– Diluted (HK cents)	31	**10.77**	8.85
Dividends	32	**12,766**	9,239

The notes on pages 40 to 85 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	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 2007	22,994	78,442	137,282	238,718
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	12,121	–	12,121
Profit for the year	–	–	20,687	20,687
Total recognised income for the year ended 31 March 2008	–	12,121	20,687	32,808
Exercise of share options	90	220	83	393
Dividends paid	–	–	(6,923)	(6,923)
	90	220	(6,840)	(6,530)
Balance at 31 March 2008	23,084	90,783	151,129	264,996
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 recognised income for the year ended 31 March 2009	–	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

The notes on pages 40 to 85 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Cash generated from operations	34	**57,958**	45,109
Hong Kong profits tax paid		**(869)**	(1,162)
Mainland Chinese corporate income tax paid		**(1,584)**	(1,215)
Net cash generated from operating activities		**55,505**	42,732
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,361)**	(4,132)
Proceeds from disposals of property, plant and equipment		**53**	37
Net proceeds from derivative financial instruments		**28**	–
Interest received		**1,514**	621
Net cash used in investing activities		**(10,766)**	(3,474)
Cash flows from financing activities			
Issuance of shares upon exercise of share options		**–**	393
New long-term bank loans		**–**	18,182
Repayment of long-term bank loans		**(7,273)**	–
Repayment of short-term bank loans		**–**	(28,700)
Repayment of capital element of finance lease obligations		**(81)**	(77)
Decrease in trust receipts bank loans		**(10,721)**	(827)
Interest paid		**(1,869)**	(3,226)
Dividends paid		**(11,542)**	(6,923)
Net cash used in financing activities		**(31,486)**	(21,178)
Net increase in cash and cash equivalents		**13,253**	18,080
Effect of changes in foreign exchange rates		**1,526**	1,689
Cash and cash equivalents, beginning of year		**64,868**	45,099
Cash and cash equivalents, end of year		**79,647**	64,868

The notes on pages 40 to 85 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 15 July 2009.

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 as at the reporting dates.

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 statement are disclosed in Note 4.

(a) Amendments and interpretations effective of HKFRS in 2008

- HKAS 39, "Financial Instruments: Recognition and Measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial Instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

(b) Interpretations effective in 2008 but not relevant

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

- HK(IFRIC)-Int 12, "Service Concession Arrangements"

- HK(IFRIC)-Int 14, "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 April 2009.

- HKAS 23 (Revised), "Borrowing Costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 April 2009.

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 April 2010.

- HKAS 32 (Amendment), "Financial Instruments: Presentation", and HKAS 1 (Amendment), "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the HKAS 32 (Amendment) and HKAS 1 (Amendment) from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

- HKFRS 1 (Amendment), "First-time Adoption of Hong Kong Financial Reporting Standards" and HKAS 27 "Consolidated and Separate Financial Statements" (effective from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1 April 2010 in its separate financial statements. This amendment is not relevant to the Group.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

- HKFRS 2 (Amendment), "Share-based Payment" (effective from 1 January 2009). The amended standard 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. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 April 2009, but it is not expected to have a material impact on the Group's financial statements.

- HKFRS 3 (Revised), "Business Combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 April 2010.

- HKFRS 8, "Operating Segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 "Segment Reporting". The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reports provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units on a segment level, the change will also require management to reallocate goodwill to the newly identified operating segments.

  Apart from the above, the HKICPA has also issued certain improvements to HKFRS primarily with a view to remove inconsistencies and clarify wording. The amendments are primarily effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The Group does not expect adoption of the amendments to have a significant effect on the Group's financial statements.

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

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2009 or later periods but are not relevant to the Group's operations:

- HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" (effective from 1 January 2009)

- HK(IFRIC)-Int 13, "Customer Loyalty Programmes" (effective from 1 July 2008)

- HK(IFRIC)-Int 15, "Agreements for Construction of Real Estates" (effective from 1 January 2009)

- HK(IFRIC)-Int 16, "Hedges of a Net Investment in a Foreign Operation" (effective from 1 October 2008)

- HK(IFRIC)-Int 17, "Distributions of Non-cash Assets to Owners" (effective from 1 July 2009)

- HK(IFRIC)-Int 18, "Transfers of Assets from Customers" (effective from 1 July 2009)

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 2.6).

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

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

(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 2.7). The results of associated companies 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)*

2.2 Consolidation *(Continued)*

(c) Jointly controlled entities

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

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

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

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

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less 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 the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance 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 cost less residual values over their estimated useful lives, as follows:

Buildings	35 – 40 years
Leasehold improvements	5 years
Plant and machinery	5 years
Furniture and equipment	5 years

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

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

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

2.6 Goodwill

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 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.

2.8 Financial assets

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

As at 31 March 2009, the Group's financial assets primarily comprise financial assets at fair value through profit or loss and loans and receivables.

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheets (Note 2.10 and 2.11).

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.

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Trade and other receivables

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Trade and other payables

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

2.14 Borrowings

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

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

2.15 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement.

