1. ORGANISATION AND OPERATIONS

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 since 18 September 2002.

The Company is an investment holding company. Its subsidiaries and associated companies are principally engaged in the research and development, manufacturing and sales of electronic products.

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 Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(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.

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

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

(b) **Group accounting** *(Continued)*

(i) Consolidation (Continued)

The gain or loss on 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 or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

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

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

(ii) Associated company

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the result of associated company for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated company and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extend of the Group's interest in the associated company; unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

(iii) 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.

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

(b) Group accounting *(Continued)*

(iii) Translation of foreign currencies (Continued)

The balance sheet of subsidiaries and associated company 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 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of nineteen 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.

(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.

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

(c) **Intangibles** *(Continued)*

(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.

(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.

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

(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 purchase 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.

(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 comprise stocks and work in progress and 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 and 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.

(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.

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

(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 and associated company, 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.

(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.

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. Interest income is recognised on a time proportion basis that takes into account the effective yield on the assets.

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

(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 sales of electronic products.

Revenues recognised during the year are as follows:

	2005	2004
	HK$'000	HK$'000
Sales of electronic products		
– consumer electronic appliances	**283,111**	216,623
– telecommunication products	**272,069**	360,292
– digital audio-visual (A/V) products	**18,810**	1,703
– others	**17,434**	22,293
Total turnover	**591,424**	600,911
Other revenue		
– Interest income	**454**	343
Total revenue	**591,878**	601,254

4. SEGMENT INFORMATION

(a) Primary reporting format – business segments:

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

	2005					
	Consumer electronic appliances HK$'000	Telecom- munication products HK$'000	Digital A/V products HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
Turnover	283,111	272,069	18,810	17,434	–	591,424
Inter-segment sales	3,077	–	–	–	(3,077)	–
	286,188	272,069	18,810	17,434	(3,077)	591,424
OPERATING RESULTS						
Operating profit/(loss)	24,751	11,806	(13,401)	2,785	(246)	25,695
Interest income						454
Interest expense						(3,599)
Taxation						(2,593)
Share of loss of an associate						(740)
Minority interests						9
Profit attributable to shareholders						19,226
Segment assets	215,613	149,599	5,851	6,852	–	377,915
Unallocated assets						88,562
						466,477
Segment liabilities	60,352	43,319	1,311	756	–	105,738
Unallocated liabilities						152,936
						258,674
Other information						
Depreciation and amortisation	6,654	6,535	587	87	–	13,863
Capital expenditures	8,302	6,819	1,072	53	–	16,246

4. SEGMENT INFORMATION *(Continued)*

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

	2004				
	Consumer electronic appliances HK$'000	Telecom-munication products HK$'000	Digital A/V products HK$'000	Others HK$'000	Total HK$'000
Turnover	216,623	360,292	1,703	22,293	600,911
OPERATING RESULTS					
Operating profit/(loss)	21,270	26,883	(2,306)	2,470	48,317
Interest income					343
Interest expense					(2,378)
Taxation					(2,376)
Minority interests					(1,063)
Profit attributable to shareholders					42,843
Segment assets	117,099	213,843	7,019	11,437	349,398
Unallocated assets					82,462
					431,860
Segment liabilities	20,383	96,434	2,115	1,076	120,008
Unallocated liabilities					112,224
					232,232
Other information					
Depreciation and amortisation	4,182	2,808	8	158	7,156
Capital expenditures	9,491	3,525	73	284	13,373

There were no sales or other transactions between the business segments during the year ended 31 March 2004.

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

	2005		2004	
	Turnover HK$'000	**Segment results HK$'000**	Turnover HK$'000	Segment results HK$'000
The United States of America	**181,819**	**22,489**	154,438	20,740
Asia Pacific region (excluding Mainland China)	**163,032**	**(9,777)**	93,196	5,026
Mainland China	**242,659**	**12,948**	352,825	22,536
Europe	**3,914**	**35**	452	15
	591,424	**25,695**	600,911	48,317

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

	2005		2004	
	Segment assets HK$'000	**Capital expenditure HK$'000**	Segment assets HK$'000	Capital expenditure HK$'000
Hong Kong	**246,063**	**3,592**	137,716	5,693
Mainland China	**218,380**	**12,550**	294,144	7,680
Singapore	**2,034**	**104**	–	–
	466,477	**16,246**	431,860	13,373

5. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2005 HK$'000	2004 HK$'000
Charging		
Cost of inventories sold	**479,518**	495,094
Depreciation of property, plant and equipment		
– owned assets	**10,903**	5,311
– assets held under finance leases	**3,004**	2,374
Loss on disposal of property, plant and equipment	**–**	31
Operating lease rental of premises	**2,420**	1,506
Staff costs (Note 8)	**40,192**	26,362
Provision for bad and doubtful debts	**200**	481
Provision for obsolete and slow-moving inventories	**2,232**	–
Net exchange loss	**140**	247
Auditors' remuneration	**1,110**	790
Amortisation of deferred development costs (included in research and development costs)	**521**	–
Amortisation of goodwill (included in general and administrative expenses)	**60**	79
Crediting		
Gain on disposal of property, plant and equipment	**1**	–
Amortisation of negative goodwill (included in general and administrative expenses)	**625**	608

6. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on:		
– bank loans wholly repayable within five years	**3,319**	2,252
– obligations under finance leases	**280**	126
	3,599	2,378

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 for at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

(c) PRC enterprise income tax

Suga Electronics (Shenzhen) Co., Ltd., Suga Networks Equipment (Shenzhen) Limited ("SNESL"), Pets & Supplies (Shenzhen) Co., Ltd and Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Ltd. ("Nodic") are subsidiaries established in the People's Republic of China ("PRC"). Being enterprises established in the special economic zones of the PRC, they are subject to PRC enterprise income tax ("EIT") at the rate of 15% to 24% on their taxable income in accordance with the relevant PRC tax laws and regulations. SNESL and Nodic are 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 and Nodic started to make profit in 2003 and 2001 respectively.

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

	2005	2004
	HK$'000	HK$'000
Current taxation:		
– Hong Kong profits tax	**3,447**	2,230
– Taxation outside Hong Kong	**1,057**	201
Deferred taxation relating to the origination and reversal of temporary differences	**(1,911)**	(55)
Taxation	**2,593**	2,376

7. TAXATION *(Continued)*

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:

	2005 **HK$'000**	2004 HK$'000
Profit before taxation	**21,810**	46,282
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**3,817**	8,099
Effect of different taxation rates on income arising outside Hong Kong	**(163)**	33
Tax losses not recognised	**1,145**	854
Expenses not deductible for taxation purpose	**189**	5
Income not subject to taxation	**(1,026)**	(616)
Income exempted from taxation	**(1,369)**	(5,984)
Utilisation of previously unrecognised tax losses	**–**	(15)
Taxation charge	**2,593**	2,376

8. STAFF COSTS

Staff costs, including directors' emoluments, represents:

	2005 **HK$'000**	2004 HK$'000
Wages and salaries	**34,474**	20,623
Bonus	**913**	674
Unutilised annual leave	**171**	60
Pension costs – defined contribution plans	**1,229**	1,356
Staff welfare	**3,405**	3,649
	40,192	26,362

9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

	2005	2004
	HK$'000	HK$'000
Directors' fees		
– independent non-executive directors	**377**	–
– non-executive director	**204**	204
Other emoluments payable to executive directors		
– basic salaries, allowances and other benefits in kind	**4,776**	5,185
– contribution to retirement scheme	**363**	331
	5,720	5,720

The emoluments of the directors fell within the following bands:

	Number of directors	
	2005	2004
Emoluments bands		
HK$Nil – HK$1,000,000	**7**	6
HK$2,000,001 – HK$2,500,000	**1**	1
	8	7

During the year, 5,500,000 (2004:7,400,000) options were granted to the directors under the share option scheme adopted by the Company on 17 September 2002. The market value per share as at the date of grant was HK$1.22 (2004: HK$1.23).

No share options were exercised by the directors during the year ended 31 March 2005. The aggregate difference between the market prices of the Company's shares as at the date of exercise of the share options and consideration paid by the directors amounted to HK$845,000 for the year ended 31 March 2004. Such amount was not recorded by the Group as an expense but was disclosed as "other benefits in kind" in the above analysis.

