Notes to the Financial Statements

1. GENERAL INFORMATION

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

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

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" Section to the annual report.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 July 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 to the financial statements.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The adoption of new/revised HKFRS

In the current year, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28 and 33 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, land use rights were accounted for at fair value or cost less accumulated depreciation and accumulated impairment. Apart from certain presentational changes with comparatives restated, this change in accounting policy does not have any material effect on the financial statements.

The adoption of HKAS 39 has resulted in a change in the accounting policy relating to the derecognition of financial assets. In prior year, factored receivable without recourse are derecognised. Upon adoption of HKAS 39, factored receivable without recourse are no longer derecognised if the derecognition criteria for financial assets are not met. Accordingly, the related bank advances received as consideration for the factored receivable are recognised as a liability prospectively on or after 1 April 2005.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the measurement and classification of short-term unlisted investments. Short-term unlisted investments was reclassified as "Financial Assets at Fair Value through Profit or Loss" at 1 April 2005. Gains and losses arising from changes in fair value of "Financial Assets at Fair Value through Profit or Loss" are charged to income statement.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 April 2005, the Group expenses the cost of share options in the income statement. The Group had no share option granted after 7 November 2002 and had not yet vested at the effective date of the HKFRS and on 1 April 2005 respectively, and accordingly, no retrospectively restatement is required.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill and negative goodwill. Until 31 March 2005, goodwill/negative goodwill arising from acquisition of subsidiaries was amortised on a straight line basis over its estimated useful life of up to 20 years and goodwill was assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– the Group ceased amortisation of goodwill from 1 April 2005;

– accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

– from the year ended 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment; and

– the carrying amount of negative goodwill was derecognised as at 31 March 2005, and a corresponding adjustment to the opening retained earnings was made as at 1 April 2005.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit recognition, derecognition and measurement of financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005.

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 April 2005; and

– HKFRS 3 – prospectively after 1 April 2005.

(i) The adoption of revised HKAS 17 resulted in:

	As at 31 March	
	2006	2005
	HK$'000	HK$'000
Decrease in property, plant and equipment	**(4,505)**	(2,987)
Increase in land use rights	**4,505**	2,987

(ii) The adoption of HKAS 39 resulted in:

	As at 31 March
	2006
	HK$'000
Increase in trade and other receivables	**5,019**
Increase in bank advances for factored receivables	**(5,019)**

(iii) The adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in:

	As at 31 March
	2006
	HK$'000
Decrease in negative goodwill	**(10,011)**
Increase in retained earnings	**10,011**

	For the year ended 31 March
	2006
	HK$'000
Increase in general and administrative expenses	**590**
Decrease in basic and diluted earnings per share (HK cents)	**(0.26)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Standards, interpretations and amendments to published standards that are not yet effective

The Group has not early adopted the following new standards, interpretations and amendments that have been issued and are not yet effective, which are relevant to the operations of the Group. The Directors consider that the adoption of such standards, interpretations and amendments will not result in substantial changes to the Group's accounting policies.

HKAS 1	Presentation of Financial Statements – Capital Disclosures
HKAS 19 (Amendment)	Employee Benefits
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains A Lease
HKFRS 7	Financial Instruments: Disclosure

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

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 by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associated company

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.6).

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are, included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Buildings	2.4%-2.7%
Leasehold improvements	20%
Plant and machinery	20%
Furniture and equipment	20%

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

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

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

2.6 Intangible assets

(a) Goodwill

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets *(Continued)*

(b) Research and development costs

Research expenditures are written off as incurred. Development expenditures are charged against income statement 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.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, and are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

From 1 April 2004 to 31 March 2005:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as non-trading securities and trading securities. These unlisted investments were carried at fair value. At the balance sheet date, the net realised gains or losses arising from the changes in fair value of unlisted investments are recognised in the income statement. Profits and losses on disposal of investments, representing the differences between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arise.

From 1 April 2005 onwards:

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) *Loans and receivables*

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

(c) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets. During the year, the Group did not hold any investments in this category.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. During the year, the Group did not hold any investments in this category.

Regular purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.10.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

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

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

2.14 Deferred income tax

Deferred income tax 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 consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2.15 Employee benefits

(a) Pension obligations

The Group participates in several defined contribution plans, under which the Group pays fixed contributions into separate entities.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets.). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to entity.

(c) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Provisions

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

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

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

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue from sales of goods is recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

2.18 Leases

(a) Operating lease

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

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group mainly operates in Hong Kong and the Mainland China and most of its business transactions, assets and liabilities are principally denominated in HK dollars, U.S. dollars and Renminbi ("RMB"). The Group's management does not foresee any significant exposure to these currencies and therefore did not hedge its foreign currency exposure. Nevertheless, the exchange rate of RMB to foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Mainland Government.