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 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Current and deferred income tax *(Continued)*

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

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

2.16 Employee benefits

(a) Pension obligations

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. The assets of which are held separately from those of the Group and managed by independent professional fund managers. The pension plans are generally funded by payments from employees and by the Group.

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

For employees in Macao, the Group contributes to defined contribution retirement plan organised by 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.

(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)*

2.17 Provisions

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

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

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

2.18 Revenue recognition

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

(a) **Sales of goods**

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

(b) **Interest income**

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

(c) **Dividend income**

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

2.19 Leases

(a) **Operating lease**

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

(b) **Finance lease**

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Financial guarantees

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

2.21 Derivative financial instruments

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

As at 31 March 2009, 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.

2.22 Dividend distribution

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

2.23 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The ongoing global financial crisis which happened after mid 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have led to bank failures and bank rescues in the United States of America ("USA"), Western Europe and elsewhere. The global financial crisis has also led to current or potential recession in major economies. Indeed the full extent of the impact of the ongoing financial crisis would be difficult to anticipate or completely guard against. To address the volatile financial market, during the year, the Group's risk management focused on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

(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. The Group has not used any financial instruments to hedge against foreign currency risk as at 31 March 2009. 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.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(i) Foreign currency risk *(Continued)*

As at 31 March 2009 and 2008, 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.

	2009 HK$'000	2008 HK$'000
Post-tax profit increase/(decrease)		
– Strengthen 5%	**(2,160)**	(2,164)
– Weakened 5%	**2,160**	2,164

(ii) Cash flow and fair value interest rate risk

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

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

At 31 March 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$62,000 (2008: HK$152,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank borrowings.

(iii) Credit risk

Under the ongoing global financial crisis, customers of the Group may be affected by the unfavourable economic conditions and the lower liquidity situation which could in turn impact their ability to repay the outstanding balance owed to the Group. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

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 76% of the Group's total trade receivables. The Group has policies in place to ensure that sales are made to customers with appropriate credit history and to limit the amount of credit exposure to individual customer. The Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's past experience in collection of trade receivables falls within the recorded allowances. In order to minimise credit risk to the Group, the Group has certain non-recourse factoring arrangement with banks to cover the credit risk.

The credit risk on 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.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

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

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
2009			
Trade payables	**74,625**	**–**	**–**
Other payables and accruals	**9,486**	**–**	**–**
Borrowings	**8,877**	**3,656**	**–**
Finance lease liabilities	**42**	**–**	**–**
Bank advances for factored receivables	**2,175**	**–**	**–**
	95,205	**3,656**	**–**
2008			
Trade payables	70,601	–	–
Other payables and accruals	9,585	–	–
Borrowings	19,819	7,452	3,654
Finance lease liabilities	85	42	–
Bank advances for factored receivables	6,777	–	–
Derivative financial instruments	1,875	–	–
	108,742	7,494	3,654

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 shareholder's return capital to shareholders, issue new shares or sell assets to reduce debts.

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

	2009 **HK$'000**	2008 HK$'000
Total bank borrowings	**12,319**	30,313
Bank advances for factored receivables	**2,175**	6,777
	14,494	37,090
Total equity	**284,327**	264,996
Gearing ratio	**5.1%**	14.0%

The decrease in the gearing ratio during the relevant periods resulted primarily from the decrease of bank borrowings during the year ended 31 March 2009.

3.3 Fair value estimation

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

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

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 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. 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. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

(d) Estimated provision for impairment of trade receivables

The Group makes provision for impairment of trade receivables based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment 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$'000	**Leasehold improve-ments** HK$'000	**Plant and machinery** HK$'000	**Furniture and equipment** HK$'000	**Total** HK$'000
At 1 April 2007					
Cost	44,272	17,386	84,714	25,227	171,599
Accumulated depreciation	(5,249)	(13,364)	(56,698)	(18,260)	(93,571)
Net book amount	39,023	4,022	28,016	6,967	78,028
Year ended 31 March 2008					
Opening net book amount	39,023	4,022	28,016	6,967	78,028
Exchange differences	781	336	1,269	350	2,736
Additions	–	47	2,679	1,406	4,132
Disposals	–	–	–	(27)	(27)
Depreciation	(1,127)	(2,078)	(13,211)	(3,258)	(19,674)
Closing net book amount	38,677	2,327	18,753	5,438	65,195
At 31 March 2008					
Cost	45,088	18,805	91,929	27,741	183,563
Accumulated depreciation	(6,411)	(16,478)	(73,176)	(22,303)	(118,368)
Net book amount	38,677	2,327	18,753	5,438	65,195
Year ended 31 March 2009					
Opening net book amount	**38,677**	**2,327**	**18,753**	**5,438**	**65,195**
Exchange differences	**393**	**96**	**460**	**140**	**1,089**
Additions	**771**	**86**	**9,427**	**2,077**	**12,361**
Disposals	**–**	**–**	**(1)**	**(1)**	**(2)**
Depreciation	**(1,141)**	**(1,211)**	**(10,650)**	**(2,880)**	**(15,882)**
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**

Depreciation expense of HK$10,517,000 (2008: HK$13,410,000) has been expensed in cost of sales, and HK$5,365,000 (2008: HK$6,264,000) 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.

