NOTES TO THE ACCOUNTS

1. GROUP REORGAINSATION AND OPERATIONS

Suga International Holdings Limited (the "Company") was incorporated in Bermuda on 28th September 2001 under the Companies Act 1981 of Bermuda as an exempted company with limited liability. The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of electronics products. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("the "Stock Exchange") since 18 September 2002.

Pursuant to a group reorgainsation (the "Reorganisation") in preparation of the listing of the shares of the Company on the Stock Exchange, the Company acquired the entire issued share capital of Suga International Limited through a share swap and became the holding company of the companies now comprising the group on 23 August 2002. The group reorgainsation involved companies under common control and the Company and its subsidiaries (together referred to as the "Group") resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which consolidated accounts have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31 March 2003 rather than from the date on which the Reorganisation was completed.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that unlisted investments are stated at fair value.

In the current year, the Group adopted SSAP 35 "Government Grants and Disclosure of Government Assistance" and SSAP 12 "Income Taxes" issued by the HKSA which are effective for accounting periods commencing on or after 1 July 2002 and 1 January 2003, respectively. The changes to the Group's accounting policies and the effect of adopting these new policies are set out below.

(b) Group accounting

(i) Consolidation

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

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(b) Group accounting *(Continued)*

(i) Consolidation (Continued)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill.

Minority interests represent the interests of outside shareholders in the results and net assets of subsidiaries.

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

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Intangibles

(i) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary.

Goodwill on acquisitions included in intangible assets and is amortised using the straight-line method over its estimated useful life of 19 years.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over its estimated useful life of 20 years; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Intangibles *(Continued)*

(ii) Research and development costs

Research expenditures are written off as incurred. Development expenditures are charged against profit and loss account in the period incurred except for those incurred for specific projects which are deferred where recoverability can be foreseen with reasonable assurance and which comply with the following criteria: (i) the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; (ii) the technical feasibility of the product or process can be demonstrated; (iii) there is an intention to produce and market, or use, the product or process; (iv) the ability to produce or use the product or process can be demonstrated; (v) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness can be demonstrated; and (vi) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process. Capitalised development expenditures are amortised on a straight-line basis over the period in which the related products are expected to be sold, starting from the commencement of sales.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(d) Property, plant and equipment

Property, plant and equipment, comprising leasehold land and buildings, leasehold improvements, plant and machinery, and furniture and equipment, are stated at cost less accumulated depreciation and accumulated impairment losses.

(i) Depreciation

Leasehold land is depreciated over the period of leases. Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	2.5%
Buildings	2.5%
Leasehold improvements	20%
Plant and machinery	20%
Furniture and equipment	20%

The plant components are depreciated over the period to overhaul. Major costs incurred in restoring the plant components to its normal working condition to allow continued use of the overall asset are capitalised and depreciated over the period to the next overhaul.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

(ii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Government grants

A government grant is recognised, when there is a reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognised in the profit and loss account over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to acquisition of assets are deducted from the carrying amount of the assets. The grant is recognised as income over the life of a depreciable/amortisable asset by way of a reduced depreciation/amortisation charge.

(f) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The finance charges are charged to the profit and loss account over the lease periods.

A finance lease gives rise to depreciation expense for the asset as well as finance cost for each accounting period. The depreciation policy for leased assets is the same as that for depreciable assets that are owned.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Unlisted investments

Unlisted investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of these investments are recognised in the profit and loss account. Profits or losses on disposal of these investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate portion of production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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.

(ii) Bonus plans

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Group operates a number of defined contribution plans, the assets of which are held in separate trustee – administered funds. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Employee benefits *(Continued)*

(iv) Equity compensation benefits

Share options are granted to certain directors and employees. No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred 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 taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

The adoption of the SSAP 12 (revised) represents a change in accounting policy which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. In this connection, the retained profit at 1 April 2003 was reduced by HK$734,000 which represented the cumulative effect on prior years' profit on unprovided net deferred tax liabilities. In addition, negative goodwill on acquisition of a subsidiary as at 31 March 2003 was reduced by HK$3,658,000; while deferred tax liabilities as at 31 March 2003 was increased by HK$4,392,000. The profit for the year ended 31 March 2003 was reduced by HK$734,000.

(n) Contingent liabilities and contingent assets

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 accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

NOTES TO THE ACCOUNTS

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Contingent liabilities and contingent assets *(Continued)*

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(o) Turnover and revenue recognition

Turnover represents (i) the net invoiced value of merchandise sold (excluding value-added tax) after allowances for returns and discounts and (ii) contract processing fees.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is shipped and title has passed. Contract processing fees are recognised when the related services are rendered. The Group's sales made in Mainland China are subject to value-added tax ("VAT") in Mainland China at a rate of 17% ("output VAT"). Such output VAT is payable after offsetting VAT paid by the Group on purchases. Interest income is recognised on a time proportion basis that takes into account the effective yield on the assets.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(q) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of property, plant and equipment, inventories and receivables, and mainly exclude operating cash, deferred tax assets, and other investments. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and deferred development expenditure.

