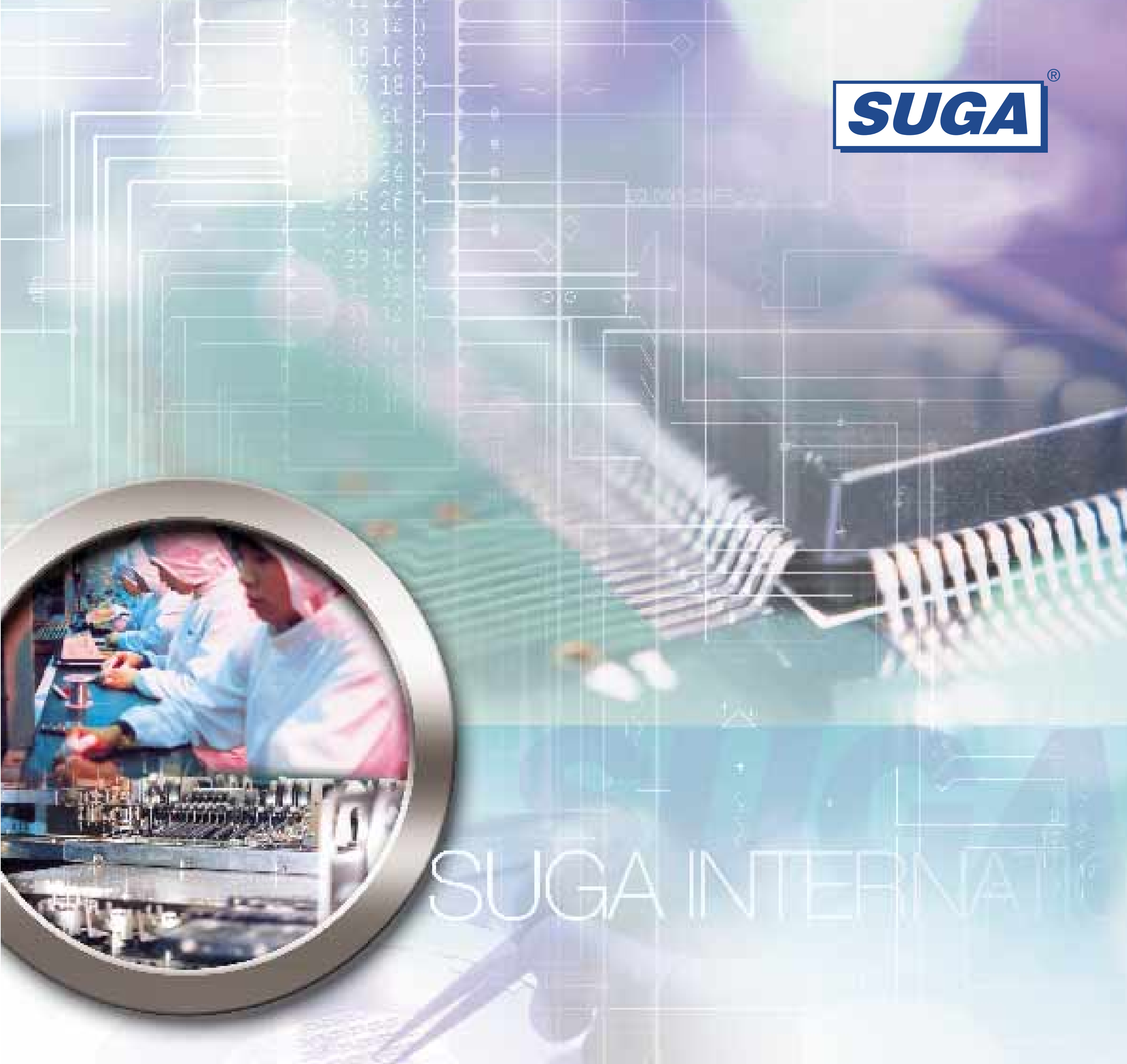


ANNUAL REPORT 2002-2003

SUGA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

CORPORATE INFORMATION

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

Non-executive Director
Mr. Shaw Kyle Arnold Junior

Independent Non-executive Directors
Professor Wong Sook Leung, Joshua
Mr. Murase Hiroshi

Company Secretary
Ms. Chan Kwan Hei, Anthea

Audit Committee
Professor Wong Sook Leung, Joshua
Mr. Murase Hiroshi

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business
Units 1904-7
19th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

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

Hong Kong Branch Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Legal Advisers
Deacons
Alexandra House
5th Floor
16-20 Chater Road
Central Hong Kong

Chiu & Partners
41st Floor Jardine House
1 Connaught Place Hong Kong

Auditors
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor Prince's Building
Central Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
UFJ Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of America (Asia) Ltd.

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

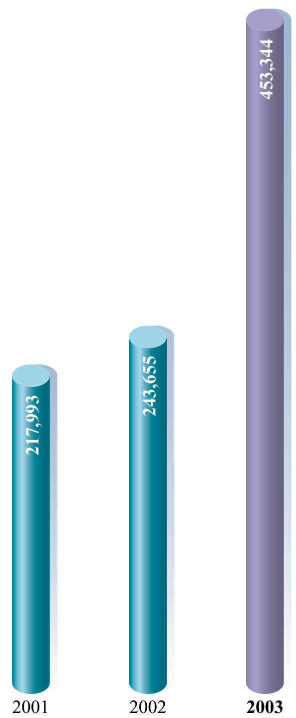
Contacts
Telephone: (852) 2953 0383
Facsimile: (852) 2953 1523
Website: www.suga.com.hk
Stock code: 912