Notes to the Financial Statements

5 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Cost	**419**	419
Less: Accumulated depreciation	**(343)**	(259)
Net book value	**76**	160
Depreciation for the year	**84**	84

6 LAND USE RIGHTS

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

	Group	
	2009 HK$'000	2008 HK$'000
Beginning of the year	**4,458**	4,443
Exchange differences	**73**	145
Amortisation charged to cost of sales	**(132)**	(130)
End of the year	**4,399**	4,458

	2009 HK$'000	2008 HK$'000
In Mainland China, held on leases of between 10 and 50 years	**4,399**	4,458

Notes to the Financial Statements

7 GOODWILL

Movements of goodwill during the year are as follows:

	HK$'000
Year ended 31 March 2008	
Net book amount at 1 April 2007 and 31 March 2008	1,059
At 31 March 2008	
Cost	1,059
Impairment charge	–
Net book amount	1,059
Year ended 31 March 2009	
Net book amount at 1 April 2007 and 31 March 2008	1,059
At 31 March 2009	
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 country of operation and business segment.

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

	2009 HK$'000	2008 HK$'000
Telecommunication products in Mainland China	**1,059**	1,059

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

	Telecommunication
Gross margin	12.8%
Growth rate	3.0%
Discount rate	5.0%

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

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

Based on discounted cash flow forecast prepared by management, the directors are of the view that there is no impairment of goodwill as at 31 March 2009 and 2008.

Notes to the Financial Statements

8 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investment in subsidiaries

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**65,072**	65,072

The Directors are of the opinion that the underlying value of investment in subsidiaries is not less than its carrying values as at 31 March 2009.

(b) Amounts due from subsidiaries

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

(c) Details of the principal subsidiaries of the Company as at 31 March 2009 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ paid-up capital	Group equity interest		Principal activities and place of operation
			2009	2008	
Suga International Limited *(vii)*	British Virgin Islands, limited liability company	Ordinary shares US$700	**100%**	100%	Investment holding in Hong Kong
Speedy Source Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Trading of electronic products in Hong Kong
Suga Electronics Limited *(i)*	Hong Kong, limited liability company	Ordinary shares HK$2 Non-voting deferred shares HK$4,000,000 *(i)*	**100%**	100%	Trading of electronic products in Hong Kong
Suga Electronics (Shenzhen) Co., Ltd. *(ii), (ix)*	Mainland China, limited liability company	HK$33,500,000	**100%**	100%	Manufacturing of electronic products in Mainland China
Suga Networks Hong Kong Limited	Hong Kong, limited liability company	Ordinary shares HK$100,000	**100%**	100%	Trading of networking devices in Hong Kong
Suga Networks Equipment (Shenzhen) Co. Ltd. ("SNESL") *(iii), (ix)*	Mainland China, limited liability company	HK$17,500,000	**100%**	100%	Manufacturing of networking devices in Mainland China
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

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 2009 are as follows: *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ paid-up capital	Group equity interest 2009	Group equity interest 2008	Principal activities and place of operation
Pets & Supplies (Shenzhen) Co., Ltd. ("PSSL") *(iv), (ix)*	Mainland China, limited liability company	HK$10,000,000	**100%**	100%	Manufacture of pet products in Mainland China
Suga Digital Technology Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Design and trading of digital A/V products in Hong Kong
Long Join (Hong Kong) Electronic Co. Limited (Formerly known as "Net-Tech Products Limited")	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Trading of electronic products in Hong Kong
Precise Computer Tooling Co., Limited	Hong Kong, limited liability company	Ordinary shares HK$500,000	**100%**	100%	Manufacture and trading of plastic parts in Hong Kong
Precise Plastic Injection (Shenzhen) Co., Ltd. ("PPISL") *(v), (ix)*	Mainland China, limited liability company	HK$5,600,000	**100%**	100%	Manufacture of plastic parts in Mainland China
Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Limited ("Nodic") *(vi), (ix)*	Mainland China, limited liability company	US$3,957,407	**100%**	100%	Manufacture of plastic parts in Mainland China

Notes:

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

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

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

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

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

(vi) Nodic is a wholly foreign owned enterprise established in Mainland China with an approved period of operation of 30 year until September 2020. As at 31 March 2009, approximately HK$15,932,000 (2008: HK$15,932,000) of the registered capital has not yet been paid up.

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

(viii) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2009.

(ix) All subsidiaries established in Mainland China have financial accounting year end dated on 31 December in accordance with the local statutory requirements, which is not coterminous with the Group. The consolidated financial statements of the Group were prepared based on the management accounts of these subsidiaries for the twelve months ended 31 March 2009.

Notes to the Financial Statements

9 INTEREST IN AN ASSOCIATE

	Group 2009 HK$'000	2008 HK$'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$10,500,000 (2008: HK$ HK$10,500,000)	Hong Kong, limited liability company	2009	105	77	–	–	28.57%
			2008	105	77	–	–	28.57%

The accumulated losses not recognised by the Group for Modern Tech Limited were HK$546,000 (2008: HK$546,000), as the Group does not have further obligation to bear the losses of the associate beyond its cost of investment.