In respect of geographical segment reporting, sales are determined on the basis of the location of customer. Total assets and capital expenditure are where the assets are located.

3. TURNOVER AND REVENUE

The Group is principally engaged in the research and development, manufacture and sale of electronic products.

Revenues recognised during the year are as follows:

	2004	2003
	HK$'000	HK$'000
Turnover		
Sales of electronic products		
– consumer electronic appliances	**218,326**	213,988
– telecommunication products	**360,292**	205,701
– office automation products	**14,726**	14,460
– other products	**3,621**	6,860
Contract processing service on		
– office automation products	**3,946**	12,335
Total turnover	**600,911**	453,344
Other revenue		
– Interest income	**343**	154
Total revenue	**601,254**	453,498

NOTES TO THE ACCOUNTS

4. SEGMENT INFORMATION

(a) Primary reporting format – business segments:

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

			2004		
	Consumer electronics appliances HK$'000	Telecommuni-cation products HK$'000	Office automation products HK$'000	Other products HK$'000	Total HK$'000
Turnover	218,326	360,292	18,672	3,621	600,911
OPERATING RESULTS					
Operating profit	18,964	26,883	2,264	206	48,317
Interest income					343
Interest expense					(2,378)
Taxation					(2,376)
Minority interests					(1,063)
Profit attributable to shareholders					42,843
Segment assets	124,118	213,843	9,481	1,956	349,398
Unallocated assets					82,462
					431,860
Segment liabilities	22,498	96,434	740	336	120,008
Unallocated liabilities					112,224
					232,232
Other information					
Depreciation and amortisation	4,190	2,808	89	69	7,156
Capital expenditures	9,564	3,525	157	127	13,373

4. SEGMENT INFORMATION *(Continued)*

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

	2003 (restated)				
	Consumer electronics appliances HK$'000	Telecommuni-cation products HK$'000	Office automation products HK$'000	Other products HK$'000	Total HK$'000
Turnover	213,988	205,701	26,795	6,860	453,344
OPERATING RESULTS					
Operating profit	25,136	8,176	3,222	476	37,010
Gain on disposal of interest in a subsidiary					9,076
Interest income					154
Interest expense					(2,459)
Taxation					(5,069)
Minority interests					(425)
Profit attributable to shareholders					38,287
Segment assets	107,470	97,961	10,722	3,446	219,599
Unallocated assets					42,717
					262,316
Segment liabilities	25,226	31,702	2,018	808	59,754
Unallocated liabilities					69,289
					129,043
Other information					
Depreciation and amortisation	4,512	996	102	77	5,687
Capital expenditures	9,229	7,590	187	156	17,162

4. **SEGMENT INFORMATION** *(Continued)*

(b) **Secondary reporting format – geographical segments:**

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

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

	2004		2003	
	Turnover HK$'000	**Segment results HK$'000**	Turnover HK$'000	Segment results HK$'000 (restated)
Mainland China	**352,825**	**22,536**	193,294	4,301
The United States of America	**154,438**	**20,740**	138,302	21,735
Asia Pacific region (excluding Mainland China)	**93,196**	**5,026**	119,844	10,663
Europe	**452**	**15**	1,904	311
	600,911	**48,317**	453,344	37,010

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

	2004		2003	
	Segment assets HK$'000	**Capital expenditure HK$'000**	Segment assets HK$'000 (restated)	Capital Expenditure HK$'000
Mainland China	**294,144**	**7,680**	192,000	9,537
Hong Kong	**137,716**	**5,693**	70,316	7,625
	431,860	**13,373**	262,316	17,162

5. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2004 HK$'000	2003 HK$'000
Charging		
Cost of inventories sold	**495,094**	365,468
Depreciation of property, plant and equipment		
– owned assets	**5,311**	3,846
– assets held under finance leases	**2,374**	2,449
Loss on disposal of property, plant and equipment	**31**	105
Operating lease rental of premises	**1,506**	2,493
Staff costs (Note 8)	**26,362**	25,522
Provision for bad and doubtful debts	**481**	621
Net exchange loss	**247**	1,394
Auditors' remuneration	**790**	765
Amortisation of goodwill (included in general and administrative expenses)	**79**	–
Crediting		
Amortisation of negative goodwill (included in general and administrative expenses)	**608**	608

