

The image features a large, white, stylized letter 'A' as the central element. The background is a solid blue color. At the bottom of the image, there are light blue circuit-like patterns consisting of lines and small circles, resembling a printed circuit board. The text 'Advanced Technology' is written in a bold, orange, sans-serif font, positioned to the right of the 'A' and partially overlapping it.

**Advanced  
Technology**

# REPORT OF THE DIRECTORS

The Directors are pleased to present to the shareholders their report and the audited accounts of the Company and the Group for the year ended 31 March 2004.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in the research and development, manufacture and sales of various electronic products. Details of the principal activities of the Group's subsidiaries are set out in note 15 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the accounts.

## RESULTS

The results of the Group for the year ended 31 March 2004 are set out in the consolidated profit and loss account on page 29.

## DIVIDENDS

An interim dividend of HK2.5 cents per share was paid during the year.

The Directors have recommended a final dividend of HK3.0 cents per share, to be paid on or before 30 August 2004 to the shareholders whose names appear on the register of members of the Company on 19 August 2004. The proposed final dividend, together with the interim dividend paid, will amount to a total of HK5.5 cents per share.

## 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 accounts and reclassified as appropriate, is set out on page 67.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 25 to the accounts.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 13 to the accounts.

# REPORT OF THE DIRECTORS

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2004 calculated under the Company Act of Bermuda amounted to HK\$71,807,000 (2003: HK\$70,473,000).

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year and up to the date of this report were:

### Executive Directors

Mr. NG Chi Ho (*Chairman*)

Mr. MA Fung On (*Vice Chairman*)

Mr. FUNG Chi Leung Mark

Mr. WONG Wai Lik Lamson

### Non-executive Director

Mr. SHAW Kyle Arnold Junior

### Independent Non-executive Directors

Professor WONG Sook Leung Joshua

Mr. MURASE Hiroshi

The non-executive Director and independent non-executive Directors are appointed for specific terms and hold office until 31 October 2004 and 31 March 2005 respectively.

At the forthcoming annual general meeting, Mr. FUNG Chi Leung, Mark will retire from office by rotation in accordance with bye-law 111 of the Company's Bye-laws and being eligible, offer himself for re-election.

The Company received confirmation of independence in respect of the year ended 31 March 2004 from each of the independent non-executive Directors pursuant to Rule 3.13 of the amended Listing Rules. Up to and as at the date of this report, the Company still considers the independent non-executive Directors to be independent.

Each of Mr. NG Chi Ho, Mr. FUNG Chi Leung, Mark and Mr. WONG Wai Lik, Lamson, all being executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1st 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 a term of three years commencing from 1 April 2004. Save as disclosed above, none of the Directors 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.

# REPORT OF THE DIRECTORS

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management as at the date of this report are set out in pages 14 to 16 of this annual report.

## 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 17 September 2002 (the "Share Option Scheme").

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

### 1. Purpose of the Share Option Scheme

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

### 2. Eligible participants of the Share Option Scheme

Eligible participants of the Share Option Scheme include:

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

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME *(Continued)*

### 2. **Eligible participants of the Share Option Scheme** *(Continued)*

- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (h) any joint venture partner or counter-party to business operations or business arrangements of the Group.

### 3. **Total number of Shares available for issue**

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not exceed 10% of the issue share capital of the Company.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 1,450,000, which represented approximately 0.64% 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 Company 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 exceed 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 in advance by shareholders of the Company.

### 5. **Basis of determining the subscription price**

The subscription price for shares under the Share Option Scheme shall be a price determined by the Directors, but shall not less than the higher 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 on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (Continued)

### 7. Time and payment on acceptance

An option must be accepted by a participant within 21 days from the date of the offer of 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.

Details of the share option movements during the year ended 31 March 2004 under the Share Option Scheme are as follows:–

Category	Number of share options				Outstanding at 31 March 2004	Exercise price (HK\$)	Date of Grant	Exercise Period
	Outstanding at 1 April 2003	Granted during the year	Exercised during the year	Lapsed during the year				
<b>Directors</b>								
Mr. NG Chi Ho	–	2,000,000	2,000,000	–	–	1.23	5 May 2003	5 May 2003 – 4 May 2008
Mr. MA Fung On	–	1,800,000	730,000	–	1,070,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
Mr. FUNG Chi Leung Mark	–	1,800,000	–	–	1,800,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
Mr. WONG Wai Lik Lamson	–	1,800,000	500,000	–	1,300,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
<b>Continuous contract employees</b>	–	4,900,000	910,000	50,000 <sup>#</sup>	3,940,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
	–	12,300,000	4,140,000	50,000	8,110,000			

<sup>#</sup> The share options lapsed during the year following the resignation of one employee.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (Continued)

Details of the share option movements during the period from 1 April 2004 to 29 June 2004 under the Share Option Scheme are as follows:

Category	Number of share options				Outstanding at 29 June 2004	Exercise price (HK\$)	Date of Grant	Exercise Period
	Outstanding at 1 April 2004	Granted during the period	Exercised during the period	Lapsed during the period				
Directors								
Mr. NG Chi Ho	–	2,000,000	–	–	2,000,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Mr. MA Fung On	1,070,000	–	–	–	1,070,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
	–	1,000,000	–	–	1,000,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Mr. FUNG Chi Leung Mark	1,800,000	–	–	–	1,800,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
Mr. WONG Wai Lik Lamson	1,300,000	–	–	–	1,300,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
	–	1,000,000	–	–	1,000,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Mr. SHAW, Kyle Arnold Junior	–	500,000	–	–	500,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Professor WONG Sook Leung Joshua	–	500,000	–	–	500,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Mr. MURASE Hiroshi	–	500,000	–	–	500,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Continuous contract employees	3,940,000	–	–	–	3,940,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
	–	800,000	–	–	800,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
	8,110,000	6,300,000	–	–	14,410,000			

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2004, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:—

### (a) Interests in shares of the Company

	Number of ordinary share of HK\$0.10 each						
	Personal interests	Corporate interests	Family interests	Trust/similar interests	Person acting in concert	Other interests	Total interests
Mr. NG Chi Ho	2,000,000	28,100,000 (Note 1)	100,000,000 (Note 2)	—	—	—	130,100,000
Mr. MA Fung On	730,000	9,000,000 (Note 3)	—	—	—	—	9,730,000
Mr. FUNG Chi Leung, Mark	—	3,000,000 (Note 4)	—	—	—	—	3,000,000
Mr. WONG Wai Lik, Lamson	500,000	—	—	—	—	—	500,000
Professor WONG Sook Leung Joshua	100,000	—	—	—	—	—	100,000

Notes:

- 28,100,000 shares are held by Billion Linkage Limited, the entire issued shares of which are held by Mr. Ng and his spouse in equal share.
- 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.
- 9,000,000 shares are held by Global Class Enterprises Limited, the entire issued share capital of which is held by Mr. MA Fung On.
- 3,000,000 shares are held by Able Asset Developments Limited, the entire issued share capital of which is held by Mr. FUNG Chi Leung, Mark.



# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

### (b) Interests in underlying shares of equity derivatives of the Company

Share options were granted to certain Directors of the Company pursuant to the Share Option Scheme. Details of the Directors' interests in share options granted by the Company are set out under the heading "Share Options Scheme" of this report.

### (c) Interests in associated corporation

Each of Mr. NG Chi Ho, Mr. MA Fung On and Mr. FUNG Chi Leung, Mark is interested in the following non-voting deferred shares of HK\$1 each in Suga Electronics Limited:

Name of shareholder	Number of non-voting deferred shares
Essential Mix Enterprises Limited (Note)	3,200,000
Broadway Business Limited (Note)	800,000

Note: The entire issued share capital of each Essential Mix Enterprises Limited and Broadway Business Limited is held as to 92% by Mr. NG Chi Ho, 6% by Mr. MA Fung On and 2% by Mr. FUNG Chi Leung Mark. 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, as at 31 March 2004, none of the directors and chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register kept under Section 352 of the SFO.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

In the opinion of the Directors, there is no such competing business as defined in the Listing Rules.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March 2004, the interests and short positions of the shareholders of the Company, other than the directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Number of ordinary shares	Shareholding percentage
Superior View Inc. (Note 1)	100,000,000	44.26%
Billion Linkage Limited (Note 2)	28,100,000	12.44%
Shaw, Kwei & Partners (Asia) Limited	11,500,000	5.09%

# REPORT OF THE DIRECTORS

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

*(Continued)*

*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.

Save as disclosed above, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO as at 31 March 2004.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed 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.

## PRE-EMPTIVE RIGHTS

There are no provisions 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.

## 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 56.1% of the Group's total turnover and the five largest customers accounted for approximately 94.8% of the Group's total turnover. In addition, the largest supplier of the Group accounted for approximately 10.4% of the Group's purchases while the five largest suppliers of the Group accounted for approximately 32.5% 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 Group's major suppliers or customers noted above.

# REPORT OF THE DIRECTORS

## DISCLOSURE OF TRADE RECEIVABLES PURSUANT TO RULES 13.13 AND 13.15 OF THE LISTING RULES

As at 31 March 2004, there were 225,940,000 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$1.31 as stated in the Stock Exchange's daily quotation sheets for the trading days from 24 March 2004 to 30 March 2004 (both days inclusive), being the five business days immediately preceding 31 March 2004, the total market capitalization of the Company was approximately HK\$295.9 million as at 31 March 2004.

As at 31 March 2004, trade receivables from Beijing Harbour Networks Limited ("**BHNL's Trade Receivables**") (which is independent of and not connected with the Directors, chief executives or substantial shareholders of the Company or its subsidiaries, or their respective associates or not otherwise a connected person of the Company within the meaning of the Listing Rules) and/or its subsidiaries and related companies amounted to approximately HK\$141 million. BHNL's Trade Receivables represent approximately 47.7% of the total market capitalization of the Company as at 31 March 2004. The BHNL's Trade Receivables are unsecured, interest-free and with credit terms of 90 days.

## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate the Company is not, or was not for any part of the accounting period covered by this annual report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive Directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

## AUDIT COMMITTEE

The audit committee of the Company now comprises two independent non-executive Directors. The committee meets regularly to review the accounting principles and practices adopted by the Group, discuss internal control and financial reporting matters including the interim and annual financial statements.

## AUDITORS

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

On behalf of the board of directors

**Suga International Holdings Limited**

**NG Chi Ho**

*Chairman*

Hong Kong, 29 June 2004