10 INTEREST IN A JOINTLY CONTROLLED ENTITY ("JCE")

	Group 2009 HK$'000	2008 HK$'000
Share of net assets (Note (a))	**–**	–
Amount due from a jointly controlled entity (Note (b))	**27,601**	16,141

Notes:

(a) The accumulated losses not recognised by the Group for the JCE were HK$40,000 (2008: 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 and other receivables from the JCE and is unsecured, non-interest bearing and repayable on demand. The carrying value of the amount due from the JCE approximates its fair value.

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

Name	Particulars of issued shares held	Country of incorporation	Year	Group's share of Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Loss HK$'000	% Interest held
Suga-AI Limited	Ordinary shares HK$2	Hong Kong, limited liability company	2009	16,185	16,230	112,614	–	50%
			2008	10,723	10,768	35,765	40	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 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**
At 31 March 2008			
Trade and other receivables, excluding prepayments (Note 13)	102,460	–	102,460
Amount due from a jointly controlled entity (Note 10)	16,141	–	16,141
Derivative financial instruments (Note 14)	–	1,040	1,040
Cash and cash equivalents (Note 15)	64,868	–	64,868
	183,469	1,040	184,509

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

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 2009			
Amount due from subsidiaries (Note 8)	**96,051**	**–**	**96,051**
Cash and cash equivalents (Note 15)	**139**	**–**	**139**
	96,190	**–**	**96,190**
At 31 March 2008			
Amount due from subsidiaries (Note 8)	86,382	–	86,382
Cash and cash equivalents (Note 15)	1,346	–	1,346
	87,728	–	87,728

	Other financial liabilities HK$'000	**Liabilities at fair value through profit or loss** HK$'000	**Total** HK$'000
Liabilities			
At 31 March 2009			
Trade and other payables (Note 16)	**1,868**	**–**	**1,868**
At 31 March 2008			
Trade and other payables (Note 16)	1,619	–	1,619

12 INVENTORIES

	Group	
	2009 **HK$'000**	2008 HK$'000
Raw materials	**90,021**	108,225
Work-in-progress	**21,449**	25,317
Finished goods	**20,415**	12,445
	131,885	145,987
Less: Provision for impairment	**(6,544)**	(6,323)
	125,341	139,664

Notes to the Financial Statements

12 INVENTORIES *(Continued)*

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$631,902,000 (2008: HK$535,839,000).

The Group realised a loss of approximately HK$221,000 for the year ended 31 March 2009 (2008: HK$2,096,000) 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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**90,460**	98,038	**–**	–
Less: Provision for impairment	**(7,902)**	(10,156)	**–**	–
Trade receivables, net	**82,558**	87,882	**–**	–
Prepayments	**794**	2,105	**418**	242
Rental and other deposits	**1,900**	7,432	**–**	–
Value added tax receivables	**7,878**	6,512	**–**	–
Others	**2,888**	634	**–**	–
	96,018	104,565	**418**	242

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

The ageing analysis of trade receivables is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0 to 30 days	**53,064**	63,696
31 to 60 days	**11,744**	6,220
61 to 90 days	**9,430**	6,790
91 to 180 days	**3,491**	9,896
Over 180 days	**12,731**	11,436
	90,460	98,038
Less: Provision for impairment	**(7,902)**	(10,156)
Trade receivables, net	**82,558**	87,882

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

Notes to the Financial Statements

13 TRADE AND OTHER RECEIVABLES *(Continued)*

As of 31 March 2009, trade receivable of HK$29,494,000 (2008: HK$24,186,000) 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:

	2009 HK$'000	2008 HK$'000
31 to 60 days	**11,744**	6,220
61 to 90 days	**9,430**	6,790
91 to 180 days	**3,491**	9,896
Over 180 days	**4,829**	1,280
	29,494	24,186

As of 31 March 2009, trade receivable of HK$7,902,000 (2008: HK$10,156,000) 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$7,902,000 as of 31 March 2009 (2008: HK$10,156,000). 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:

	2009 HK$'000	2008 HK$'000
Over 180 days	**7,902**	10,156

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

	2009 HK$'000	2008 HK$'000
At 1 April	**10,156**	9,224
Provision for receivable impairment	**562**	1,188
Unused amounts reversed	**(16)**	(373)
Receivables written off during the year as uncollectible	**(2,903)**	(33)
Others	**103**	150
At 31 March	**7,902**	10,156

As at 31 March 2009, the trade receivables from five customers accounted for approximately 76% (2008: 70%) of the total trade receivables. The Group's credit risk management is disclosed in Note 3 to the financial statements.

Notes to the Financial Statements

13 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollars	**4,083**	8,809
US dollars	**76,235**	73,523
Renminbi	**2,240**	5,550
	82,558	87,882

All trade receivables are either repayable within one year or on demand. During the year, the Group recognised a loss of HK$546,000 (2008: HK$815,000) for the impairment of its trade receivables. Such loss has been included in general and administrative expenses in the income statement.

As at 31 March 2009, a subsidiary of the Company had factored trade receivables of approximately HK$2,175,000 (2008: HK$6,777,000) (the "Factored Receivables") to banks for cash under certain receivables purchase agreements. As the subsidiary of the Company still retained the risks and rewards associated with the default and delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of trade receivables have been accounted for as the Group's liabilities and included in "Bank advances for factored receivables" (Note 19).