FINANCIAL HIGHLIGHTS

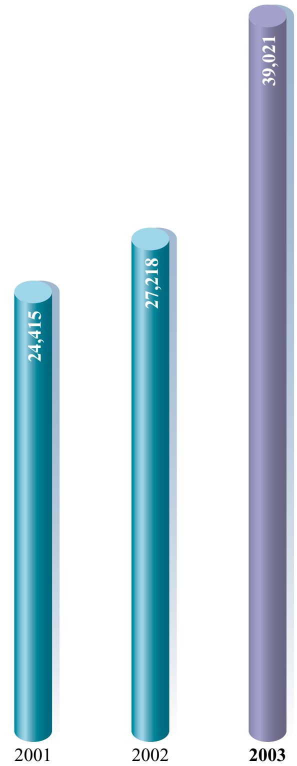
	2003 (HK$'000)	2002 (HK$'000)	2001 (HK$'000)
OPERATING RESULTS			
Turnover	**453,344**	243,655	217,993
Gross profit	**71,909**	61,452	49,300
Operating profit	**46,432**	34,282	30,433
Net profit attributable to shareholders	**39,021**	27,218	24,415
Earnings per share – Basic	**HK22 cents**	HK18 cents	HK16 cents
Interim dividend, paid, per share	**HK2.5 cents**	–	–
Final dividend, proposed, per share	**HK2.5 cents**	–	–
Special dividend, paid, per share	**–**	HK20 cents	–
FINANCIAL POSITION			
Shareholders' equity	**133,567**	88,179	60,910
Total assets	**258,658**	157,535	113,501
Net debt	**24,271**	11,045	–
Net assets	**133,567**	88,179	60,910
Net assets value per share	**HK66.78 cents**	HK58.79 cents	HK40.61 cents
FINANCIAL RATIOS			
Current ratio	**1.78**	1.95	2.06
Net debt to equity ratio	**18.2%**	12.5%	–
Inventory turnover days	**50**	74	113
Debtors turnover days	**63**	77	76
Return on average equity	**35.2%**	36.5%	50.1%

FINANCIAL HIGHLIGHTS

TURNOVER
(HK$'000)

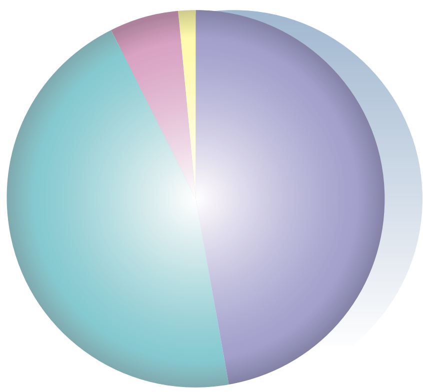


NET PROFIT
ATTRIBUTABLE TO SHAREHOLDERS
(HK$'000)



TURNOVER BY PRODUCT TYPES

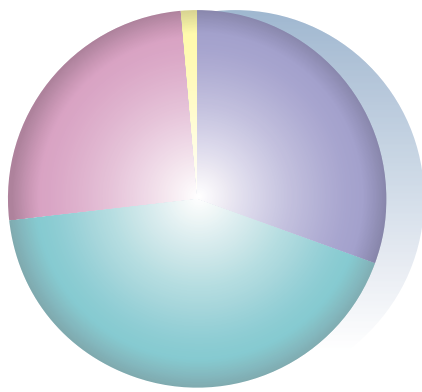
2003



Consumer electronics appliances	213,988	47.2%
Telecommunication products	205,701	45.4%
Office automation products	26,795	5.9%
Others	6,860	1.5%

TURNOVER BY GEOGRAPHICAL SEGMENTS

2003



The United States of America	138,302	30.5%
PRC	193,294	42.6%
Asia-pacific region (excluding PRC)	119,844	26.5%
Europe	1,904	0.4%

CHAIRMAN'S STATEMENT

To our shareholders

On behalf of the board of directors (the "Directors"), I am pleased to present the first annual report of Suga International Holdings Limited (the "Company") and its subsidiaries (together "SUGA" or the "Group"), since its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 September 2002.

This past year has been an important year for SUGA. We successfully issued 50,000,000 shares, raising approximately HK$38 million to fund our future expansion and improve our competitiveness. This significant achievement marked a major milestone for SUGA and demonstrated strong investor and public support for the Group.

During the year, we grew both sales and profits and strengthened relationships with rapidly growing customers. Through aggressive sales and marketing efforts, we secured a new customer, Beijing Harbour Networks Co., Ltd. ("Harbour Networks"), a well-financed and rapidly growing broadband IP network equipment provider in the PRC. Riding on the cooperation with this new customer, we successfully extended our market reach into the PRC market and broadened our business horizons into networking products. In addition, building on our solid business relationship with our long-standing customer in the pet training market in the US, the sales contribution from the US market surged 66%, in spite of the sluggish US economy.

FINANCIAL PERFORMANCE

Benefitting from new customers, such as Harbour Networks, and expansion with long-term customers, the Group's turnover for the year rose a significant 86% to reach HK$453 million. Gross profit for the year was HK$72 million representing an increase of 17%. Net profit improved to HK$39 million, representing 43% growth over 2002. Earnings per share were HK22 cents (2002: HK18 cents). Return on equity was maintained at an enviable rate of 35%. This outstanding performance once again proves the success of the management's strategic vision and implementation skills.

DIVIDENDS

The Directors propose to pay a final dividend of HK2.5 cents per share for the year ended 31 March 2003 to members whose names appear on the register of members of the Company on 21 August 2003. Subject to approval at the forthcoming annual general meeting, the proposed final dividend will be distributed to shareholders on or before 8 September 2003. Together with the interim dividend payment of HK2.5 cents per share, the annual dividend will be HK5.0 cents per share. This dividend payment is in line with our policy of paying out not less than 25% of the Group's profits attributable to our shareholders.

CHAIRMAN'S STATEMENT

BUSINESS AND MARKET HIGHLIGHTS

Over the years, we have consistently invested in research and development and integrated new knowledge into our manufacturing and logistic processes. Capitalizing on these well-rounded capabilities and market diversification strategies, we have developed an advanced and comprehensive manufacturing and marketing business in China.

We have successfully extended our reach to the PRC market via the cooperation with Harbour Networks starting in April 2002. During the year, we manufactured over 400 different networking products, ranging from networking switches and routers to IP voice messaging products and wireless access devices. With the substantial contribution from this customer, our turnover from the PRC market has been strongly boosted, surging from 5.9% last year to 42.6% this year, with a total turnover of HK$193 million.

In addition to the PRC market, we have made every effort to maintain our business in the US market. During the year, the Iraqi war hit the already stagnating US economy hard. SUGA, however, working hand-in-hand with its US customers, produced more specialised products for the pet training market during the year. We were able to perform well during the year, recording a turnover of HK$138 million from the US market which represented a 66% growth over the previous year.