(b) Credit risk

The Group's financial assets are trade and other receivables and bank balances, the amounts of those assets stated in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is concentrated on a number of major and long established customers. Trade receivables from the top five customers amounted to approximately 75% of the Group's total trade receivables. The Group has policies in place to ensure that sales are made to customers with appropriate credit history and to limit the amount of credit exposure to individual customer. The Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's past experience in collection of trade receivables falls within the recorded allowances. In order to minimise credit risk to the Group, the Group has certain non-recourse factoring arrangement with banks to cover the credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages its liquidity risk by controls the level of inventories, closely monitor the turnover days of receivables, monitoring its working capital requirements and keeping credit lines available.

(d) Cash flow interest rate risk

The Group's interest rate risk arises primarily relates to bank borrowings. The Group currently does not have hedging policy in respect of the interest rate risk. However, management monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. 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:

	2006 HK$'000	2005 HK$'000
Sales of electronic products		
– consumer electronic appliances	**420,985**	283,111
– telecommunication products	**293,042**	272,069
– digital A/V products	**48,621**	18,810
– other products	**9,320**	17,434
	771,968	591,424

6. OTHER GAINS

	2006 HK$'000	2005 HK$'000
Other gains		
– interest income	**329**	454
– gain on disposal of property, plant and equipment	**–**	1
– others	**1,027**	365
	1,356	820

Notes to the Financial Statements

7. SEGMENT INFORMATION

(a) Primary reporting format – business segments:

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

	2006					
	Consumer electronics appliances HK$'000	Telecom-munication products HK$'000	Digital A/V products HK$'000	Other products HK$'000	Eliminations HK$'000	Total HK$'000
Turnover	420,985	293,042	48,621	9,320	–	771,968
Inter-segment sales	19,020	–	–	–	(19,020)	–
	440,005	293,042	48,621	9,320	(19,020)	771,968
OPERATING RESULTS						
Segment results	33,904	5,806	(17,983)	(4,364)	(3,898)	13,465
Other gains						1,356
Finance costs						(9,130)
Taxation						(2,082)
Share of loss of and impairment of an associate						(2,260)
Profit attributable to equity holders of the Company						1,349
Segment assets	281,520	138,834	10,721	2,830	–	433,905
Unallocated assets						67,425
						501,330
Segment liabilities	68,436	41,444	551	360	–	110,791
Unallocated liabilities						171,682
						282,473
Other information						
Depreciation	13,147	5,949	141	67	–	19,304
Amortisation	86	18	–	1	–	105
Capital expenditures	34,072	2,791	385	79	–	37,327

7. SEGMENT INFORMATION *(Continued)*

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

	2005					
	Consumer electronics appliances HK$'000	Telecom-munication products HK$'000	Digital A/V products HK$'000	Other products HK$'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						
Segment results	24,525	11,806	(13,401)	2,785	(246)	25,469
Other gains						820
Finance costs						(3,739)
Taxation						(2,593)
Share of loss of an associate						(740)
Minority interest						9
Profit attributable to equity holders of the Company						19,226
Segment assets	225,871	147,435	7,224	6,901	–	387,431
Unallocated assets						79,046
						466,477
Segment liabilities	62,647	41,285	1,182	939	–	106,053
Unallocated liabilities						152,621
						258,674
Other information						
Depreciation	7,244	6,439	60	84	–	13,827
Amortisation	(19)	56	–	(1)	–	36
Capital expenditures	8,229	6,890	1,069	58	–	16,246

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

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

Segment assets consist primarily of property, plant and equipment, land use rights, goodwill, inventories and receivables. They exclude deferred tax assets, tax recoverable, prepayment, deposits and other receivables and operating cash.

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

Capital expenditure comprises additions to property, plant and equipment (Note 15) and land use rights (Note 16).

(b) Secondary reporting format – geographical segments:

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

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

	2006		2005	
	Turnover HK$'000	**Segment results HK$'000**	Turnover HK$'000	Segment results HK$'000
The United States of America	**296,027**	**27,903**	181,819	22,489
Asia Pacific region (excluding Mainland China)	**233,152**	**(19,808)**	163,032	(10,003)
Mainland China	**233,743**	**5,342**	242,659	12,948
Europe	**9,046**	**28**	3,914	35
	771,968	**13,465**	591,424	25,469

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

	2006		2005	
	Segment assets HK$'000	**Capital expenditure HK$'000**	Segment assets HK$'000	Capital expenditure HK$'000
Hong Kong	**166,623**	**1,026**	173,454	3,589
Mainland China	**289,899**	**35,888**	253,765	12,550
Macau	**47,750**	**321**	37,223	3
Singapore	**6,058**	**92**	2,035	104
	501,330	**37,327**	466,477	16,246