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**2,329**	1,474	**–**	–
Renminbi	**10,337**	13,104	**–**	–
	12,666	14,578	**–**	–

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			
	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward foreign exchange contracts	**–**	**–**	1,040	(1,051)
Structured forward contract	**–**	**–**	–	(824)
	–	**–**	1,040	(1,875)

All of the Group's forward exchange and structured forward contracts had expired during the year ended 31 March 2009. The maximum exposure to credit risk as at 31 March 2008 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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**9,402**	9,540	**48**	198
US dollars	**47,239**	41,928	**76**	1,134
Renminbi	**22,796**	13,153	**–**	–
Other currencies	**210**	247	**15**	14
	79,647	64,868	**139**	1,346

As at 31 March 2009, the effective interest rate on bank deposits was 1.2% (2008: 3.5%) per annum. The time deposits of the Group have an average maturity of 19 days (2008: 8 days).

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

16 TRADE AND OTHER PAYABLES

The ageing analysis of the trade payables is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 30 days	**66,592**	55,082	**–**	–
31 to 60 days	**1,801**	6,108	**–**	–
61 to 90 days	**1,034**	1,963	**–**	–
91 to 180 days	**897**	4,882	**–**	–
Over 180 days	**4,301**	2,566	**–**	–
Trade payables	**74,625**	70,601	**–**	–
Salaries and staff welfare payable	**4,724**	4,871	**–**	–
Accrued expenses	**3,395**	2,816	**1,860**	1,611
Others	**1,367**	1,898	**8**	8
	84,111	80,186	**1,868**	1,619

Notes to the Financial Statements

16 TRADE AND OTHER PAYABLES *(Continued)*

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollars	**9,424**	16,719
US dollars	**50,507**	50,217
Renminbi	**12,795**	3,665
Other currencies	**1,899**	–
	74,625	70,601

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**4,251**	4,363	**1,868**	1,619
Renminbi	**5,235**	5,222	**–**	–
	9,486	9,585	**1,868**	1,619

17 BANK BORROWINGS

	Group	
	2009	2008
	HK$'000	HK$'000
Non-current		
Long-term bank borrowings	**10,909**	18,182
Less: current portion of long-term bank borrowings	**(7,273)**	(7,273)
	3,636	10,909
Current		
Trust receipt bank loans	**1,410**	12,131
Current portion of long-term bank borrowings	**7,273**	7,273
	8,683	19,404
Total borrowings	**12,319**	30,313

Notes to the Financial Statements

17 BANK BORROWINGS *(Continued)*

The terms of borrowings is as follows:

	Group					
	Trust receipt bank loans		Other bank borrowings		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Within one year	**1,410**	12,131	**7,273**	7,273	**8,683**	19,404
In the second year	**–**	–	**3,636**	7,273	**3,636**	7,273
In the third year	**–**	–	**–**	3,636	**–**	3,636
	1,410	12,131	**10,909**	18,182	**12,319**	30,313

At 31 March 2009, the Group has aggregate banking facilities of approximately HK$375,751,000 (2008: HK$438,704,000) for overdrafts, loans and trade financing.

Unused facilities at the same date amounted to approximately HK$318,334,000 (2008: HK$354,494,000). These facilities are secured by:

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

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

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

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

	2009	2008
	HK$'000	HK$'000
Trust receipt bank loans	**3.6%**	6.4%
Other bank borrowings	**2.8%**	5.0%

The carrying amounts of the borrowings are denominated in Hong Kong dollars and approximate their fair values.

18 FINANCE LEASE LIABILITIES

At 31 March 2009, the Group's finance lease liabilities were repayable as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**42**	85
In the second to fifth year	**–**	42
	42	127
Less: future finance charges on finance leases	**–**	(4)
	42	123
Less: current portion	**(42)**	(81)
	–	42

Notes to the Financial Statements

18 FINANCE LEASE LIABILITIES *(Continued)*

The present value of finance lease liabilities is as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**42**	81
In the second to fifth year	**–**	42
	42	123

19 BANK ADVANCES FOR FACTORED RECEIVABLES

The Group factored certain receivables to banks in exchange for cash during the year. As the Group still retained risks and rewards associated with the default by customers on certain of those factored receivables, those receivables have been accounted for as bank advances for the year ended 31 March 2009. The related factored receivables to banks that remained outstanding as at 31 March 2009 amounted to HK$2,175,000 (2008: HK$6,777,000).