Sales to Asia-Pacific region (excluding PRC), mainly to Japanese customers, for the year was HK$120 million, representing a decrease of approximately 18% over the previous year. The decrease was a result of the unfavorable market sentiment in Japan in 2002 and the Group's strategy of shifting resources from contracting processing units to turnkey units. However, the outsourcing trend from Japan is strongly growing. With our long-established relationship with Japanese customers, we shall be able to reap more benefits in the future opportunities.

Along the way, we have strived to maintain market balance and to increase our market mix in a bid to mitigate the potential risks of over-reliance on a few markets. On one hand, we will work to maintain our position in the well-established US and Japanese markets, while on the other hand, we will place additional efforts into the exploration of the high-growth PRC market.

INVESTMENT STRATEGIES

During the year, the Group's total capital expenditure was HK$17 million, which was spent in four major areas to strengthen the Group's foundations in anticipation of future needs.

Research and development capabilities – During the year, we employed 10 talented professionals to strengthen our in-house R&D team. We continued to develop valuable proprietary technologies while maintaining cooperative links with research institutions. Since our customers shared our R&D investment costs, research and development costs during the year were less than HK$1 million.

New production facilities – We set up a new production facility in Xi Xiang, Shenzhen, the PRC in October 2002. With annual production capacities of 180,000 units and the ability to expand to 360,000 units, the Xi Xiang plant solely manufactures networking products which require substantial product testing and development. Advanced manufacturing equipment, including high precision fully automated SMT, micro-BGA, soldering, and lead-fee production have been installed to enhance the Group's production efficiencies. Total investment cost in this area was HK$13 million.

Logistic service investment – Making it easier for our worldwide customers to check real-time production and shipment information, we launched a new online platform. The system, which is now in full operation, has substantially enhanced our logistic services.

Quality investment – Quality is naturally paramount at every level of SUGA's research and development, manufacturing and distribution processes. In addition to ISO9001 certification for our systems and processes, we are committed to the environmental protection and will soon apply for an ISO14000 accreditation.

ENHANCING MARKET LIQUIDITY

With a view to broadening the Group's investor base and enhancing stock market liquidity, on 2 June 2003, the Company agreed to issue 20,000,000 new shares to more than six independent institutional investors by the way of placing of existing shares and subscription of new shares at a price of HK$1.40 per share, representing a premium of 110% per share over the net asset value of the Group as at 31 March 2003. After the completion of the placement, the number of shares in public hands was increased which, in turn, has improved the market liquidity of the Company's shares.

PROSPECTS

Looking ahead, we will continue to marshal our talented employees to foster our long-standing commitment to innovation, to expand our proactive total solutions model, and to provide highly specialised niche products.

SUGA has identified networking products as one of the main growth drivers for our future. Market demand for networking products in the PRC market is escalating. Through our cooperation with Harbour Networks, we have gained increasing recognition in the PRC markets. We will stay alert to market trends, providing new manufacturing services in a cost efficient and timely manner. A number of negotiations are under way, with several soon to be finalized.

SUGA's second major growth driver for the future is pet training devices, which are experiencing increased demand in the US market. Catering for customer needs, a series of new pet training devices are coming to the market. Apart from training devices, the product scope will be enlarged to include other pet-related products, such as tracking systems and pet chip scanners, to be introduced to the market in the second half of 2003. The introduction of these new products will strengthen the Group's product portfolio.

In addition, we have been proactively developing our own electronics application solutions for digital entertainment products, which we view as a new growth driver for the Group. This solution not only strengthens our product mix, but also broadens our income stream since we are the owner of this proprietary technology.

Apart from creating new products, we will be enhancing our comprehensive total solutions and broadening our income stream through collaborations with new customers. In the second half of 2003, we will be entering into a collaboration with a well-known corporation for the manufacture and distribution of its well-known brand of products in Hong Kong and the PRC. Riding on this opportunity, we will be able to establish our distribution network in the PRC and pave the way for further marketing efforts in Asia.

To prepare for the above future growth, more resources will be committed to research and development. We will further strengthen our in-house team to ensure that talented and motivated people are primed and ready for new assignments and also closely cooperate with educational institutions.

To streamline our production capabilities and shorten lead-time, we will be upgrading our Enterprise Resources Planning (ERP) system via a new Oracle System. The new system will be in operation by the end of 2003.

In view of our many growth opportunities, together with our commitment in enhancing our research and development, manufacturing, logistics, and sales and distribution capabilities, we are optimistic about SUGA's future.

On behalf of SUGA, I would like to extend my ongoing gratitude to our customers, vendors, bankers and business partners for their continuous co-operation and support. I would also like to thank my fellow Directors for the many contributions they have made to the Group, and my colleagues for their efforts and hard work over the past years. Their excellent work has contributed significantly to the Group's favourable results and achievements. In the future, we will remain focused and committed in bringing even better returns for our investors.

NG Chi Ho
Chairman

Hong Kong, 15 July 2003

FINANCIAL REVIEW

Turnover

The Group's turnover for the year ended 31 March 2003 was HK$453 million, representing an increase of HK$209 million or 86% against HK$244 million last year. The substantial increase in turnover was mainly due to the inception of the Harbour Networks relationship in April 2002 and the growth in consumer electronics appliances. Sales from telecommunication products increased by 195% to HK$206 million as we secured and delivered huge orders for the manufacture of networking products for Harbour Networks. Sales from consumer electronics appliances increased by 68% to HK$214 million mainly due to an increase in sales of pet training devices and home appliances. During the year, the Group strategically shifted resources from contract processing units to turnkey units which normally generate more profit contribution for the Group. As a result, sales from contract processing units for the year decreased by 65% to HK$12 million from HK$35 million last year.

Profit Attributable to Shareholders

Gross profit for the year amounted to HK$72 million representing an increase of 17% over last year due to the increase in sales of networking products and consumer electronics appliances.

The gross profit margin recorded a decline from 25% last year to 16% this year principally due to a change of product mix during the year:

(1) *Decrease in sales of contract processing units*

As a result of the Group's strategic shift of resources, sales from contract processing units decreased substantially by 65% this year. Under contract processing arrangement, raw materials are consigned by customers and so turnover for contract processing units is much lower than that for turnkey units. With a lower turnover base, gross profit margin of contract processing units is normally much higher than that of turnkey units.