8. EXPENSES BY NATURE

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

	2006 HK$'000	2005 HK$'000
Depreciation of property, plant and equipment		
– owned assets	**17,216**	10,823
– assets held under finance leases	**2,088**	3,004
Amortisation of land use rights	**105**	80
Loss on disposals of property, plant and equipment	**20**	–
Operating lease rental of premises	**2,461**	2,420
Staff costs, including Directors' remuneration (Note 14)	**58,347**	40,515
Provision for impairment of trade receivables	**4,420**	200
Provision for obsolete and slow-moving inventories	**1,372**	2,232
Auditors' remuneration	**1,660**	1,110
Impairment/amortisation of deferred development costs (included in general and administrative expenses)	**1,226**	521
Research and development cost	**6,772**	4,569
Amortisation of goodwill/negative goodwill (included in general and administrative expenses)	**–**	(565)
Loss on disposal of financial assets at fair value through profit or loss	**44**	–

9. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on:		
– bank borrowings repayable within five years	**(9,005)**	(3,319)
– finance lease liabilities	**(202)**	(280)
	(9,207)	(3,599)
Net exchange gain/(loss)	**77**	(140)
	(9,130)	(3,739)

10. TAXATION

(a) Bermuda and British Virgin Island income tax

The Company is exempted from taxation in Bermuda until 2016. The Company's subsidiaries in the British Virgin Island are incorporated under the International Business Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income taxes.

Notes to the Financial Statements

10. TAXATION *(Continued)*

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 ("PSSZ"), Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Ltd. ("Nodic") and Precise Plastic Injection (Shenzhen) Co., Ltd. ("PPISL") 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") of 15% to 24% (2005: 15% to 24%) on their taxable income in accordance with the relevant PRC tax laws and regulations. SNESL, PSSZ, Nodic and PPISL 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.

(d) Macao taxation

P&S Macao Commercial Offshore Limited is a subsidiary established in Macao and is exempted from Macao Complementary Tax (2005: Nil).

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

	2006 HK$'000	2005 HK$'000
Current taxation:		
– Hong Kong profits tax	**4,092**	3,447
– Taxation outside Hong Kong	**396**	1,057
– Over-provision in prior years	**(227)**	–
Deferred taxation relating to the origination and reversal of temporary differences	**(2,179)**	(1,911)
	2,082	2,593

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

	2006 HK$'000	2005 HK$'000
Profit before taxation	**3,431**	21,810
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**600**	3,817
Effect of difference taxation rates on income arising outside Hong Kong	**(207)**	(163)
Tax loss not recognised	**4,939**	1,145
Expenses not deductible for taxation purpose	**3,448**	189
Income not subject to taxation	**(6,471)**	(2,395)
Over-provision in prior years	**(227)**	–
Tax expense	**2,082**	2,593

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of approximately HK$3,736,000 (2005: HK$7,578,000).

12. DIVIDENDS

	2006 **HK$'000**	2005 HK$'000
Interim dividend, paid, of HK1.5 cents (2005: HK3 cents) per ordinary share	**3,419**	6,838
Final dividend, proposed, of nil (2005: HK0.35 cents) per ordinary share	**–**	798
	3,419	7,636

At a meeting held on 24 July 2006, the directors have resolved not to pay a final dividend for the year ended 31 March 2006.

13. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**1,349**	19,226
Weighted average number of ordinary shares in issue ('000)	**227,940**	226,839
Basic earnings per share (HK cents)	**0.6**	8.5

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share which is the share options granted to employees. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

No information in respect of diluted earnings per share is presented as the exercise of the outstanding options for the years ended 31 March 2005 and 2006 would have no dilutive effect.

Notes to the Financial Statements

14. EMPLOYEE BENEFIT EXPENSE

	2006 **HK$'000**	2005 HK$'000
Wages and salaries	**50,320**	34,474
Bonus	**447**	913
Unutilised annual leave	**216**	171
Pension costs – defined contribution plans	**1,307**	1,229
Social security costs	**1,019**	323
Staff welfare	**5,038**	3,405
	58,347	40,515

(a) Directors' remuneration and senior management emoluments

The remuneration of every director for the year ended 31 March 2006 is set out below:

		Other emoluments			
	Fees HK$'000	**Salaries and other benefits HK$'000**	**Retirement benefits scheme contributions HK$'000**	**Other benefits HK$'000**	**Total emoluments HK$'000**
Mr. Ng Chi Ho	**–**	**2,556**	**226**	**–**	**2,782**
Mr. Ma Fung On	**–**	**1,005**	**50**	**–**	**1,055**
Mr. Wong Wai Lik, Lamson	**–**	**943**	**47**	**–**	**990**
Mr. Kyle Arnold Shaw, Jr. (Note (ii))	**119**	**–**	**–**	**–**	**119**
Professor Wong Sook Leung, Joshua	**175**	**–**	**–**	**–**	**175**
Mr. Murase Hiroshi	**150**	**–**	**–**	**–**	**150**
Mr. Leung Yu Ming, Steven	**150**	**–**	**–**	**–**	**150**

The remuneration of every director for the year ended 31 March 2005 is set out below:

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Other benefits HK$'000	Total emoluments HK$'000
Mr. Ng Chi Ho	–	2,481	248	–	2,729
Mr. Ma Fung On	–	944	47	–	991
Mr. Wong Wai Lik, Lamson	–	857	43	–	900
Mr. Fung Chi Leung, Mark (Note (i))	–	494	25	–	519
Mr. Kyle Arnold Shaw, Jr. (Note (ii))	204	–	–	–	204
Professor Wong Sook Leung, Joshua	150	–	–	–	150
Mr. Murase Hiroshi	150	–	–	–	150
Mr. Leung Yu Ming, Steven	77	–	–	–	77

14. EMPLOYEE BENEFIT EXPENSE *(Continued)*

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

Notes:

(i) Mr. Fung resigned as director of the Company on 31 October 2004.

(ii) Mr. Shaw resigned as director of the Company on 31 October 2005.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2005: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (2005: two individuals) during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Basic salaries, allowances and other benefits in kind	**2,686**	1,189
Contributions to retirement benefit scheme	**134**	59
	2,820	1,248

The emoluments fell within the following band:

	Number of individuals	
	2006	2005
Emolument bands		
HK$Nil – HK$1,000,000	**1**	2
HK$1,500,001 – HK$2,000,000	**1**	–
	2	2

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

Notes to the Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Total HK$'000
At 1 April 2004					
Cost	35,219	11,161	41,621	16,517	104,518
Accumulated depreciation	(2,290)	(5,879)	(24,200)	(8,618)	(40,987)
Net book amount	32,929	5,282	17,421	7,899	63,531
Year ended 31 March 2005					
Opening net book amount	32,929	5,282	17,421	7,899	63,531
Additions	–	1,603	10,576	3,368	15,547
Acquisition of subsidiaries	–	1,531	9,769	851	12,151
Disposals	–	–	–	(20)	(20)
Depreciation	(859)	(2,393)	(7,829)	(2,746)	(13,827)
Closing net book amount	32,070	6,023	29,937	9,352	77,382
At 31 March 2005					
Cost	35,219	14,295	61,966	20,586	132,066
Accumulated depreciation	(3,149)	(8,272)	(32,029)	(11,234)	(54,684)
Net book amount	32,070	6,023	29,937	9,352	77,382
Year ended 31 March 2006					
Opening net book amount	32,070	6,023	29,937	9,352	77,382
Exchange differences	–	102	156	95	353
Additions	8,493	1,894	22,063	3,254	35,704
Disposals	–	–	(16)	(4)	(20)
Depreciation	(993)	(2,230)	(12,681)	(3,400)	(19,304)
Closing net book amount	39,570	5,789	39,459	9,297	94,115
At 31 March 2006					
Cost	43,712	16,422	83,003	23,889	167,026
Accumulated depreciation	(4,142)	(10,633)	(43,544)	(14,592)	(72,911)
Net book amount	39,570	5,789	39,459	9,297	94,115

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

Depreciation expense of HK$11,126,000 (2005: HK$7,770,000) has been expensed in cost of sales, and HK$8,178,000 (2005: HK$6,057,000) has been expensed in general and administrative expenses.

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

	2006	2005
	HK$'000	HK$'000
Cost	**10,288**	13,041
Less: Accumulated depreciation	**(8,058)**	(8,435)
Net book value	**2,230**	4,606

16. LAND USE RIGHTS

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

	Group	
	2006	2005
	HK$'000	HK$'000
		(As restated)
Beginning of the year		
– as previously reported	**–**	–
– effect of change in accounting policy	**2,987**	3,067
– as restated	**2,987**	3,067
Additions	**1,623**	–
Amortisation	**(105)**	(80)
End of the year	**4,505**	2,987

	2006	2005
	HK$'000	HK$'000
Outside Hong Kong, held on leases of between 10 to 50 years	**4,505**	2,987