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

20 DEFERRED INCOME TAX

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

	Group	
	2009 HK$'000	2008 HK$'000
Deferred income tax assets:		
– Deferred income tax asset to be recovered after more than 12 months	**(2,179)**	(3,106)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**2,746**	2,853

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

	Group	
	2009 HK$'000	2008 HK$'000
At 1 April	**(253)**	839
Charged/(credited) in income statement (Note 29)	**820**	(1,092)
At 31 March	**567**	(253)

Notes to the Financial Statements

20 DEFERRED INCOME TAX *(Continued)*

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:

Deferred income tax liabilities	Accelerated tax depreciation **2009** **HK$'000**	2008 HK$'000
At 1 April	**2,853**	4,301
Credited to income statement	**(107)**	(1,448)
At 31 March	**2,746**	2,853

Deferred income tax assets	Tax losses **2009** **HK$'000**	2008 HK$'000
At 1 April	**(3,106)**	(3,462)
Charged to income statement	**927**	356
At 31 March	**(2,179)**	(3,106)

As at 31 March 2009, the Group has unrecognised tax losses of HK$26,260,000 (2008: HK$26,103,000) for Hong Kong profits tax purposes and unrecognised tax losses of HK$17,247,000 (2008: HK$15,362,000) for the Mainland Chinese enterprise income tax. No deferred tax assets have been recognised for these tax loss as the directors considered that it is probable the temporary difference will not be revised in the foreseeable future.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. Further, pursuant to the Detailed Implementation Regulations issued by the State Council on 6 December 2007, a reduced tax rate of 15% will be granted to those high/new technology enterprises. The Group has assessed the impact of such new CIT Law and considers that there is no significant effect to the carrying value of deferred income tax balance as at 31 March 2009.

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

21 SHARE CAPITAL

	Number of shares '000	**Nominal value** HK'000
Authorised – ordinary shares of HK$0.1 each	2,000,000	200,000
Issued and fully paid – ordinary shares of HK$0.1 each		
At 1 April 2007	229,940	22,994
Issue of shares upon exercise of share options (Note (a))	900	90
At 31 March 2008, 1 April 2008 and 31 March 2009	230,840	23,084

Note:

(a) During the year ended 31 March 2008, 900,000 ordinary shares of HK$0.1 each were issued upon the exercise of share options (Note 22).

Notes to the Financial Statements

22 SHARE OPTIONS

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

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

	2009		2008	
	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	**0.941**	**19,780**	0.923	20,980
Exercised	**–**	**–**	0.436	(900)
Lapsed/cancelled	**1.230**	**(7,080)**	1.230	(300)
At 31 March		**12,700**		19,780

As at 31 March 2009 and 2008, all the outstanding options were fully vested and exercisable.

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

		Number of options		**Vested percentages**	
Expiry date	**Exercise price** HK$	**2009** **'000**	2008 '000	**2009**	2008
Directors					
4 May 2008	1.230	**–**	2,370	**100%**	100%
6 May 2009	1.230	**4,500**	5,000	**100%**	100%
22 March 2012	0.436	**4,000**	4,000	**100%**	100%
Employees					
4 May 2008	1.230	**–**	2,110	**100%**	100%
6 May 2009	1.230	**500**	800	**100%**	100%
22 March 2012	0.436	**3,200**	3,200	**100%**	100%
Ex-directors					
4 May 2008	1.230	**–**	1,800	**100%**	100%
6 May 2009	1.230	**500**	500	**100%**	100%
		12,700	19,780		

Notes to the Financial Statements

22 SHARE OPTIONS *(Continued)*

No options were granted during the year ended 31 March 2009 and 2008.

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

23 RESERVES

	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 2007	54,187	10,591	747	12,917	137,282	215,724
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	12,121	–	12,121
Profit for the year	–	–	–	–	20,687	20,687
Dividends paid	–	–	–	–	(6,923)	(6,923)
Exercise of share options	303	–	(83)	–	83	303
At 31 March 2008	54,490	10,591	664	25,038	151,129	241,912
Representing:						
Proposed dividend					6,925	
Others					144,204	
					151,129	
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	

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 2007	54,187	64,872	747	5,330	125,136
Profit for the year	–	–	–	9,823	9,823
Dividends paid	–	–	–	(6,923)	(6,923)
Exercise of share options	303	–	(83)	83	303
At 31 March 2008	54,490	64,872	664	8,313	128,339
Representing:					
Proposed dividend				6,925	
Others				1,388	
				8,313	
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	

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. Revenue recognised during the year are as follows:

	2009 **HK$'000**	2008 HK$'000
Sales of electronic products		
– consumer electronic appliances and other products	**697,854**	555,518
– telecommunication products	**114,180**	152,193
	812,034	707,711

25 OTHER INCOME

	2009 **HK$'000**	2008 HK$'000
Scrap sales	**1,460**	336

Notes to the Financial Statements

26 SEGMENT INFORMATION

(a) Primary reporting format – business segments:

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

	2009		
	Consumer electronic products and other products HK$'000	Telecom-munication products HK$'000	Total HK$'000
Total segment revenue	697,854	114,180	812,034
Segment results	24,929	2,164	27,093
Other income			1,460
Finance income			1,514
Finance costs			(1,869)
Income tax expense			(3,274)
Profit for the year			24,924
Segment assets	295,032	44,967	339,999
Unallocated assets			60,122
			400,121
Segment liabilities	78,086	8,200	86,286
Unallocated liabilities			29,508
			115,794
Other information			
Depreciation	13,158	2,724	15,882
Amortisation of land use rights	114	18	132
Capital expenditures	9,979	2,382	12,361

Notes to the Financial Statements

26 SEGMENT INFORMATION *(Continued)*

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

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

Segment assets consist primarily of property, plant and equipment, land use rights, goodwill, inventories and receivables. They exclude deferred income tax assets, tax recoverable and cash maintained at corporate.