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

(b) The five individuals whose emoluments were the highest in the Group for the year included three (2004: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (2004: one individual) during the year are as follows:

	2005	2004
	HK$'000	HK$'000
Basic salaries, allowances and other benefits in kind	**1,189**	650
Contribution to retirement scheme	**59**	33
	1,248	683

The emoluments fell within the following band:

	Number of individuals	
	2005	2004
Emolument bands		
HK$Nil – HK$1,000,000	**2**	1

(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.

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$7,578,000 (2004: HK$12,503,000).

11. DIVIDENDS

	2005	2004
	HK$'000	HK$'000
Interim dividend, paid, of HK3 cents (2004: HK2.5 cents) per ordinary share	**6,838**	5,636
Final dividend, proposed, of HK0.35 cent (2004: HK3 cents) per ordinary share	**798**	6,778
	7,636	12,414

At a meeting held on 25 July 2005, the directors proposed a final dividend of HK$0.35 cent per ordinary share. This proposed dividend is not reflected as dividend payable in these accounts (Note 27).

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$19,226,000 (2004: HK$42,843,000). The basic earnings per share is based on the weighted average number of 226,839,000 (2004: 218,878,000) ordinary shares in issue during the year.

No information in respect of diluted earnings per share is presented for the year ended 31 March 2005 as the Company had no potential dilutive ordinary shares in existence during the year ended 31 March 2005. The diluted earnings per share for the year ended 31 March 2004 was based on 220,224,000 ordinary shares which was 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 share options had been exercised.

13. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Land and buildings	**Leasehold improvements**	**Plant and machinery**	**Furniture and equipment**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 April 2004	38,500	11,161	41,621	16,517	107,799
Additions	–	1,603	10,576	3,368	15,547
Acquisition of subsidiaries	–	1,531	9,769	851	12,151
Disposals	–	–	–	(150)	(150)
At 31 March 2005	**38,500**	**14,295**	**61,966**	**20,586**	**135,347**
Accumulated depreciation					
At 1 April 2004	2,504	5,879	24,200	8,618	41,201
Charge for the year	939	2,393	7,829	2,746	13,907
Disposals	–	–	–	(130)	(130)
At 31 March 2005	**3,443**	**8,272**	**32,029**	**11,234**	**54,978**
Net book value					
At 31 March 2005	**35,057**	**6,023**	**29,937**	**9,352**	**80,369**
At 31 March 2004	35,996	5,282	17,421	7,899	66,598

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:

	2005 **HK$'000**	2004 HK$'000
Cost	**13,041**	13,041
Less: Accumulated depreciation	**(8,435)**	(5,490)
Net book value	**4,606**	7,551

14. INTANGIBLE ASSETS

Movements of intangible assets during the year are as follows:

	Group				
	Negative goodwill HK$'000	**Goodwill** HK$'000	**Sub-total** HK$'000	**Deferred development costs** HK$'000	**Total** HK$'000
Year ended 31 March 2005					
Opening net book amount	(10,382)	1,119	(9,263)	1,333	(7,930)
Acquisition of subsidiaries	(845)	–	(845)	–	(845)
Development costs recognised as asset	–	–	–	699	699
Government grants	–	–	–	(285)	(285)
Amortisation	625	(60)	565	(521)	44
Closing net book amount	(10,602)	1,059	(9,543)	1,226	(8,317)
At 31 March 2005					
Cost	(12,999)	1,198	(11,801)	1,747	(10,054)
Accumulated amortisation	2,397	(139)	2,258	(521)	1,737
Net book amount	(10,602)	1,059	(9,543)	1,226	(8,317)
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)

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**65,072**	65,072
Due from subsidiaries	**75,774**	80,170
	140,846	145,242

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 2005.

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 2005 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ Paid-up capital	Group equity interest (v)		Principal activities and place of operation
			2005	2004	
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), (vii)	PRC, limited liability company	HK$33,500,000	**100%**	100%	Manufacturing of electronic products in PRC
Typhoon International Limited	British Virgin Islands, limited liability company	Ordinary shares US$1	**100%**	100%	Property holding in PRC
Speedy Source Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Trading of electronic products 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

15. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ Paid-up capital	Group equity interest (v) 2005	2004	Principal activities and place of operation
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), (vii)	PRC, limited liability company	HK$17,500,000 (iii)	**100%**	100%	Manufacturing of networking devices in PRC
Suga International Limited (v)	British Virgin Islands, limited liability company	Ordinary shares US$700	**100%**	100%	Investment holding in Hong Kong
Net-Tech Products Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Trading of electronic products in Hong Kong
Net-Tech Products Pte. Limited	Singapore, limited exempt private company	Ordinary shares SGD20,000	**90%**	–	Trading of electronic products in Singapore
Pets & Supplies Hong Kong Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Trading of pet products in Hong Kong
P&S Macao Commercial Offshore Limited	Macao, limited liability company	Ordinary shares MOP100,000	**100%**	100%	Trading of pet products in Macau
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
Precise Computer Tooling Co., Limited	Hong Kong, limited liability company	Ordinary shares HK$500,000	**100%**	–	Manufacture and trading of plastic parts in Hong Kong
Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Limited ("Nodic") (iv), (vii)	PRC, limited liability company	US$3,000,000	**100%**	–	Manufacture of plastic parts in PRC

15. INVESTMENT IN SUBSIDIARIES *(Continued)*

Notes:

(i) The non-voting deferred shares of Suga Electronics Limited are held by Essential Mix Enterprises Limited and Broadway Business Limited, which are owned by Mr. Ng Chi Ho and Mr. Ma Fung On, directors and beneficial shareholders of the Company, and Mr. Fung Chi Leung, Mark, a director of the Company up to 31 October 2004. 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 years until October 2022.

(iv) Nodic is a wholly foreign owned enterprise established in PRC with an approved period of operation of 30 years until September 2020.

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

(vi) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2005.

(vii) All subsidiaries established in the PRC have financial accounting year end dates on 31 December in accordance with the local statutory requirements, which is not coterminous with the Group. The consolidated accounts of the Group were prepared based on the management accounts of these subsidiaries for the twelve months ended 31 March 2005.

16. INTEREST IN AN ASSOCIATE

	Group	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Share of net assets	**2,260**	–
	2,260	–

Particulars of the Company's associate as at 31 March 2005 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ Paid-up capital	Group equity interest 2005	Group equity interest 2004	Principal activities and place of operation
Modern Tech Limited	Hong Kong, limited liability company	Ordinary shares HK$10,250,000	29.27%	–	Development and sales of electronic educational products

17. UNLISTED INVESTMENTS

Unlisted investments represent unlisted investment funds issued by a commercial bank in Hong Kong.

18. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Raw materials	**107,530**	66,979
Work-in-progress	**15,289**	17,248
Finished goods	**21,604**	12,757
	144,423	96,984
Less: Provision for obsolete and slow-moving inventories	**(4,032)**	(1,800)
	140,391	95,184

Certain of the Group's inventories are held under trust receipts loan arrangements (see note 31).

19. TRADE RECEIVABLES

During the year ended 31 March 2005, the Group generally granted credit terms to its customers ranging from 30 to 90 days, other than a major customer with whom extended credit period was granted on specific cases. The ageing analysis of trade receivables is as follows:

	Group 2005 HK$'000	2004 HK$'000
0 to 30 days	**133,187**	174,214
31 to 60 days	**17,475**	12,188
61 to 90 days	**8,697**	6,625
91 to 180 days	**5,662**	2,157
Over 180 days	**4,696**	1,362
	169,717	196,546
Less: Provision for bad and doubtful debts	**(4,245)**	(1,000)
	165,472	195,546

20. CASH AND BANK DEPOSITS

As at 31 March 2005, approximately HK$22,469,000 (2004: HK$48,477,000) 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.

21. LONG-TERM BANK LOANS

The Group's long-term bank loans are unsecured and repayable as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**53,333**	16,485
In the second year	**55,069**	22,667
In the third year	**22,223**	12,855
	130,625	52,007
Less: Current portion of long-term bank loans	**(53,333)**	(16,485)
	77,292	35,522

Details of the Group's banking facilities are included in note 31.