(2) *Inception of networking products for Harbour Networks*

i. Networking products manufactured by the Group are mainly routers and IP switches which have a very high material cost, as compared to the Group's other products, which in turn will result in a higher turnover. Due to the higher turnover base, the gross profit margin of networking products is generally much lower than that of the Group's other products.

ii. Start-up costs for the Xi Xiang plant of the Group, which commenced operation during the year, has lowered the overall gross profit margin of networking products this year as production was ramped up.

Selling and Administrative expenses comprise selling and distribution expenses, general and administrative expenses and research and development costs. Selling and Administrative expenses increased to HK$36 million from HK$28 million last year. The increase was mainly due to the increase in marketing expenses and staff costs as the Group employed more staff, including research and development professional and sales staff, to strengthen the product development and expand new markets respectively. However, the ratio of Selling and Administrative expenses to turnover decreased from 12% last year to 8% this year.

The finance costs comprise mainly trust receipts interest and machinery loan interest. Finance costs for the year increased from HK$0.9 million last year to HK$2.5 million this year mainly due to an increase in trust receipts as more raw materials were purchased in line with the higher production volume of networking products.

Taxation expenses decreased from HK$6.1 million last year to HK$4.5 million this year which was due to the enterprise income tax (EIT) exemption enjoyed by the subsidiary located in the Xi Xiang plant of the Group which has commenced operation during the year and solely manufactures networking products for Harbour Networks.

The Group reported a profit attributable to shareholders of HK$39 million for the year, representing an increase of HK$12 million or 43% as compared to HK$27 million last year. Basic earnings per share were HK22 cents, compared to HK18 cents recorded in previous year.

GAIN ON DISPOSAL OF INVESTMENTS

In view of the Group's strategy to focus on its core business of electronic manufacturing, the Group has decided to discontinue its research and development of energy-saving lighting products carried by S&V Lighting Limited ("SVLL") which was 86% owned by the Company at the time of disposal. On 23 August 2002, Suga Electronics Limited, a wholly-owned subsidiary, disposed of its entire equity interest in SVLL to Mr. Ng Chi Ho, Mr. Fung Chi Leung, Mark and Mr. Ma Fung On, directors and beneficial shareholders of the Company at a total consideration of HK$1,000. The Group recorded approximately HK$9 million gain on the disposal of SVLL.

At the time of disposal, SVLL recorded a negative shareholders' equity of approximately HK$9.6 million, and had a loan due to the Group of HK$14 million. As SVLL's negative shareholders' equity was previously consolidated into the Group's accounts, the disposal resulted in an elimination of the negative shareholders' equity which in turn brought a gain of approximately HK$9 million to the Group.

As a pre-condition for the disposal of SVLL, SVLL repaid the loan of HK$14 million due to the Group. As a result, the Group recorded approximately HK$9 million gain on the disposal of SVLL while in fact received HK$14 million cash from the disposal transaction.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2003, the net current assets achieved a level of HK$91 million representing an increase of 60% over previous year. Cash and bank balances were HK$32 million as compared to HK$19 million as at 31 March 2002. The current ratio at balance sheet date remained at a healthy 1.78 times as compared to 1.95 times last year.

The Group's net bank borrowings (after deducting cash and bank balances) were HK$24 million compared to HK$11 million last year. The gearing ratio, calculated based on the net borrowings to shareholders' equity, at balance sheet date was 18.2% as compared to 12.5% last year. The increase in bank borrowing level was in line with the injection of and substantial growth of networking business during the year. The bank borrowings mainly comprised unsecured bank loans, trust receipts loans and finance lease and were mainly denominated in Hong Kong dollars and US dollars and as such the Group has no significant exposure to foreign exchange fluctuations. Certain inventories were held under trust receipts bank loan arrangements. The Board considers that the gearing was maintained at a prudent level.

Unutilized banking facilities of the Group as at 31 March 2003 were HK$38 million. The Board considers that the Group has the ability to obtain additional banking facilities and provide adequate funding for its operational and capital expenditure requirements.

FOREIGN CURRENCIES AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, US dollars and Renminbi. As such, the fluctuation of foreign currencies did not have a significant impact on the performance of the Group. The Group shall continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liability at the balance sheet date.

EMPLOYEES

As at 31 March 2003, the Group had approximately 1,200 employees of which 60 staff were based in Hong Kong while the rest were in the PRC. Competitive remuneration packages are structured to commensurate our employees with individual job duties, qualification, performance and years of experience. In addition to basic salaries and Mandatory Provident Fund, the Group offers staff benefits including medical schemes, educational sponsorship subsidies, discretionary performance bonus and share options. A share option scheme was adopted on 17 September 2002 which is valid and effective for a period of 10 years since the date of adoption.

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. NG Chi Ho, aged 53, is an Executive Director and the Chairman of the Company and the founder of the Group. He is responsible for the Group's overall management, strategic planning and development, and formulation of company policies and business strategy. Mr. Ng has managed the operation of the Group since its establishment and has over 26 years of experience in electronics business. Mr. Ng holds a bachelor degree in science from the Chinese University and a master of philosophy degree from the University of Hong Kong. In addition to his industrial experience, Mr. Ng has been a lecturer in electronic engineering at the Hong Kong Polytechnic University for 4 years. In addition, he is a Director of the Applied Research Council, HKSAR Government, an executive committee member of Hong Kong Electronic Industries Association Limited ("HKEIA") and the Chairman of the IC Design and Application Sub-Committee of the HKEIA. Mr. Ng is a chartered engineer and a fellow of the Institution of Electrical Engineers, UK.

Mr. FUNG Chi Leung, Mark, aged 39, is an Executive Director and is responsible for overseeing the implementation of the corporate strategy on sales and marketing and research and development of the Group. He holds a bachelor degree in science from the University of Toronto, Canada. Mr. Fung joined the Group in October 1991 and has over 16 years of working experience in electronics sales and marketing. He is a committee member and chairman of Contracting Manufacturing Solution Group of the American Hong Kong Electronics Association.