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

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

Notes to the Financial Statements

26 SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format – geographical segments:

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

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

	2009		2008	
	Revenue HK$'000	**Segment results HK$'000**	Revenue HK$'000	Segment results HK$'000
The United States of America	**321,321**	**20,383**	235,857	19,059
Asia Pacific region	**256,965**	**2,031**	388,170	2,692
Europe	**233,748**	**4,679**	83,684	2,145
	812,034	**27,093**	707,711	23,896

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

	2009		2008	
	Segment assets HK$'000	**Capital expenditures HK$'000**	Segment assets HK$'000	Capital expenditures HK$'000
Hong Kong	**147,285**	**972**	188,876	303
Mainland China	**188,733**	**11,061**	169,554	3,760
Macao	**64,103**	**328**	42,959	69
	400,121	**12,361**	401,389	4,132

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:

	2009 HK$'000	2008 HK$'000
Cost of inventories	**631,902**	535,839
Depreciation of property, plant and equipment		
– owned assets	**15,798**	19,590
– assets held under finance leases	**84**	84
Amortisation of land use rights	**132**	130
Gain on disposals of property, plant and equipment	**(51)**	(10)
Operating lease rental of premises	**2,560**	2,231
Net foreign currency exchange loss	**700**	1,704
Staff costs, including directors' remuneration (Note 33)	**82,746**	73,179
Provision for impairment of amount due from a jointly controlled entity	**–**	45
Provision for impairment of trade receivables	**546**	815
Provision for obsolete and slow-moving inventories (included in cost of sales)	**221**	2,096
Fair value (gain)/loss on derivative financial instruments	**(863)**	835
Auditor's remuneration	**1,891**	1,857
Research and development cost	**4,213**	3,134
Other expenses	**45,062**	42,286
Total cost of sales, distribution and selling expenses and general and administrative expenses	**784,941**	683,815

28 FINANCE INCOME AND FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
– bank borrowings wholly repayable within five years	**(1,865)**	(3,218)
– finance lease liabilities	**(4)**	(8)
Finance costs	**(1,869)**	(3,226)
Interest income from:		
– bank deposits	**890**	621
– others	**624**	–
Finance income	**1,514**	621
Finance costs – net	**(355)**	(2,605)

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% (2008: 17.5%) on the estimated assessable profit for the year.

(c) Mainland Chinese enterprise income tax

Suga Electronics (Shenzhen) Co., Ltd. ("SESL"), Suga Networks Equipment (Shenzhen) Co., Ltd. ("SNESL"), Pets & Supplies (Shenzhen) Co., Ltd ("PSSZ"), Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Ltd. ("Nodic") and Precise Plastic Injection (Shenzhen) Co., Ltd. ("PPISL") are subsidiaries established in Mainland China. All the Group's subsidiaries in Mainland China are subject to corporate income tax at 25% effective from 1 January 2008.

(d) Macao taxation

P&S Macao Commercial Offshore Limited is a subsidiary established in Macao and is exempted from Macao Complementary Tax (2008: Nil).

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

	2009 HK$'000	2008 HK$'000
Current income tax:		
– Hong Kong profits tax	**710**	2,102
– Income tax outside Hong Kong	**1,744**	597
– Over-provision in prior years	**–**	(667)
Deferred income tax relating to the origination and reversal of temporary differences (Note 20)	**820**	(1,092)
	3,274	940

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:

	2009 HK$'000	2008 HK$'000
Profit before income tax	**28,198**	21,627
Calculated at a taxation rate of 16.5% (2008: 17.5%)	**4,653**	3,785
Effect of different income tax rates on income arising outside Hong Kong	**14**	(53)
Tax loss not recognised	**2,042**	206
Expenses not deductible for income tax purpose	**522**	886
Income not subject to income tax	**(4,088)**	(3,217)
Effect of changes in tax rate on deferred taxation	**131**	–
Over-provision in prior years	**–**	(667)
Income tax expense	**3,274**	940

Notes to the Financial Statements

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$19,994,000 (2008: HK$9,823,000).

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.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**24,924**	20,687
Weighted average number of ordinary shares in issue ('000)	**230,840**	230,604
Basic earnings per share (HK cents)	**10.80**	8.97

(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.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**24,924**	20,687
Weighted average number of ordinary shares in issue ('000)	**230,840**	230,604
Adjustments for share options ('000)	**593**	3,105
Weighted average number of ordinary shares for diluted earnings per share ('000)	**231,433**	233,709
Diluted earnings per share (HK cents)	**10.77**	8.85

Notes to the Financial Statements

32 DIVIDENDS

	2009 HK$'000	2008 HK$'000
Interim dividend, paid, of HK2.0 cents (2008: HK1.0 cents) per ordinary share	**4,617**	2,314
Final dividend, proposed, of HK3.5 cents (2008: 3.0 cents) per ordinary share	**8,149**	6,925
	12,766	9,239

At a meeting held on 15 July 2009, the directors proposed the payment of a final dividend of HK3.5 cents per share for the year ended 31 March 2009. 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 2010.