6. FINANCE COSTS

	2004 HK$'000	2003 HK$'000
Interest on:		
– bank loans wholly repayable within five years	**2,252**	2,112
– obligations under finance leases	**126**	347
	2,378	2,459

7. TAXATION

(a) Bermuda income tax

The Company is exempted from taxation in Bermuda on its profit or capital gains until 2016.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

7. TAXATION *(Continued)*

(c) PRC enterprise income tax

Suga Electronics (Shenzhen) Co., Ltd. and Suga Networks Equipment (Shenzhen) Limited ("SNESL") are subsidiaries established in the People's Republic of China ("PRC"). They are subject to PRC enterprise income tax ("EIT") of 15% on their taxable income. SNESL is exempted from EIT for the first two years of profitable operations after off-setting prior year losses, followed by 50% deduction for the following three years. SNESL started to make profit in 2003.

(d) Others

The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and are exempted from British Virgin Islands income taxes.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004	2003
	HK$'000	HK$'000
		(restated)
Current taxation:		
– Hong Kong profits tax	**2,230**	4,800
– Taxation outside Hong Kong	**201**	771
Deferred taxation relating to the origination and reversal of temporary differences	**(55)**	(502)
Taxation	**2,376**	5,069

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

	2004	2003
	HK$'000	HK$'000
Profit before taxation	**46,282**	43,781
Calculated at a taxation rate of 17.5% (2003: 16%)	**8,099**	7,005
Effect of different taxation rates on income arising outside Hong Kong	**33**	71
Tax loss not recognised	**854**	1
Expenses not deductible for taxation purpose	**5**	430
Income not subject to taxation	**(616)**	(1,956)
Income exempted from taxation	**(5,984)**	(453)
Utilisation of previously unrecognised tax losses	**(15)**	(29)
Taxation charge	**2,376**	5,069

8. STAFF COSTS

Staff costs, including directors' emoluments, represents:

	2004 HK$'000	2003 HK$'000
Wages and salaries	**20,623**	20,357
Bonus	**674**	133
Unutilised annual leave	**60**	260
Pension costs – defined contribution plans	**1,356**	1,161
Staff welfare	**3,649**	3,611
	26,362	25,522

9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(a) The aggregate amounts of emoluments payable to the directors are as follows:

	2004 HK$'000	2003 HK$'000
Directors' fees		
– independent non-executive directors	**–**	–
– non-executive director	**204**	85
Other emoluments payables to executive directors		
– basic salaries, allowances and other benefits in kind	**5,185**	3,788
– contribution to retirement scheme	**331**	264
	5,720	4,137

The emoluments of the directors fell within the following brands:

	Number of directors	
	2004	2003
Emoluments bands		
HK$Nil – HK$1,000,000	**6**	6
HK$2,000,001 – HK$2,500,000	**1**	1
	7	7

During the year, 7,400,000 (2003: Nil) options were granted to the directors under the share option scheme adopted by the Company on 17 September 2002. The market value per share at the date of grant is HK$1.23 (2003: Nil). The difference between the aggregate amount of the market prices at the date of exercise of shares acquired and consideration by the directors under the option scheme during the year have been included as other benefit in kind above. Refer to note 25 for details of options granted and exercised during the year.

9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

(b) The five individuals whose emoluments were the highest in the Group for the year included four (2003: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual (2003: two individuals) during the year are as follows:

	2004 **HK$'000**	2003 HK$'000
Basic salaries, allowances and other benefits in kind	**650**	996
Contribution to retirement scheme	**33**	50
	683	1,046

The emoluments fell within the following band:

	Number of individuals **2004**	2003
Emolument bands		
HK$Nil – HK$1,000,000	**1**	2

(c) No emoluments were paid to the directors or the five highest paid individuals as an inducement to join or upon jointly 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.

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK$12,503,000 (2003: HK$10,601,000).

11. DIVIDENDS

	2004 **HK$'000**	2003 HK$'000
Interim dividend, paid, of HK2.5 cents (2003: HK2.5 cents) per ordinary share	**5,636**	5,000
Final dividend, proposed, of HK3 cents (2003: paid, of HK2.5 cents) per ordinary share	**6,778**	5,533
	12,414	10,533

At a meeting held on 29 June 2004, the directors proposed a final dividend of HK3 cents per ordinary share. This proposed dividend is not reflected as dividend payable in these accounts (Note 26).

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the consolidated profit attributable to shareholders of approximately HK$42,843,000 (2003 as restated: HK$38,287,000). The basic earnings per share is based on the weighted average number of 218,878,000 (2003: 176,986,000) shares in issue during the year. The diluted earnings per share for the year ended 31 March 2004 is based on 220,224,000 ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 1,346,000 deemed to be issued at no consideration if all outstanding options had been exercised.