Mr. WONG Wai Lik, Lamson, aged 39, is an Executive Director and is responsible for overseeing the entire operations and general management of the production facilities of the Group. Mr. Wong graduated from the Hong Kong Polytechnic University with a higher diploma in production and industrial engineering. He joined the Group in March 1992 and has over 16 years of experience in production operations and supervision.

Mr. MA Fung On, aged 45, is the Executive Director. Mr. Ma is responsible for the overall strategic planning of manufacturing affairs of the Group. Mr. Ma has worked with the Group for more than 10 years and has over 21 years of experience in the electronics industry. He graduated from the Hong Kong Polytechnic University with a higher diploma in electronic engineering.

NON-EXECUTIVE DIRECTOR

Mr. SHAW, Kyle Arnold Junior, aged 42, is a Non-executive Director. Mr. Shaw is the Founding Partner and Managing Director of Shaw, Kwei & Partners, an independent private equity fund manager dedicated to investing in Asian businesses. Mr. Shaw has been actively involved in the Asian private equity industry for over 15 years in a variety of investment transactions in Hong Kong, Shanghai, Taipei, and Singapore. Prior to Shaw Kwei & Partners, Mr. Shaw was responsible for founding and managing private equity funds for both Security Pacific Asian Bank, during which time he was a founding shareholder and director of Flextronics International Ltd., and then Tudor Investment Corp. Mr. Shaw received a M.B.A. degree from the Wharton School of the University of Pennsylvania and a bachelor of science in commerce from the University of Virginia.

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Professor WONG Sook Leung, Joshua, aged 64, is an independent Non-executive Director. Mr. Wong is presently the Professor Emeritus of the Hong Kong Polytechnic University. He has over 33 years of working experience with tertiary educational institutions including 28 years with the Hong Kong Polytechnic University of which 6 years as the vice president, 2 years as the senior consultant and chair professor in electronic and information engineering department and 16 years as the head of electronic engineering department. Prior to joining the Hong Kong Polytechnic University, he was an associate professor of California State University at Los Angeles, the US from 1968 to 1974. In addition, he was the president of the Hong Kong Association for the Advancement of Science and Technology in 1988/89. Mr. Wong obtained his bachelor degree of science in engineering from the University of Hong Kong and his doctor of philosophy degree from Leeds University, UK. He is also a chartered engineer, a fellow of the Institution of Electrical Engineers, UK and a fellow of the Hong Kong Institution of Engineers.

Mr. MURASE Hiroshi, aged 65, is an independent Non-executive Director. Mr. Murase is currently an adviser of Yamato International Inc., Japan. He has 40 years of working experience in Japanese corporations including 34 years with Mitsubishi Corporation, Japan, of which about 13 years he worked in management as a general manager or at higher levels. Mr. Murase also has 14 years' experience working outside Japan including 6 years as manager of the New York Office of Mitsubishi International Corporation, 4 years as general manager of the Foods Department of the London Office of Mitsubishi Corporation, and 4 years as president of Mitsubishi Corporation do Brazil, overseeing Mitsubishi Corporation's business in South America. In addition, Mr. Murase was the senior managing director of Asahimatsu Food Co. Limited from 1995 to 2000. Mr. Murase graduated from Kobe University, Japan with a bachelor degree in business administration.

SENIOR MANAGEMENT

Ms. CHAN Kwan Hei, aged 33, is the Financial Controller, the Qualified Accountant and the Company Secretary of the Group and is responsible for the financial management, the company secretarial and human resources functions of the Group. Ms. Chan graduated with a bachelor degree of business administration in professional accountancy from The Hong Kong Baptist University. She is an associate member of both the Hong Kong Society of Accountants and The Association of Chartered Certified Accountants, the UK. She joined the Group in July 1992 and has over 10 years of experience in accounting, finance and company secretary experience.

Mr. KONG Ka Kong, Kenneth, aged 34, is the Marketing Manager of the Group and is responsible for the sales and marketing functions for North America and European markets. Mr. Kong holds a diploma in management studies from the Hong Kong Polytechnic University. He joined the Group in October 1991 and has over 11 years of experience in electronics sales and marketing.

Mr. CHAN Chi Hung, Keith, aged 29, is the Marketing Manager of the Group and is responsible for the sales & marketing functions for Asian and North America markets. Mr. Chan graduated from the Hong Kong Polytechnic University with a higher diploma. He joined the Group in May 2002 and has over 8 years of experience in electronics sales and marketing.

Mr. YU Ming Lung, Sam, aged 26, is the Business Development Manager of the Group and is responsible for the new business development and planning of the Group. He obtained his bachelor degree in computer engineering and the master of philosophy degree from the University of Hong Kong. He joined the Group in March 2002 and has over 3 years of experience in information technology and electronics industry.

SENIOR MANAGEMENT *(Continued)*

Mr. LIU Ji Feng, aged 34, is the General Manager of Sumega Hong Kong Limited and is responsible for overseeing the trading business of office automation and computer-related products of the Group. Mr. Liu graduated with a bachelor degree in engineering from the National University of Defence Technology in the PRC. He joined the Group in 1994 and has over 12 years of sales experience in the electronics industry.

Ms. WONG Sin, Kathy, aged 33, is the General Manager of Suga Networks Equipments (Shenzhen) Co., Ltd. and is responsible for overseeing the networking business of the Group. She graduated from the Mechanical Engineering Department of Tinjing University in the PRC. Ms. Wong joined the Group in March 2002 and has over 12 years of working experience in the networking manufacturing industry.

Mr. CHAN Kwan Man, Raymond, aged 37, is the Senior Manufacturing Manager of the Group and is responsible for supervising the overall manufacturing of the Group. Mr. Chan graduated with a bachelor degree in science from the Hong Kong Polytechnic University. He joined the Group in July 1994 and has over 13 years of experience in engineering development and production process.

Mr. YEUNG Wai Hung, Jimmy, aged 34, is the Operations Manager of the Group and is responsible for the production & material control and store operation functions of the Group. Mr. Yeung graduated from the Hong Kong Polytechnic University with a higher diploma in manufacturing engineering. He joined the Group in January 2002 and has over 10 years of experience in logistics management.