Notes to the Financial Statements

17. 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
At 1 April 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)
Year ended 31 March 2005					
Net book amount at 1 April 2004	(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
Net book amount at 31 March 2005	(10,602)	1,059	(9,543)	1,226	(8,317)
At 1 April 2005					
Cost (Note (a))	(12,999)	1,059	(11,940)	1,747	(10,193)
Accumulated amortisation	2,397	–	2,397	(521)	1,876
Net book amount	(10,602)	1,059	(9,543)	1,226	(8,317)
Year ended 31 March 2006					
Net book amount at 1 April 2005, as previously reported	(10,602)	1,059	(9,543)	1,226	(8,317)
Derecognition pursuant to transitional provision of HKFRS 3	10,602	–	10,602	–	10,602
Net book amount at 1 April 2005, as restated	–	1,059	1,059	1,226	2,285
Amortisation and impairment (Note (b))	–	–	–	(1,226)	(1,226)
Net book amount at 31 March 2006	–	1,059	1,059	–	1,059
At 31 March 2006					
Cost	–	1,059	1,059	–	1,059
Accumulated amortisation	–	–	–	–	–
Net book amount	–	1,059	1,059	–	1,059

17. INTANGIBLE ASSETS *(Continued)*

Notes:

(a) Pursuant to the adoption of HKFRS 3 as set out in Note 2(a) to the consolidated financial statements, accumulated amortisation of goodwill of HK$139,000 has been eliminated against cost as of 1 April 2005.

(b) Amortisation and impairment expenses of deferred development costs has been included in general and administrative expenses in the consolidated income statement.

(c) Goodwill is allocated to the Group's cash generating units (CGUs) identified according to country of operation and business segments. The goodwill is attributable to the Group's telecommunication product's segment in Mainland China.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

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

	2006 **HK$'000**	2005 HK$'000
Telecommunication products/Mainland China	**1,059**	1,059

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

	Telecommunication
Gross margin	7.5%
Growth rate	-10%
Discount rate	5%

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

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

The directors are of the view that there is no impairment of goodwill as at 31 March 2006 and 2005.

Notes to the Financial Statements

18. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investment in subsidiaries

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**65,072**	65,072
Due from subsidiaries	**–**	75,774
	65,072	140,846

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 2006.

(b) Amounts due from subsidiaries

The balances due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

(c)

Details of the principal subsidiaries of the Company as at 31 March 2006 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ paid-up capital	Group equity interest (v) 2006	Group equity interest (v) 2005	Principal activities and place of operation
Suga International Limited (vii)	British Virgin Islands, limited liability company	Ordinary shares US$700	**100%**	100%	Investment holding in Hong Kong
Speedy Source Limited	Hong Kong, limited liability company	Ordinary shares HK$2	**100%**	100%	Trading of electronic products in Hong Kong
Suga Electronics Limited (i)	Hong Kong, limited liability company	Ordinary shares HK$2 Non-voting deferred shares HK$4,000,000 (i)	**100%**	100%	Trading of electronic products in Hong Kong
Suga Electronics (Shenzhen) Co., Ltd. (ii), (ix)	PRC, limited liability company	HK$33,500,000	**100%**	100%	Manufacturing of electronic products in PRC
Suga Networks Hong Kong Limited	Hong Kong, limited liability company	Ordinary shares HK$100,000	**100%**	100%	Trading of networking devices in Hong Kong

18. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

(c) Details of the principal subsidiaries of the Company as at 31 March 2006 are as follows: *(Continued)*

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
			2006	2005	
Suga Networks Equipment (Shenzhen) Co. Ltd. (the "SNESL") (iii), (ix)	PRC, limited liability company	HK$17,500,000 (iii)	**100%**	100%	Manufacturing of networking devices in PRC
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
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
Pets & Supplies (Shenzhen) Co., Ltd. ("the PSSL") (iv), (ix)	PRC, limited liability company	HKD10,000,000	**100%**	100%	Manufacture of pet products in PRC
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
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%**	90%	Trading of electronic products in Singapore
Precise Computer Tooling Co., Limited	Hong Kong, limited liability company	Ordinary shares HK$500,000	**100%**	100%	Manufacture and trading of plastic parts in Hong Kong

Notes to the Financial Statements

18. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

(c) Details of the principal subsidiaries of the Company as at 31 March 2006 are as follows: *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Issued share capital/ paid-up capital	Group equity interest (v) 2006	2005	Principal activities and place of operation
Precise Plastic Injection (Shenzhen) Co., Ltd. (the "PPISL") (v), (ix)	PRC, limited liability company	HK$2,400,000	**100%**	100%	Manufacture of plastic parts in PRC
Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Limited (the "Nodic") (vi), (ix)	PRC, limited liability company	US$3,000,000	**100%**	100%	Manufacture of plastic parts 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 and Mr. Ma Fung On, directors and beneficial shareholders of the Company. These non-voting deferred shares have no voting rights, are not entitled to dividends, and are not entitled to any distributions upon winding up unless a sum of HK$10,000,000,000 per ordinary share has been distributed to the holders of the ordinary shares.