33 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 HK$'000	2008 HK$'000
Wages and salaries	**71,444**	62,508
Bonus	**1,534**	1,939
Unutilised annual leave	**–**	108
Pension costs – defined contribution plans	**2,578**	2,108
Staff welfare	**7,190**	6,516
	82,746	73,179

(a) Directors' remuneration and senior management emoluments

The remuneration 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
Mr. 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**

Notes to the Financial Statements

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

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

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, allowances and other benefits in kind	**2,876**	2,756
Contribution to retirement scheme	**144**	93
	3,020	2,849

The emoluments fell within the following bands:

	Number of individuals 2009	2008
Emolument bands		
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	–
	2	2

(c)

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

Notes to the Financial Statements

34 CASH GENERATED FROM OPERATIONS

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

	2009 HK$'000	2008 HK$'000
Profit for the year	**24,924**	20,687
– Income tax expense	**3,274**	940
– Depreciation of property, plant and equipment	**15,882**	19,674
– Amortisation of land use rights	**132**	130
– Gain on disposals of property, plant and equipment	**(51)**	(10)
– Finance income	**(1,514)**	(621)
– Finance cost	**1,869**	3,226
– Fair value (gain)/loss on derivative financial instruments	**(863)**	835
	43,653	44,861
Changes in working capital:		
– Inventories	**17,455**	(1,265)
– Trade and other receivables	**4,766**	14,633
– Amount due from a jointly controlled entity	**(11,460)**	(16,141)
– Trade and other payables	**3,544**	3,021
Cash generated from operations	**57,958**	45,109

35 FINANCIAL GUARANTEE

As at 31 March 2009, the Company had provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$352,309,000 (2008: HK$415,182,000). The facilities utilised by the subsidiaries as at 31 March 2009 amounted to HK$55,199,000 (2008: HK$77,310,000).

36 OPERATING LEASE COMMITMENTS

At 31 March 2009, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Not later than one year	**3,941**	1,527
Later than one year and not later than five years	**3,898**	774
	7,839	2,301

Notes to the Financial Statements

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 2009, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$2,578,000 (2008: HK$2,108,000).

38 RELATED PARTY TRANSACTIONS

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

	2009 HK$'000	2008 HK$'000
Sales of electronic products to a jointly controlled entity	**189,940**	60,715
Management fee received from a jointly controlled entity	**180**	90

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.

(b) Key management compensation

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

	2009 HK$'000	2008 HK$'000
Salaries and other short-term employee benefits	**9,299**	8,266
Post-employment benefits	**561**	502
	9,860	8,768

(c) Year-end balances with related parties

	2009 HK$'000	2008 HK$'000
Amount due from a jointly controlled entity	**27,601**	16,141

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

Notes to the Financial Statements

39 EVENTS AFTER THE BALANCE SHEET DATE

(a) Pursuant to an agreement entered into between On Million Limited, a wholly-owned subsidiary of the Company, and Wealthy Star Development Limited ("Wealthy Star"), an independent third party, on 29 May 2009, On Million Limited has agreed to acquire a property in Hong Kong from Wealthy Star at a consideration of HK$49.6 million. The expected date of completion of such acquisition is in December 2009.

(b) In June 2009, the Company issued 2,000,000 ordinary shares of HK$0.1 each upon the exercise of share options. Net proceeds from issue of the shares amounting to HK$872,000 would be used as working capital of the Company.

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				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
CONSOLIDATED RESULTS					
Revenue	591,424	771,968	696,346	707,711	**812,034**
Operating profit	26,289	14,569	20,681	24,232	**28,553**
Profit before income tax	21,810	3,431	15,020	21,627	**28,198**
Income tax expense	(2,593)	(2,082)	(2,967)	(940)	**(3,274)**
Profit for the year	19,217	1,349	12,053	20,687	**24,924**
Minority interest	9	–	–	–	**–**
Profit attributable to the equity holders of the Company	19,226	1,349	12,053	20,687	**24,924**

	As at 31 March				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
CONSOLIDATED ASSETS AND LIABILITIES					
Property, plant and equipment	77,382	94,115	78,028	65,195	**62,761**
Land use rights	2,987	4,505	4,443	4,458	**4,399**
Goodwill/negative goodwill	(9,543)	1,059	1,059	1,059	**1,059**
Deferred development cost	1,226	–	–	–	**–**
Interest in an associate	2,260	–	–	–	**–**
Deferred tax assets	2,515	3,489	3,063	3,106	**2,179**
Current assets	389,650	398,162	295,788	327,571	**329,723**
Current liabilities	(175,046)	(278,287)	(139,638)	(122,589)	**(109,412)**
Net current assets	214,604	119,875	156,150	204,982	**220,311**
Total assets less current liabilities	291,431	223,043	242,743	278,800	**290,709**
Long term borrowings	(77,292)	–	–	(10,909)	**(3,636)**
Finance lease liabilities	(1,145)	(200)	(123)	(42)	**–**
Deferred tax liabilities	(5,191)	(3,986)	(3,902)	(2,853)	**(2,746)**
Minority interests	–	–	–	–	**–**
Total equity	207,803	218,857	238,718	264,996	**284,327**