Mr. CHAN Chiu Choi, Charles, aged 55, is the Purchasing Manager of the Group and is responsible for the sourcing and procurement functions of the Group. Mr. Chan has been holding the similar position in Japanese and American firm for over 25 years. He is a Director of Hong Kong Procurement Professional Association and participates actively in the functions of such association which promotes the code and standard of the procurement profession.

Mr. ZHU Wan Zhong, age 45, is the Senior Quality Assurance Manager of the Group and is responsible for the overall quality assurance functions of the Group. He graduated with a bachelor degree in automation engineering from the Kunming Engineering Institute in the PRC. He joined the Group in May 1995 and has over 21 years of experience in the electronic manufacturing industry.

REPORT OF THE DIRECTORS

The Directors present their first report and the audited accounts of the Company and the Group for the year ended 31 March 2003.

GROUP REORGANISATION

The Company was incorporated in Bermuda on 28 September 2001 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on the Stock Exchange, the Company acquired the entire issued share capital of Suga International Limited through a share swap and became the holding company of the companies now comprising the Group on 23 August 2002. Details of the Reorganisation and basis of presentation of the financial statements are set out in Notes 1 and 2 to the accounts and in the Company's prospectus ("Prospectus") dated 6 September 2002.

On 18 September 2002, the Company's shares were listed on the Stock Exchange of Hong Kong Limited pursuant to the Company's initial public offering exercise.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of electronic products. Further details of the principal subsidiaries are set out in Note 16 to the accounts. There were no significant changes in the nature of the Group's principal activities during the year.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2003 are set out in the consolidated profit and loss account on page 24 of this annual report.

The Directors recommended the payment of a final dividend of HK2.5 cents per ordinary share to shareholders of the Company whose names appear on the register of members on 21 August 2003. Together with the interim dividend payment of HK2.5 cents per ordinary share, the total dividend for the year will be HK5.0 cents per ordinary share. This recommendation and the distribution of such final dividend is subject to the shareholders' approval at the forthcoming Annual General Meeting to be held on 21 August 2003.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 18 September 2002, after deduction of related listing expenses, amounted to approximately HK$38 million. These proceeds were applied during the year ended 31 March 2003 in accordance with the proposed applications set out in the Prospectus, as follows:–

– approximately HK$4 million was used for expansion of production facilities for consumer electronics appliances;

– approximately HK$4 million was used for acquisition of additional machinery and equipment to increase its production facilities;

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING *(Continued)*

– approximately HK$1 million was used for marketing and promotion of the Group's products;

– approximately HK$3 million was used for strengthening research and development capability of new products; and

– approximately HK$7 million was used for repayment of bank borrowings.

The balance of the proceeds which has not been utilized as at 31 March 2003 was deposited into licensed banks in Hong Kong.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 61.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws in Bermuda.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 26 to the accounts.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in Note 28 to the accounts.

DISTRIBUTABLE RESERVES

As at 31 March 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Act of Bermuda, amounted to approximately HK$70,473,000 (2002: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the accounts.

DIRECTORS

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

Executive Directors

Mr. Ng Chi Ho (Chairman)	(Appointed on 19 October 2001)
Mr. Fung Chi Leung, Mark (Deputy Chairman)	(Appointed on 19 October 2001)
Mr. Wong Wai Lik, Lamson	(Appointed on 23 August 2002)
Mr. Ma Fung On	(Appointed on 23 August 2002)

DIRECTORS *(Continued)*

Non-executive Director

Mr. Shaw Kyle Arnold Junior (Appointed on 1 November 2002)

Independent Non-executive Directors

Professor Wong Sook Leung, Joshua (Appointed on 23 August 2002)
Mr. Murase Hiroshi (Appointed on 23 August 2002)

In accordance with bye-law 111 of the Company's Bye-laws, Professor Wong Sook Leung, Joshua and Mr. Murase Hiroshi will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 14.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors of the Company has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 September 2002 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

The Non-executive Director, Mr. Shaw Kyle Arnold Junior, was appointed for a one-year term expiring on 31 October 2003.

The two Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-laws.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance of the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2003, according to the register of directors' interests maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the directors in the shares of the Company and its associated corporations were as follows:–

1. **Interests in shares of the Company**

Director	**Corporate interests**	**Personal interests**	**Family interests**	**Total interests**
Mr. Ng Chi Ho *(Note 1)*	28,100,000	–	100,000,000	128,100,000
Mr. Fung Chi Leung, Mark *(Note 2)*	3,000,000	–		3,000,000
Mr. Ma Fung On *(Note 3)*	9,000,000	–		9,000,000

DIRECTORS' INTERESTS IN SHARES *(Continued)*

1. Interests in shares of the Company *(Continued)*

Notes:

1. 28,100,000 shares are held by Billion Linkage Limited, the entire issued shares of which are held by Mr. Ng Chi Ho and his spouse in equal share and 100,000,000 shares are held by Superior View Inc., the entire issued shares of which is ultimately held by Fidelitycorp Limited as the trustee of the C.H. Family Trust, the beneficiaries of which are the family members of Mr. Ng Chi Ho.

2. The 3,000,000 shares are held by Able Asset Developments Limited, the entire issued share capital of which is held by Mr. Fung Chi Leung, Mark.

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

2. Interests in Suga Electronics Limited

As at 31 March 2003, each of Mr. Ng Chi Ho, Mr. Fung Chi Leung, Mark and Mr. Ma Fung On held in the following non-voting deferred shares of HK$1 each in Suga Electronics Limited:

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

Note: The entire issued share capital of each Essential Mix Enterprises Limited and Broadway Business Limited is held as to 92% by Mr. Ng Chi Ho, 6% by Mr. Ma Fung On and 2% by Mr. Fung Chi Leung, Mark. These non-voting deferred shares have no voting rights, are not entitled to dividends, and are not entitled to any distributions upon winding up unless a sum of HK$10,000,000,000 per ordinary share has been distributed to the holders of the ordinary shares.

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 29 of the SDI Ordinance as at 31 March 2003.

SHARE OPTION SCHEME

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

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

1. Purpose of the Share Option Scheme

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

SHARE OPTION SCHEME *(Continued)*

2. Eligible participants of the Share Option Scheme

Eligible participants of the Share Option Scheme include:

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

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

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

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

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

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

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

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

3. Total number of Shares available for issue

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

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 19,450,000, which represented approximately 8.82% of the issued share capital of the Company.