(ii) Suga Electronics (Shenzhen) Co., Ltd. is a wholly foreign owned enterprise established in 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) PSSL is a wholly foreign owned enterprise established in PRC with an approved period of operation of 20 years until April 2024.

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

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

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

(viii) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2006.

(ix) All subsidiaries established in the PRC have financial accounting year end dated on 31 December in accordance with the local statutory requirements, which is not coterminous with the Group. The consolidated financial statements of the Group were prepared based on the financial statements of these subsidiaries for the twelve months ended 31 March 2006.

19. INTEREST IN AN ASSOCIATE

	Group 2006 HK$'000	2005 HK$'000
Beginning of the year	**2,260**	–
Acquisition during the year	**–**	3,000
Share of associates' results		
– loss before taxation	**(1,746)**	(740)
– taxation	**–**	–
Impairment loss	**(514)**	–
End of year	**–**	2,260

The Group's interest in an associate, which is unlisted, is as follows:

Name	Particulars of issued shares held	Country of incorporation	Year	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Loss HK$'000	% Interest held
Modern Tech Limited	Ordinary shares HK$10,250,000	Hong Kong, limited liability company	2006	609	95	44	1,746	29.27%
			2005	2,404	144	–	740	29.27%

20. INVENTORIES

	Group 2006 HK$'000	2005 HK$'000
Raw materials	**132,133**	104,488
Work-in-progress	**18,811**	15,278
Finished goods	**13,751**	20,625
	164,695	140,391

Certain inventories were held under trust receipts bank loan arrangements. The cost of inventories recognised as expense and included in cost of sales amounted to HK$632,405,000 (2005: HK$479,518,000).

Notes to the Financial Statements

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**170,852**	169,717	**–**	–
Less: Provision for impairment	**(8,665)**	(4,245)	**–**	–
Trade receivables, net	**162,187**	165,472	**–**	–
Prepayment, deposits and other receivables	**7,344**	9,516	**499**	152
	169,531	174,988	**499**	152

The carrying value of the Group's trade and other receivables approximates their fair value.

The ageing analysis of trade receivables is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0 to 30 days	**122,676**	133,187
31 to 60 days	**20,060**	17,475
61 to 90 days	**13,865**	8,697
91 to 180 days	**7,027**	5,662
Over 180 days	**7,224**	4,696
	170,852	169,717
Less: Provision for impairment	**(8,665)**	(4,245)
Trade receivables, net	**162,187**	165,472

The Group generally granted credit terms to its customers ranging from 30 to 90 days, other than a major customer with whom extended credit term would be granted on specific cases.

As at 31 March 2006, the trade receivables from five customers accounted for approximately 75% (2005: 76%) of the total trade receivables. The Group's credit risk management is disclosed in Note 3 to the financial statements.

All trade receivables are either repayable within one year or on demand. During the year, the Group recognised a loss of HK$4,420,000 (2005: HK$200,000) for the impairment of its trade receivables. Such loss has been included in general and administrative expenses in the income statement.

At 31 March 2006, a subsidiary of the Company had factored trade receivables of approximately HK$5,019,000 (2005: nil) (the "Factored Receivables") to banks on a non-recourse basis for cash under certain receivables purchase agreements. As the subsidiary of the Company still retained the risks and rewards associated with the delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of trade receivables have been accounted for as the Group's liabilities and included in "Bank advances for factored receivables" (Note 26).

22. CASH AND BANK DEPOSITS

At 31 March 2006, approximately HK$18,286,000 ((2005: HK$22,469,000) 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. Also the exchange rate is determined by the Chinese government.

23. BANK BORROWINGS

	Group	
	2006	2005
	HK$'000	HK$'000
Non-current		
Bank borrowings	**–**	77,292
	–	77,292
Current		
Current portion of long-term bank borrowings	**97,291**	53,333
Trust receipt bank loans	**4,009**	1,523
Other bank borrowings	**54,000**	–
	155,300	54,856
Total borrowings	**155,300**	132,148

The maturity of borrowings is as follows:

	Group					
	Trust receipt bank loans		Bank borrowings		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Within one year	**4,009**	1,523	**151,291**	53,333	**155,300**	54,856
In the second year	**–**	–	**–**	55,069	**–**	55,069
In the third year	**–**	–	**–**	22,223	**–**	22,223
	4,009	1,523	**151,291**	130,625	**155,300**	132,148

Notes to the Financial Statements

23. BANK BORROWINGS *(Continued)*

At 31 March 2006, the Group has aggregate banking facilities of approximately HK$405,052,000 (2005: HK$370,311,000) for overdrafts, loans and trade financing.