22. TRADE PAYABLES

	Group	
	2005	2004
	HK$'000	HK$'000
0 to 30 days	**77,386**	74,676
31 to 60 days	**9,230**	21,275
61 to 90 days	**3,197**	10,848
91 to 180 days	**4,854**	6,523
Over 180 days	**452**	2,049
	95,119	115,371

23. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

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

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 April	**4,337**	4,392
Acquisition of subsidiaries	**250**	–
Deferred taxation credited to profit and loss account (Note 7)	**(1,911)**	(55)
At 31 March	**2,676**	4,337

The movements in deferred tax assets and liabilities during the year are as follows:

	Accelerated tax depreciation	
Deferred tax liabilities	**2005**	2004
	HK$	HK$
At 1st April	**5,519**	5,333
Acquisition of subsidiaries	**250**	–
Charged to profit and loss account	**949**	186
At 31st March	**6,718**	5,519

Deferred tax assets	Provisions		Tax losses		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
At 1st April	**(175)**	(175)	**(1,007)**	(766)	**(1,182)**	(941)
Credited to profit and loss account	**(568)**	–	**(2,292)**	(241)	**(2,860)**	(241)
At 31st March	**(743)**	(175)	**(3,299)**	(1,007)	**(4,042)**	(1,182)

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:

	2005	2004
	HK$'000	HK$'000
Deferred tax assets	**(2,515)**	(412)
Deferred tax liabilities	**5,191**	4,749
	2,676	4,337

24. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2005, the Group's finance lease liabilities were repayable as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**4,130**	3,189
In the second to fifth year	**1,185**	3,674
	5,315	6,863
Less: future finance charges on finance leases	**(244)**	(323)
	(5,071)	6,540
Less: current portion	**(3,926)**	(2,967)
	1,145	3,573

The present value of finance lease liabilities is as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**3,926**	2,967
In the second to fifth year	**1,145**	3,573
	5,071	6,540

25. SHARE CAPITAL

	Authorised ordinary shares of HK$0.1 each No. of shares '000	HK$'000
As at 31 March 2004 and 2005	2,000,000	200,000

	Issued and fully paid ordinary shares of HK$0.1 each No. of shares '000	HK$'000
As at 1 April 2003	200,000	20,000
Issue of shares through private placement (note (a))	20,000	2,000
Issue of shares on acquisition of additional interests in a subsidiary (note (b))	1,800	180
Exercise of share option (Note 26)	4,140	414
As at 31 March 2004	225,940	22,594
Issue of shares on acquisition of subsidiaries (note (c))	2,000	200
As at 31 March 2005	227,940	22,794

Notes:

(a) 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.

(b) 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 HK$4,500,000 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 shares issued as consideration was HK$2,700,000, which had been credited to share capital and share premium accounts to the extent of HK$180,000 and HK$2,520,000 respectively.

(c) On 19 October 2004, the Group acquired the entire interest in Precise Computer Tooling Co., Limited, a company incorporated in Hong Kong which is principally engaged in the manufacturing and trading of plastic products. Out of the total consideration of HK$8,500,000, approximately HK$2,700,000 was satisfied by the issuance of 2,000,000 shares of the Company with a par value of HK$0.1 each to the vendor; while the remaining balance was payable in cash. Based on the closing price of the Company's shares at HK$1.27 per share as quoted by the Stock Exchange on 19 October 2004, the total value of shares issued by the Company to the vendors as consideration was HK$2,540,000, which had been credited to share capital and share premium accounts to the extent of HK$200,000 and HK$2,340,000 respectively.

26. SHARE OPTION

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	
	2005	2004
	'000	'000
At the beginning of the year	**8,110**	–
Granted (i)	**6,300**	12,300
Exercised (ii)	**–**	(4,140)
Lapsed/cancelled	**–**	(50)
At the end of the year (iii)	**14,410**	8,110

(i) On 5 May 2003, the Company received HK$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 share of the Company at price of HK$1.23 each. These share options will expire on 4 May 2008.

On 7 May 2004, the Company received HK$8 as consideration for granting of 6,300,000 share options to certain directors and employees of the Group. Holders of these share options are entitled to subscribe share of the Company at price of HK$1.23 each. These share options will expire on 6 May 2009.