No information in respect of diluted earnings per share is presented for the year ended 31 March 2003 as the Company had no potential dilutive ordinary shares in existence during the year ended 31 March 2003.

13. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Land and buildings	**Leasehold improve-ments**	**Plant and machinery**	**Furniture and equipment**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 April 2003	38,500	10,167	34,484	13,158	96,309
Additions	–	994	7,137	3,428	11,559
Disposals	–	–	–	(69)	(69)
At 31 March 2004	**38,500**	**11,161**	**41,621**	**16,517**	**107,799**
Accumulated depreciation					
At 1 April 2003	1,565	4,888	19,963	7,138	33,554
Charge for the year	939	991	4,237	1,518	7,685
Disposals	–	–	–	(38)	(38)
At 31 March 2004	**2,504**	**5,879**	**24,200**	**8,618**	**41,201**
Net book value					
At 31 March 2004	**35,996**	**5,282**	**17,421**	**7,899**	**66,598**
At 31 March 2003	36,935	5,279	14,521	6,020	62,755

Land and buildings represent the Group's factory premises located in Buji Town, Lilang Village, Longgang District, Shenzhen, PRC, on land held under a land use right for a period of 50 years up to August 2042.

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	2004	2003
	HK$'000	HK$'000
Cost	**13,041**	13,041
Less: Accumulated depreciation	**(5,490)**	(3,116)
Net book value	**7,551**	9,925

14. INTANGIBLE ASSETS

Movements of intangible assets during the year are as follows:

	Group				
	Negative Goodwill	**Goodwill**	**Sub-total**	**Deferred development costs**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2004					
Opening net book amount, as previously reported	(14,648)	–	(14,648)	–	(14,648)
Effect of adoption of HKSSAP 12 (revised) (Note 2(m))	3,658	–	3,658	–	3,658
Opening net book amounts, as restated	(10,990)	–	(10,990)	–	(10,990)
Acquisition of additional interests in a subsidiary	–	1,198	1,198	–	1,198
Development costs recognised as asset	–	–	–	1,814	1,814
Government grants	–	–	–	(481)	(481)
Amortisation (Note 5)	608	(79)	529	–	529
Closing net book amount	(10,382)	1,119	(9,263)	1,333	(7,930)
At 31 March 2004					
Cost	(12,154)	1,198	(10,956)	1,333	(9,623)
Accumulated amortisation	1,772	(79)	1,693	–	1,693
Net book amount	(10,382)	1,119	(9,263)	1,333	(7,930)
At 31 March 2003					
Cost	(12,154)	–	(12,154)	–	(12,154)
Accumulated amortisation	1,164	–	1,164	–	1,164
Net book amount, as restated	(10,990)	–	(10,990)	–	(10,990)

NOTES TO THE ACCOUNTS

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at cost	**65,072**	65,072
Due from subsidiaries	**80,170**	44,042
	145,242	109,114

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 2004.

The balances due from subsidiaries are unsecured, non-interest bearing and not repayable within one year.

Details of the principal subsidiaries of the Company as at 31 March 2004 are as follows:

Name	Place incorporation/ establishment and kind of legal entity	Issued share capital/ Paid-up capital	Group equity interest (iv) 2004	Group equity interest (iv) 2003	Principal activities and place of operation
Net-Tech Products Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	–	Trading of electronic products in Hong Kong
Pets & Supplies Hong Kong Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Trading of pet products 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 (Shenzhen) Co., Ltd. (ii)	PRC, limited liability company	HK$33,500,000	**100%**	100%	Manufacturing of electronic products in PRC
Suga Electronics Limited	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

15. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place incorporation/ establishment and kind of legal entity	Issued share capital/ Paid-up capital	Group equity interest (iv) 2004	2003	Principal activities and place of operation
Suga International Limited	British Virgin Islands, limited liability company	Ordinary shares US$700	**100%**	100%	Investment holding in Hong Kong
Suga Networks Equipment (Shenzhen) Co. Ltd. (the "SNESL") (iii)	PRC, limited liability company	HK$3,500,000 (iii)	**100%**	85%	Manufacturing of networking devices in PRC
Suga Networks Hong Kong Limited	Hong Kong, limited liability company	Ordinary shares HK$100,000	**100%**	85%	Trading of networking devices in Hong Kong
Sumega Hong Kong Limited	Hong Kong, limited liability company	Ordinary shares HK$500,000	**100%**	100%	Trading of computer-related products in Hong Kong
Typhoon International Limited	British Virgin Islands, limited liability company	Ordinary shares US$1	**100%**	100%	Property holding in PRC

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, Mr. Ma Fung On and Mr. Fung Chi Leung, Mark, 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 PRC with an approved period of operation of 20 years until June 2014.