Unused facilities at the same date amounted to approximately HK$193,507,000 (2005: HK$201,568,000). Certain of these facilities are secured by:

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

(b) certain machineries held under finance leases.

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

In addition to the above, the Group has agreed to comply with certain restrictive financial covenants imposed by certain banks. The financial covenants include, among others, the maintenance of specific financial ratios. As at 31 March 2006, the Group was in breach of certain financial covenants but have obtained waivers from the relevant banks in respect of such non-compliance subsequent to 31 March 2006. Included in the current liabilities was loans payable of approximately HK$22 million which was repayable in June and September 2007. The liability is classified as current, as the Group does not have unconditional right to defer its settlement in the next twelve months as at 31 March 2006.

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

	2006 **HK$'000**	2005 HK$'000
Trust receipt bank loans	**5.5%**	3.9%
Other bank borrowings	**5.3%**	3.7%

The carrying amounts of the borrowings approximate their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	2006 **HK$'000**	2005 HK$'000
Hong Kong dollars	**151,291**	130,625
US dollars	**4,009**	1,523
	155,300	132,148

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 30 days	**70,165**	77,386	**–**	–
31 to 60 days	**7,281**	9,230	**–**	–
61 to 90 days	**6,087**	3,197	**–**	–
91 to 180 days	**4,329**	4,854	**–**	–
Over 180 days	**8,492**	452	**–**	–
Trade payables	**96,354**	95,119	**–**	–
Accruals and other payables	**9,418**	10,934	**1,284**	2
	105,772	106,053	**1,284**	2

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

25. FINANCE LEASE LIABILITIES

At 31 March 2006, the Group's finance lease liabilities were repayable as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**973**	4,130
In the second to fifth year	**212**	1,185
	1,185	5,315
Less: future finance charges on finance leases	**(39)**	(244)
	1,146	5,071
Less: current portion	**(946)**	(3,926)
	200	1,145

The present value of finance lease liabilities is as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**946**	3,926
In the second to fifth year	**200**	1,145
	1,146	5,071

Notes to the Financial Statements

26. BANK ADVANCES FOR FACTORED RECEIVABLES

The Group factored certain receivables to banks in exchange for cash. The transactions have been accounted for as bank advances for the year ended 31 March 2006. The factored receivables to banks and remained outstanding as at 31 March 2006 amounted to HK$5,019,000.

27. DEFERRED TAXATION

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

	Group	
	2006	2005
	HK$'000	HK$'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**(3,489)**	(2,515)
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**3,986**	5,191

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

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 April	**2,676**	4,337
Acquisition of subsidiaries	**–**	250
Recognised in income statement (note 10)	**(2,179)**	(1,911)
At 31 March	**497**	2,676

27. DEFERRED TAXATION *(Continued)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	**Accelerated tax depreciation**	
	2006	2005
	HK$'000	HK$'000
At 1 April	**6,718**	5,519
Acquisition of subsidiaries	**–**	250
(Credited)/charged to income statement	**(2,146)**	949
At 31 March	**4,572**	6,718

Deferred tax assets	**Provisions**		**Tax losses**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 April	**(743)**	(175)	**(3,299)**	(1,007)	**(4,042)**	(1,182)
Credited/(charged) to income statement	**743**	(568)	**(776)**	(2,292)	**(33)**	(2,860)
At 31 March	**–**	(743)	**(4,075)**	(3,299)	**(4,075)**	(4,042)

28. SHARE CAPITAL

	Number of shares	**Nominal value**
	'000	HK'000
Authorised – ordinary shares of HK$0.1 each		
At 31 March 2005 and 2006	2,000,000	200,000
Issued and fully paid – ordinary shares of HK$0.1 each		
At 31 March 2004	225,940	22,594
Issue of shares on acquisition of subsidiaries (Note (a))	2,000	200
At 31 March 2005 and 2006	227,940	22,794

Note:

(a) 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 (Note 30) respectively.

Notes to the Financial Statements

29. 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 grantees (including directors and employees of the Group) to subscribe for shares in the Company. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this scheme and any other share option schemes adopted by the Group shall not exceed 30 per cent of the share capital of the Company in issue from time to time. The subscription price will be determined by the directors, and will not be less than the highest of the nominal value of the shares, the closing price of the shares quoted on the Stock Exchange on the trading day of 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:

	2006		2005	
	Average exercise price in HK$ per share	**Number of options '000**	Average exercise price in HK$ per share	Number of options '000
At 1 April	**1.23**	**14,410**	1.23	8,110
Granted	**–**	**–**	1.23	6,300
Exercised	**–**	**–**	–	–
Lapsed/cancelled	**1.23**	**(730)**	–	–
At 31 March	**1.23**	**13,680**	1.23	14,410

As at 31 March 2006 and 2005, all the outstanding options were exercisable.