(ii) No share options were exercised during the year. (2004:4,140,000 shares)

26. SHARE OPTION *(Continued)*

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

	Exercise price	Number of options 2005 '000	Number of options 2004 '000	Vested percentages 2005	Vested percentages 2004
Expiry date					
Directors					
4 May 2008	1.23	**4,170**	4,170	**100%**	100%
6 May 2009	1.23	**5,500**	–	**100%**	
Other employees					
4 May 2008	1.23	**3,940**	3,940	**100%**	100%
6 May 2009	1.23	**800**	–	**100%**	
		14,410	8,110		

27. RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Group Exchange reserve HK$'000	Retained profit HK$'000	Total HK$'000
At 1 April 2004	51,175	10,591	2,428	112,840	177,034
Issue of shares on acquisition of subsidiaries (note 25(c))	2,340	–	–	–	2,340
Exercise differences arising on translation of the accounts of foreign subsidiaries	–	–	25	–	25
Profit for the year	–	–	–	19,226	19,226
Dividends paid	–	–	–	(13,616)	(13,616)
At 31 March 2005	**53,515**	**10,591**	**2,453**	**118,450**	**185,009**
Representing:					
Proposed dividend				798	
Others				117,652	
Retained profit as at 31 March 2005				**118,450**	
At 1 April 2003	18,648	10,591	2,428	81,166	112,833
Issue of shares through private placement (note 25(a))	26,000	–	–	–	26,000
Share issuance expenses	(671)	–	–	–	(671)
Exercise of share options (note 26)	4,678	–	–	–	4,678
Issue of shares on acquisition of additional interests in a subsidiary (note 25(b))	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	

27. RESERVES *(Continued)*

	Share premium HK$'000	Company Contributed surplus HK$'000	Retained profit HK$'000	Total HK$'000
At 1 April 2004	51,175	64,872	6,935	122,982
Issue of shares on acquisition of subsidiaries (note 25(c))	2,340	–	–	2,340
Profit for the year	–	–	7,578	7,578
Dividends paid	–	–	(13,616)	(13,616)
At 31 March 2005	**53,515**	**64,872**	**897**	**119,284**
Representing:				
Proposed dividend			798	
Others			99	
Retained profit as at 31 March 2005			897	
At 1 April 2003	18,648	64,872	5,601	89,121
Issue of shares through private placement (note 25(a))	26,000	–	–	26,000
Share issuance expenses	(671)	–	–	(671)
Exercise of share options (Note 26)	4,678	–	–	4,678
Issue of shares on acquisition of additional interests in a subsidiary (note 25(b))	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	

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.

28. CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before taxation to net cash generated from/(used in) operations

	2005 HK$'000	2004 HK$'000
Profit before taxation	**21,810**	46,282
Depreciation of property, plant and equipment	**13,907**	7,685
(Gain)/loss on disposal of property, plant and equipment	**(1)**	31
Amortisation of negative goodwill	**(565)**	(529)
Amortisation of deferred development costs	**521**	–
Interest income	**(454)**	(343)
Interest expense	**3,599**	2,378
Share of loss of an associate	**740**	–
Unrealised gain on other investments	**–**	(300)
Operating profit before working capital changes	**39,557**	55,204
Increase in inventories	**(41,658)**	(29,144)
Decrease/(increase) in trade receivables	**39,201**	(93,752)
Decrease/(increase) in prepayments, deposits and other receivables	**3,941**	(4,785)
(Decrease)/increase in trade payables	**(25,460)**	60,698
Decrease in accruals and other payables	**(4,403)**	(444)
Net cash generated from/(used in) operations	**11,178**	(12,223)

(b) Analysis of changes in financing is as follows:

	Share capital and share premium HK$'000	**Long-term bank loans** HK$'000	**Short-term bank loans** HK$'000	**Obligations under finance leases** HK$'000	**Dividend payable** HK$'000	**Minority interests** HK$'000
Balance as at 1 April 2004	73,769	52,007	41,826	6,540	–	–
Acquisition of subsidiaries (note 28(c))	2,540	–	1,221	2,481	–	–
New long-term bank loans raised	–	110,000	–	–	–	–
Repayment of long-term bank loans	–	(31,382)	–	–	–	–
Net decrease in short-term bank loans	–	–	(41,524)	–	–	–
Repayment of capital element of finance lease obligations	–	–	–	(3,950)	–	–
Minority interests' share of loss	–	–	–	–	–	(9)
Contribution from minority shareholder of a subsidiary	–	–	–	–	–	9
Dividends declared	–	–	–	–	13,616	–
Dividends paid	–	–	–	–	(13,616)	–
Balance as at 31 March 2005	**76,309**	**130,625**	**1,523**	**5,071**	**–**	**–**

28. CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(b) Analysis of changes in financing is as follows: *(Continued)*

	Share capital and share premium HK$'000	Long-term bank loans HK$'000	Short-term 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 loans	–	(6,270)	–	–	–	–
New long-term bank loans raised	–	53,000	–	–	–	–
Net increase in short-term bank loans	–	–	4,036	–	–	–
Repayment of capital element of finance lease obligations	–	–	–	(2,842)	–	–
Minority interests' share of profit	–	–	–	–	–	1,063
Acquisition of additional interests in a subsidiary	2,700	–	–	–	–	(1,503)
Dividends declared	–	–	–	–	11,169	–
Dividends paid	–	–	–	–	(11,169)	–
Balance as at 31 March 2004	73,769	52,007	41,826	6,540	–	–

28. CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(c) Acquisition of subsidiaries

On 24 October 2004, the Group acquired the entire interest in Precise Computer Tooling Co., Limited, a company incorporated in Hong Kong which, together with its subsidiary, are principally engaged in manufacturing and trading of plastic parts. Details of the acquisition are as follows:

	2005
	HK$'000
Net assets acquired	
Property, plant and equipment	**12,151**
Inventories	**3,549**
Trade receivables	**9,127**
Prepayments, deposits and other receivables	**1,367**
Cash and bank deposits	**495**
Trade payables	**(5,208)**
Accruals and other payables	**(8,385)**
Short-term bank loans	**(1,221)**
Tax payables	**(59)**
Deferred tax liabilities	**(250)**
Obligations under finance leases	**(2,481)**
	9,085
Negative goodwill	**(845)**
Total consideration	**8,240**
Satisfied by:	
Cash	**3,700**
Consideration payable (included in accruals and other payables)	**2,000**
New shares issued	**2,540**
	8,240
New inflow of cash and cash equivalents arising on acquisition:	
Cash consideration	**(3,700)**
Cash and bank deposits acquired	**495**
	(3,205)

28. CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(d) Analysis of cash and cash equivalents:

	2005	2004
	HK$'000	HK$'000
Cash and bank deposits	**70,407**	66,150

29. CONTINGENT LIABILITIES

	Company	
	2005	2004
	HK$'000	HK$'000
Guarantees provided by the Company in respect of bank facilities of certain subsidiaries	**143,310**	136,201

As at 31 March 2004 and 2005, the Group did not have any significant contingent liabilities.

30. COMMITMENTS

Operating lease commitments

At 31 March 2005, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Not later than one year	**907**	1,078
Later than one year and not later than five years	**583**	42
	1,490	1,120

The Company did not have any significant commitments as at 31 March 2005 (2004: Nil)

31. BANKING FACILITIES

At 31 March 2005, the Group had aggregate banking facilities of approximately HK$370,311,000 (2004: HK$251,787,000) for overdrafts, loans and trade financing. Unused facilities at the same date amounted to approximately HK$201,568,000 (2004: HK111,916,000). These facilities are secured by (i) certain inventories held under trust receipts loan arrangements; and (ii) corporate guarantee provided by the Company and certain of its subsidiaries. In addition, the Group has undertaken to comply with certain restrictive financial covenants.

32. 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.

As stipulated by rules and regulations in Singapore, the Group has arranged its Singapore employees to join the Central Provident Fund Scheme ("the CPF Scheme"). The Group contributes approximately 5% to 13% of the basic salaries of its employees under the Central Provident Fund legislation.

For the year ended 31 March 2005, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$1,229,000 (2004: HK$1,356,000).

33. 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 paid technical consultancy fee and license fee of approximately HK$560,000 (2004: HK$550,000) and HK$275,000 (2004: HK$Nil) respectively to Micom Tech Limited, a company incorporated in Hong Kong in which Mr. NG Chi Ho, a director of the Company, held interests and is a director, at terms agreed with Micom Tech Limited.

(b) During the year, the Group acquired a 29.27% interest in Modern Tech Limited ("Modern Tech"), a company incorporated in Hong Kong which is principally engaged in the development and sales of electronic educational products by subscription of 3,000,000 new ordinary shares of Modern Tech at HK$1.00 each, totalling HK$3,000,000 for cash. Prior to the acquisition, Modern Tech was owned as to 100% by Micom Tech Limited.

34. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 25 July 2005.