4. Maximum entitlement of each participant

The total number of share issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit"). Any further grant of options in exceed of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to shareholders' approval in general meeting with such participant and his or her associates abstaining from voting.

Options granted to a substantial shareholders or an independent non-executive director in excess of 0.1% of the Company's share capital in issue for the time being and with a value in excess of HK$5 million must be approved in advance by shareholders of the Company.

SHARE OPTION SCHEME *(Continued)*

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

   The subscription price for shares under the Share Option Scheme shall be a price determined by the Directors, but shall not less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations on the date of the offer of grant; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

6. **Exercise period of an option**

   An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option.

7. **Time and payment on acceptance**

   An option must be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

8. **Minimum period and performance targets**

   Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

9. **Remaining life of the Share Option Scheme**

   Subject to earlier termination by the Company in general meeting, the Share Option Scheme shall be valid and effective till 16 September 2012. After the expiry of such valid period, no further options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

During the year ended 31 March 2003, no share options were granted.

On 5 May 2003, pursuant to the Share Option Scheme, options to subscribe for an aggregate of 12,300,000 shares of the Company at a subscription price of HK$1.23 per share were granted to four executive directors and certain employees of the Company and its subsidaries. These options are exercisable at any time from the date of grant to 4 May 2008. Such 12,300,000 options were granted as to 2,000,000 to Mr. Ng Chi Ho, 1,800,000 to Mr. Fung Chi Leung, Mark, 1,800,000 to Mr. Ma Fung On and 1,800,000 to Mr. Wong Wai Lik, Lamson, executive directors of the Company and 4,900,000 to certain employees.

Up to the date of this annual report, 550,000 share options were exercised by certain employees and none of the share options granted to executive directors of the Company was exercised.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the Share Option Scheme on pages 18 to 20, and other than the Reorganisation in preparation for the Company's listing of shares, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2003, according to the register maintained under Section 16(1) of the SDI Ordinance, the following entities (not being a director or chief executive of the Company) had an interests of 10% or more of the issued share capital of the Company:–

Name	Number of issued shares	Percentage of issued shares
Superior View Inc. *(Note 1)*	100,000,000	50.00%
Billion Linkage Limited *(Note 2)*	28,100,000	14.05%

Notes:

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

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

Save as disclosed above, the Company had no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

POST BALANCE SHEET EVENTS

The following significant transactions took place subsequent to 31 March 2003 and up to the date of this annual report:

1. **Grant of share options**

   On 5 May 2003, pursuant to the Share Option Scheme, options to subscribe for an aggregate of 12,300,000 shares of the Company at a subscription price of HK$1.23 per share were granted to four executive directors and certain employees of the Company and its subsidiaries. These options are exercisable at any time from the date of grant to 4 May 2008. Such 12,300,000 options were granted as to 2,000,000 to Mr. Ng Chi Ho, 1,800,000 to Mr. Fung Chi Leung, Mark, 1,800,000 to Mr. Ma Fung On and 1,800,000 to Mr. Wong Wai Lik, Lamson, executive directors of the Company and 4,900,000 to certain employees.

   Up to the date of this annual report, 550,000 share options were exercised by certain employees and none of the share options granted to executive directors of the Company was exercised.

POST BALANCE SHEET EVENTS *(Continued)*

2. **Placing of existing shares and subscription of new shares**

With a view to broadening the Group's investor base and enhancing the stock market liquidity, the Board has decided to place 20,000,000 new shares to institutional investors.

On 2 June 2003, the Company, Billion Linkage Limited (a substantial shareholder of the Company) and the Joint Lead Managers, namely SBI E2-Capital Securities Limited and DBS Asia Capital Limited, entered into a Placing and Subscription Agreement pursuant to which (i) 20,000,000 existing shares held by Billion Linkage Limited were placed to more than six independent placees, all are institutional investors, at HK$1.40 per share, and (ii) after the completion of the placing of existing shares, the Company issued 20,000,000 new shares to Billion Linkage Limited at HK$1.40 per share.

Placing of existing 20,000,000 shares by Billion Linkage Limited to independent placees were completed on 6 June 2003 while subscription of 20,000,000 new shares by Billion Linkage Limited were completed on 12 June 2003.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2003, the five largest customers of the Group accounted for approximately 92% of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 34% of the Group's total purchases. In addition, the largest customer of the Group accounted for approximately 39% of the Group's turnover while the largest supplier of the Group accounted for approximately 7.6% of the Group's total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14 of the Listing Rules, the following connected transactions of the Company require disclosure in the annual report of the Company:

During the year, the Group made sales of electronic products of approximately HK$535,000 to S&V Lighting Limited, a company beneficially owned by Mr. Ng Chi Ho, Mr. Ma Fung On and Mr. Fung Chi Leung, Mark, directors and beneficial shareholders of the Company, in the normal course of the Group's business.

AUDIT COMMITTEE

The audit committee of the Company comprises two independent non-executive directors of the Company, Professor Wong Sook Leung, Joshua and Mr. Murase Hiroshi. The audit committee meets regularly to review the accounting principles and practices adopted by the Group, discuss internal control and financial reporting matters including the interim and annual financial statements.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2003, except that the independent non-executive directors of the Company have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

AUDITORS

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

On behalf of the board of directors
NG Chi Ho
Chairman

Hong Kong, 15 July 2003

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF
SUGA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 24 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 March 2003, and of the group's profit and cash flows for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 July 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2003

	Note	2003 HK$'000	2002 HK$'000
Turnover	3	**453,344**	243,655
Cost of sales		**(381,435)**	(182,203)
Gross profit		**71,909**	61,452
Interest income	3	**154**	355
Research and development costs		**(605)**	(682)
Distribution and selling expenses		**(7,853)**	(7,172)
General and administrative expenses		**(27,049)**	(20,356)
Amortisation of negative goodwill		**800**	556
Gain on disposal of interest in a subsidiary	5	**9,076**	129
Operating profit	6	**46,432**	34,282
Finance costs	7	**(2,459)**	(942)
Profit before taxation		**43,973**	33,340
Taxation	10	**(4,527)**	(6,122)
Profit after taxation		**39,446**	27,218
Minority interests		**(425)**	–
Profit attributable to shareholders	11	**39,021**	27,218
Dividends	12	**10,500**	30,000
Earnings per share – basic	13	**HK 22 cents**	HK 18 cents