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

		Number of options		**Vested percentages**	
	Exercise price	**2006 '000**	**2005** '000	**2006**	**2005**
Expiry date					
Directors					
4 May 2008	1.23	**2,370**	4,170	**100%**	100%
6 May 2009	1.23	**5,000**	5,500	**100%**	100%
Employees					
4 May 2008	1.23	**3,210**	3,940	**100%**	100%
6 May 2009	1.23	**800**	800	**100%**	100%
Ex-employees					
4 May 2008	1.23	**1,800**	–	**100%**	–
6 May 2009	1.23	**500**	–	**100%**	–
		13,680	14,410		

30. RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Group Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2004	51,175	10,591	2,428	112,840	177,034
Issue of share on acquisition of subsidiaries (note 28)	2,340	–	–	–	2,340
Exchange differences arising on translation of the financial statements 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	
				118,450	
At 1 April 2005, as previously reported	53,515	10,591	2,453	118,450	185,009
Adjustment arising from adoption of HKFRS 3	–	–	–	10,602	10,602
At 1 April 2005, as restated	53,515	10,591	2,453	129,052	195,611
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	3,320	–	3,320
Profit for the year	–	–	–	1,349	1,349
Dividends paid	–	–	–	(4,217)	(4,217)
At 31 March 2006	53,515	10,591	5,773	126,184	196,063
Representing:					
Proposed dividend				–	
Others				126,184	
				126,184	

Notes to the Financial Statements

30. RESERVES *(Continued)*

	Company			
	Share premium	Contributed surplus	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2004	51,175	64,872	6,935	122,982
Issue of shares on acquisition of subsidiaries (note 28)	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	
			897	
At 1 April 2005	53,515	64,872	897	119,284
Profit for the year	–	–	3,736	3,736
Dividends paid	–	–	(4,217)	(4,217)
At 31 March 2006	53,515	64,872	416	118,803
Representing:				
Proposed dividend			798	
Others			99	
			897	

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.

31. CONSOLIDATED CASH FLOW STATEMENTS

Reconciliation of profit before taxation to net cash generated from operations

	2006 HK$'000	2005 HK$'000
Profit for the year	**1,349**	19,217
– Taxation	**2,082**	2,593
– Depreciation of property, plant and equipment	**19,304**	13,827
– Amortisation of land use rights	**105**	80
– Loss/(gain) on disposal of property, plant and equipment	**20**	(1)
– Amortisation of negative goodwill	**–**	(565)
– Interest income	**(329)**	(454)
– Interest expense	**9,207**	3,599
– Share of loss and impairment of an associate	**2,260**	740
– Impairment/amortisation of deferred development expenditure	**1,226**	521
– Loss on disposal of financial assets at fair value through profit or loss	**44**	–
	35,268	39,557
Changes in working capital:		
– Inventories	**(24,304)**	(41,658)
– Trade and other receivables	**10,476**	43,142
– Trade and other payables	**(281)**	(29,863)
Cash generated from operations	**21,159**	11,178

32. CONTINGENT LIABILITIES

	Company	
	2006 HK$'000	2005 HK$'000
Guarantees provided by the Company in respect of bank facilities of certain subsidiaries	**165,196**	143,310

As at 31 March 2005 and 2006, the Group did not have any significant contingent liabilities.

Notes to the Financial Statements

33. COMMITMENTS

Operating lease commitments

At 31 March 2006, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year	**1,572**	907
Later than one year and not later than five years	**505**	583
	2,077	1,490

The Company did not have any significant commitments as at 31 March 2006 (2005: nil).

34. 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 2006, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$2,326,000 (2005: HK$1,229,000).

35. RELATED PARTY TRANSACTIONS

(a) During the year, the Company has the following related party transactions:

	2006 **HK$'000**	2005 HK$'000
Technical consultancy fee paid to Micom Tech Limited (Note i)	**630**	560
License fee paid to Micom Tech Limited (Note i)	**399**	275
Sales of electronics products to Modern Tech Limited, an associated company	**175**	–

Notes:

(i) Mr. Ng Chi Ho, a director of the Company, holds interests and is a director of Micom Tech Limited;

(ii) In the opinion of the Directors, the above transactions were carried out in the normal course of the Group's business and conducted at terms mutually agreed by the respective parties.

(b) Key management compensation

Remuneration of key personnel management, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in Note 14, is as follows:

	2006 **HK$'000**	2005 HK$'000
Salaries and other short-term employee benefits	**8,418**	6,899
Post-employment benefits	**486**	469
	8,904	7,368