(iii) SNESL is a wholly foreign owned enterprise established in PRC with an approved period of operation of 20 year until October 2022. The total registered capital of SNESL is HK$10,000,000, of which HK$3,500,000 was paid up as at 31 March 2004.

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

(v) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2004.

16. UNLISTED INVESTMENTS

Unlisted investments represent investment funds in Hong Kong.

	Group	
	2004	2003
	HK$'000	HK$'000
Long-term unlisted investments	**3,810**	3,510
Short-term unlisted investments	**–**	780
	3,810	4,290

17. INVENTORIES

	Group	
	2004	2003
	HK$'000	HK$'000
Raw materials	**66,979**	44,270
Work-in-progress	**17,248**	14,472
Finished goods	**12,757**	9,098
	96,984	67,840
Less: Provision for obsolete and slow-moving inventories	**(1,800)**	(1,800)
	95,184	66,040

Certain inventories were held under trust receipts bank loan arrangements.

18. TRADE RECEIVABLES

During the year ended 31 March 2004, the Group generally granted credit terms to its customers ranging from 30 to 90 days, other than a major customer with whom extended credit terms would be granted on specific cases. The ageing analysis of trade receivables is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
0 to 30 days	**174,214**	92,777
31 to 60 days	**12,188**	5,973
61 to 90 days	**6,625**	2,445
91 to 180 days	**2,157**	1,138
Over 180 days	**1,362**	461
	196,546	102,794
Less: Provision for bad and doubtful debts	**(1,000)**	(1,000)
	195,546	101,794

19. CASH AND BANK DEPOSITS

At 31 March 2004, approximately HK$48,477,000 (2003: HK$28,210,000) of the Group's cash and bank deposits were denominated in Chinese Renminbi and placed with banks in Mainland China. The remittance of these funds out of Mainland China is subject to exchange control restrictions imposed by the Chinese government.

20. SHORT-TERM BANK BORROWINGS

	Group	
	2004	2003
	HK$'000	HK$'000
Bank overdrafts	**–**	3,425
Trust receipts bank loans	**41,826**	37,790
	41,826	41,215

Details of the Group's banking facilities are included in note 30.

21. SECURED LONG-TERM BANK LOAN

The Group's secured long-term bank loan was repayable as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Within one year	**16,485**	3,334
In the second year	**22,667**	1,943
In the third year	**12,855**	–
	52,007	5,277
Less: Current portion of secured long-term bank loan	**(16,485)**	(3,334)
	35,522	1,943

Details of the Group's banking facilities are included in note 30.

22. TRADE PAYABLES

	Group	
	2004	2003
	HK$'000	HK$'000
0 to 30 days	**74,676**	43,865
31 to 60 days	**21,275**	3,393
61 to 90 days	**10,848**	3,499
91 to 180 days	**6,523**	2,034
Over 180 days	**2,049**	1,882
	115,371	54,673

NOTES TO THE ACCOUNTS

23. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 16%).

The movement on the deferred tax liabilities/(assets) account is as follows:

	Group	
	2004	2003
	HK$	HK$
		(Restated)
At 1st April	**4,392**	4,894
Deferred taxation credited to profit and loss account (Note 7)	**(55)**	(502)
At 31st March	**4,337**	4,392

The movement in deferred tax assets and liabilities during the year is as follows:

	Accelerated tax depreciation	
Deferred tax liabilities	**2004**	2003
	HK$	HK$
		(Restated)
At 1st April	**5,333**	4,894
Charged to profit and loss account	**186**	439
At 31st March	**5,519**	5,333

	Provisions		Tax losses		Total	
Deferred tax assets	**2004**	2003	**2004**	2003	**2004**	2003
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
		(Restated)		(Restated)		(Restated)
At 1st April	**(175)**	–	**(766)**	–	**(941)**	–
Credited to profit and loss account	**–**	(175)	**(241)**	(766)	**(241)**	(941)
At 31st March	**(175)**	(175)	**(1,007)**	(766)	**(1,182)**	(941)

23. DEFERRED TAXATION *(Continued)*

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 following amounts, determined after appropriate offsetting, are shown as non-current assets or liabilities in the balance sheet:

	2004	2003
	HK$'000	HK$'000
		(Restated)
Deferred tax assets	**(412)**	–
Deferred tax liabilities	**4,749**	4,392
	4,337	4,392

24. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2004, the Group's finance lease liabilities were repayable as follows:

	2004	2003
	HK$'000	HK$'000
Within one year	**3,189**	3,189
In the second to fifth	**3,674**	7,071
	6,863	10,260
Less: future finance charges on finance leases	**(323)**	(878)
	6,540	9,382
Less: current portion	**(2,967)**	(2,841)
	3,573	6,541

The present value of finance lease liabilities is as follows:

	2004	2003
	HK$'000	HK$'000
Within one year	**2,967**	2,841
In the second to fifth	**3,573**	6,541
	6,540	9,382

25. SHARE CAPITAL

	Authorised ordinary shares of HK$0.1 each	
	No. of shares '000	HK$'000
As at 1 April 2002	1,000	100
Increase in authorised share capital (note (a))	1,999,000	199,900
As at 31 March 2003 and 2004	**2,000,000**	**200,000**

	Issued and fully paid ordinary shares of HK$0.1 each	
	No. of shares '000	HK$'000
Upon incorporation on 28th September 2001	1,000	–
Issue of shares arising from reorganisation (note (b))	1,000	200
Issue of shares through public offering and private placement (note (c))	50,000	5,000
Capitalisation of share premium (note (d))	148,000	14,800
As at 31 March 2003	200,000	20,000
Issue of shares through private placement (note (e))	20,000	2,000
Issue of shares on acquisition of additional interests in a subsidiary (note (f))	1,800	180
Exercise of share option (note (g))	4,140	414
As at 31 March 2004	**225,940**	**22,594**

Notes:

(a) On 23 August 2002, the Company's authorised share capital was increased from HK$100,000 to HK$200,000,000, by the creation of additional 1,999,000,000 shares ranking pari passu with the then existing shares in all respects.

(b) On 23 August 2002, the Company issued 1,000,000 shares which, together with the 1,000,000 shares issued upon incorporation, were credited as fully paid as consideration for the acquisition of the entire issued share capital of Suga International Limited.

(c) On 16 September 2002, 50,000,000 shares were issued at HK$1 per share through a public offering and private placement ("the New Issue") resulting in cash proceeds of HK$50,000,000.

25. SHARE CAPITAL *(Continued)*

Notes:

(d) Immediately after the New Issue, share premium of approximately HK$14,800,000 was capitalised by the issuance of 148,000,000 shares of HK$0.1 each on a pro-rata basis to the Company's shareholders before the New Issue.

(e) Pursuant to a placing and subscription agreement dated 2 June 2003, the Company issued 20,000,000 new shares at HK$1.4 each to certain independent institutional investors. The net proceeds raised amounted to HK$27,329,000.

(f) On 25 September 2003, the Group acquired the remaining 15% interests in Suga Networks Hong Kong Limited ("Suga Networks"), from the then minority shareholder of Suga Networks (the "Vendor") at which was settled by issuance of 1,800,000 shares to the Vendor. Based on the closing price of HK$1.5 per share as quoted by the Stock Exchange on 25 September 2003, the total value of the share issued as consideration was HK$2,700,000.

(g) 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 guarantee (including directors and employees) of the Group to subscribe for shares in the Company, subject to a maximum of 30% of the issued share capital of the Company from time to time excluding for this purpose shares issued on exercise of options. 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 granted 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:

	Number of options	
	2004	2003
	HK$'000	HK$'000
At the beginning of the year	**–**	–
Granted (i)	**12,300**	–
Exercised (ii)	**(4,140)**	–
Lapsed/cancelled	**(50)**	–
At the end of the year (iii)	**8,110**	–

(i) On 5 May 2003, the Company received $42 as consideration for granting of 12,300,000 share options to certain directors and employees of the Group. Holders of these share options are entitled to subscribe shares of the Company at price of HK$1.23 each. The options will expire on 4 May 2008.

NOTES TO THE ACCOUNTS

25. SHARE CAPITAL *(Continued)*

Notes:

(g) *(Continued)*

(ii) During the year, 4,140,000 shares were issued upon exercise of the options, yielding the following proceeds of HK$5,092,000 (2003: Nil).

	2004	2003
	HK$'000	HK$'000
Ordinary share capital – at par	**414**	–
Share premium	**4,678**	–
Proceeds	**5,092**	–

	HK$'000
Fair value of shares issued at exercise date of:	
– 16 June 2003	93
– 17 June 2003	85
– 23 June 2003	158
– 25 June 2003	32
– 3 July 2003	390
– 14 July 2003	146
– 25 July 2003	83
– 29 July 2003	1,168
– 22 September 2003	3,000
– 29 October 2003	279
– 10 December 2003	78
– 22 December 2003	116
– 8 March 2004	650
	6,278

(iii) Share options outstanding at the end of the year have the following terms:

		Number of options		**Vested percentages**	
	Exercise price	**2004**	2003	**2004**	2003
		'000	'000		
Expiry date					
Directors					
4 May 2008	1.23	**4,170**	–	**100%**	–
Other employees					
4 May 2008	1.23	**3,940**	–	**100%**	–
		8,110	–		

(iv) On 7 May 2004, 6,300,000 share options were granted to certain directors and employees of the Group. These share options are exercisable at HK$1.23 per share for the period from the date of grant up to 6 May 2009.

26. RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Group Exchange reserve HK$'000	Retained profit HK$'000	Total HK$'000
At 1 April 2003, as previously reported	18,648	10,591	2,428	81,900	113,567
Effect of adoption of SSAP 12 (revised) (note 2(m))	–	–	–	(734)	(734)
At 1 April 2003, as restated	18,648	10,591	2,428	81,166	112,833
Issue of shares through private placement (note 25(e))	26,000	–	–	–	26,000
Share issuance expenses	(671)	–	–	–	(671)
Exercise of share options (note 25(g)(ii))	4,678	–	–	–	4,678
Issue of shares on acquisition of additional interests in a subsidiary (note 25(f))	2,520	–	–	–	2,520
Profit for the year	–	–	–	42,843	42,843
Dividends paid	–	–	–	(11,169)	(11,169)
At 31 March 2004	**51,175**	**10,591**	**2,428**	**112,840**	**177,034**
Representing:					
Proposed dividend				6,778	
Others				106,062	
Retained profit as at 31 March 2004				**112,840**	
At 1 April 2002	–	11,446	–	76,533	87,979
Premium on issue of ordinary shares	45,000	–	–	–	45,000
Share issuance expenses	(11,552)	–	–	–	(11,552)
Capitalisation of share premium	(14,800)	–	–	–	(14,800)
Transfer from capital reserve to retained profit upon disposal of a subsidairy	–	(855)	–	855	–
Translation adjustments	–	–	2,428	–	2,428
Profit for the year, as restated	–	–	–	38,287	38,287
Goodwill reversed upon disposal of a subsidiary	–	–	–	491	491
Dividends paid	–	–	–	(35,000)	(35,000)
At 31 March 2003	18,648	10,591	2,428	81,166	112,833
Representing:					
Proposed dividend				5,500	
Others				75,666	
Retained profit as at 31 March 2003				81,166	

26. RESERVES *(Continued)*

	Company			
	Share premium HK$'000	**Contributed surplus** HK$'000	**Retained profit** HK$'000	**Total** HK$'000
At 1 April 2003	18,648	64,872	5,601	89,121
Issue of shares through private placement (note 25(e))	26,000	–	–	26,000
Share issuance expenses	(671)	–	–	(671)
Exercise of share options (note 25(g)(ii))	4,678	–	–	4,678
Issue of shares on acquisition of additional interests in a subsidiary (note 25(f))	2,520	–	–	2,520
Profit for the year	–	–	12,503	12,503
Dividends paid	–	–	(11,169)	(11,169)
At 31 March 2004	51,175	64,872	6,935	122,982
Representing:				
Proposed dividend			6,778	
Others			157	
Retained profit as at 31 March 2004			6,935	
At 1 April 2002	–	–	–	–
Premium on issue of ordinary shares	45,000	–	–	45,000
Share issuance expenses	(11,552)	–	–	(11,552)
Capitalisation of share premium	(14,800)	–	–	(14,800)
Effect of the Reorganisation	–	64,872	–	64,872
Profit for the year	–	–	10,601	10,601
Dividend paid	–	–	(5,000)	(5,000)
At 31 March 2003	18,648	64,872	5,601	89,121
Representing:				
Proposed dividend			5,500	
Others			101	
Retained profit as at 31 March 2003			5,601	

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, retained profit and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of retained profit and contributed surplus of (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.

27. CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before taxation to net cash outflow from operations

	2004	2003
	HK$'000	HK$'000
		(Restated)
Profit before taxation	**46,282**	43,781
Depreciation of property, plant and equipment	**7,685**	6,295
Loss on disposal of property, plant and equipment	**31**	105
Amortisation of goodwills	**(529)**	(608)
Loss/(gain) on disposal of interest in a subsidiary	**–**	(9,076)
Interest income	**(343)**	(154)
Interest expense	**2,378**	2,459
Effect of foreign exchange rate changes	**–**	2,607
Unrealised gain on unlisted investments	**(300)**	–
Operating profit before working capital changes	**55,204**	45,409
Increase in inventories	**(29,144)**	(30,489)
(Increase)/decrease in prepayments, deposits and other receivables	**(4,785)**	1,972
Increase in trade receivables	**(93,752)**	(49,904)
Increase in trade payables	**60,698**	25,506
(Decrease)/Increase in accruals and other payables	**(444)**	2,155
Net cash outflow from operations	**(12,223)**	(5,351)

27. CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(b) Analysis of changes in financing:

	Share capital and share premium HK$'000	**Long-term bank loan** HK$'000	**Trust receipts bank loans** HK$'000	**Obligations under finance leases** HK$'000	**Dividend payable** HK$'000	**Minority Interests** HK$'000
Balance as at 1 April 2003	38,648	5,277	37,790	9,382	–	440
Issue of ordinary shares	33,092	–	–	–	–	–
Share issuance expenses	(671)	–	–	–	–	–
Repayment of long-term bank loan	–	(6,270)	–	–	–	–
Increase in long-term bank loan	–	53,000	–	–	–	–
Increase in trust receipts bank loans	–	–	4,036	–	–	–
Repayment of capital element of finance lease payments	–	–	–	(2,842)	–	–
Minority interests' share of profit	–	–	–	–	–	1,063
Acquisition of additional interests in a subsidiary (note 27(c))	2,700	–	–	–	–	(1,503)
Dividend declared	–	–	–	–	11,169	–
Dividend paid	–	–	–	–	(11,169)	–
Balance as at 31 March 2004	**73,769**	**52,007**	**41,826**	**6,540**	**–**	**–**

27. CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(b) Analysis of changes in financing: *(Continued)*

	Share capital and share premium HK$'000	Long-term bank loan HK$'000	Trust receipts bank loans HK$'000	Obligations under finance leases HK$'000	Due to a related company HK$'000	Dividend payable HK$'000	Minority Interests HK$'000
Balance as at 1 April 2002	200	8,611	16,549	4,650	–	–	–
Issue of ordinary shares	50,000	–	–	–	–	–	–
Share issuance expenses	(11,552)	–	–	–	–	–	–
Repayment of long-term bank loan	–	(3,334)	–	–	–	–	–
Increase in trust receipts bank loans	–	–	21,241	–	–	–	–
Inception of finance leases	–	–	–	6,860	–	–	–
Repayment of capital element of finance lease payments	–	–	–	(2,128)	–	–	–
Advance to a related company	–	–	–	–	13,893	–	–
Repayment from a related company	–	–	–	–	(13,893)	–	–
Minority interests' share of profit	–	–	–	–	–	–	425
Capital injection by a minority shareholder of a subsidiary	–	–	–	–	–		15
Dividend declared	–	–	–	–	–	35,000	–
Dividend paid	–	–	–	–	–	(35,000)	–
Balance as at 31 March 2003	38,648	5,277	37,790	9,382	–	–	440

(c) Major non-cash transactions

On 25 September 2003, the Group acquired the remaining 15% interest in Suga Networks Hong Kong Limited ("Suga Networks"), a subsidiary, at consideration of HK$2,700,000, which was settled by issuance of 1,800,000 share of HK$1.5 each based on the closing price as quoted by the Stock Exchange on 25 September 2003.

(d) Analysis of cash and cash equivalents:

	2004 HK$'000	2003 HK$'000
Cash and bank deposits	**66,150**	31,603
Bank overdrafts	**–**	(3,425)
	66,150	28,178

NOTES TO THE ACCOUNTS

28. CONTINGENT LIABILITIES

	Company	
	2004	2003
	HK$'000	HK$'000
Guarantees provided by the Company in respect of bank facilities of certain subsidiaries	**136,201**	59,105

As at 31 March 2003 and 2004, the Group did not have any significant contingent liabilities.

29. COMMITMENTS

Operating lease commitments

At 31 March 2004, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Not later than one year	**1,078**	1,260
Later than one year and not later than five years	**42**	970
	1,120	2,230

The Company did not have any significant commitments as at 31 March 2004 (2003: Nil)

30. BANKING FACILITIES

At 31 March 2004, the Group had aggregate banking facilities of approximately HK$251,787,000 (2003: HK$97,528,000) for overdrafts, loans and trade financing. Unused facilities at the same date amounted to approximately HK$111,916,000 (2003: HK38,423,000). These facilities are secured by:

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

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

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

NOTES TO THE ACCOUNTS

31. 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% of the employees' earnings as defined under the Mandatory Provident Fund legislation.

As stipulated by rules and regulations in PRC, 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.

For the year ended 31 March 2004, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$1,356,000 (2003: HK$1,161,000).

32. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Significant related party transactions, which were carried out in the normal course of the Group's business are disclosed below:

(a) During the year, the Group made sales of electronic products of approximately HK$696,000 (2003: HK$535,000) to SVLL, a company beneficially owned by Mr. NG Chi Ho, Mr. MA Fung On and Mr. FUNG Chi Leung, Mark, all being directors of the Company, at terms agreed with SVLL.

(b) During the year, the Group paid technical consultancy fee of approximately HK$550,000 (2003: HK$175,000) to Micom Tech Limited, a company incorporated in Hong Kong where Mr. NG Chi Ho, a director of the Company, held interests and is a director, at terms agreed with Micom Tech Limited.

33. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 29 June 2004.