BALANCE SHEETS

As at 31 March 2003

	Note	Consolidated 2003 HK$'000	Consolidated 2002 HK$'000	Company 2003 HK$'000	Company 2002 HK$'000
Non-current assets					
Property, plant and equipment	14	62,755	53,024	–	–
Negative goodwill	15	(14,648)	(15,448)	–	–
Investment in subsidiaries	16	–	–	109,114	–
Other investments	17	3,510	3,510	–	–
Total non-current assets		51,617	41,086	109,114	–
Current assets					
Inventories	18	66,040	35,551	–	–
Trade receivables	19	101,794	52,522	–	–
Prepayments, deposits and other current assets		6,824	9,611	–	–
Other investments	17	780	–	–	–
Pledged bank deposits		–	3,167	–	–
Other cash and bank deposits	20	31,603	15,598	7	–
Total current assets		207,041	116,449	7	–
Current liabilities					
Short-term bank borrowings, secured	21	(41,215)	(16,549)	–	–
Current portion of unsecured long-term bank loan	22	(3,334)	(3,334)	–	–
Trade payables	23	(54,673)	(29,343)	–	–
Accruals and other payables		(5,081)	(2,977)	–	–
Obligations under finance leases – current portion	24	(2,841)	(1,232)	–	–
Taxation payable		(9,023)	(6,182)	–	–
Total current liabilities		(116,167)	(59,617)	–	–
Net current assets		90,874	56,832	7	–
Total assets less current liabilities		142,491	97,918	109,121	–
Financed by					
Share capital	26	20,000	200	20,000	–
Other reserves	28	31,667	11,446	83,520	–
Retained profit		76,400	46,533	101	–
Proposed dividend	12	5,500	30,000	5,500	–
Shareholders' funds		133,567	88,179	109,121	–
Minority interests		440	–	–	–
Non-current liabilities					
Long-term bank loan, unsecured	22	1,943	5,277	–	–
Obligations under finance leases	24	6,541	3,418	–	–
Deferred taxation	25	–	1,044	–	–
		8,484	9,739	–	–
		142,491	97,918	109,121	–

NG CHI HO
Chairman

FUNG CHI LEUNG, MARK
Deputy Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2003

	2003 HK$'000	2002 HK$'000
Total equity at 1 April	**88,179**	60,910
Exchange differences arising on translation of the accounts of foreign subsidiaries	**2,428**	–
Goodwill written back upon disposal of interest in a subsidiary	**491**	51
Profit for the year	**39,021**	27,218
Special dividend paid	**(30,000)**	–
Interim dividend paid	**(5,000)**	–
Issue of shares	**50,000**	–
Share issuance expenses	**(11,552)**	–
Total equity at 31 March	**133,567**	88,179

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2003

	Note	2003 HK$'000	2002 HK$'000
Net cash (outflow)/inflow from operations	29.a	(5,351)	28,260
Hong Kong profits tax paid		(2,411)	(4,340)
Mainland China enterprise income tax paid		(573)	(208)
Net cash (outflow)/inflow from operating activities		(8,335)	23,712
Investing activities			
Purchase of property, plant and equipment		(10,302)	(7,835)
Proceeds from disposal of property, plant and equipment		33	–
Net cash outflow in respect of acquisition of a subsidiary		–	(19,153)
Net cash (outflow)/inflow in respect of disposal of interest in a subsidiary	29.b	(2,033)	180
Increase in other investments		(780)	(3,510)
Interest received		154	355
Net cash outflow from investing activities		(12,928)	(29,963)
Net cash outflow before financing activities		(21,263)	(6,251)
Financing activities	29.c		
Issue of ordinary shares		50,000	–
Share issuance expenses		(11,552)	–
Capital injection by minority shareholder		15	–
New long-term bank loan		–	10,000
Repayment of long-term bank loan		(3,334)	(1,389)
Repayment of capital element of finance lease obligations		(2,128)	(184)
Interest element of finance lease payments		(347)	(37)
Increase in trust receipts bank loans		21,241	10,771
Repayment of balance due from a related company		13,893	–
Repayment to a related company		–	(4,000)
Repayment to directors		–	(1,276)
Interest paid		(2,112)	(905)
Dividends paid		(35,000)	–
Net cash inflow from financing activities		30,676	12,980
Decrease in pledged bank deposits		3,167	3,695
Increase in cash and cash equivalents		12,580	10,424
Cash and cash equivalents, beginning of year		15,598	5,174
Cash and cash equivalents, end of year	29.d	28,178	15,598

1. GROUP REORGANISATION AND OPERATIONS

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP1 (revised):	Presentation of financial statements
SSAP11 (revised):	Foreign currency translation
SSAP15 (revised):	Cash flow statements
SSAP33:	Discontinuing operations
SSAP34 (revised):	Employee benefits

The Directors consider that the adoption of the above standards did not have material impact on the accounts except for the reclassification of certain issues in the consolidated cash flow statement into operating, investing and financing activities and the presentation of a consolidated statement of changes in equity.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(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.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(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 at the date of acquisition.

Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life of 20 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 does not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss 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 the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

(ii) 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% to 33%

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

(ii) Impairment and gain or loss on sale

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

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

(e) 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.

(f) Other investments

Other 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) 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.

(h) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(i) 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.

(j) 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.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plans

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

(iii) Pension obligations

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) 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.

(m) Turnover and revenue recognition

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

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

(n) Research and development expenditures

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)*

(o) 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.

(p) Deferred taxation

Deferred taxation is provided under the liability method, at the current tax rate, in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that it is probable that a liability or an asset will crystallise.

(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.

Unallocated expenses represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories and receivables, and mainly exclude operating cash 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.

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

3. TURNOVER AND REVENUE

Revenue recognised during the year are as follows:

	2003 HK$'000	2002 HK$'000
Turnover		
Sales of electronic products		
– consumer electronic appliances	213,988	121,340
– telecommunication products	205,701	69,830
– office automation products	14,460	14,327
– others	6,860	2,872
Contract processing service on		
– consumer electronic appliances	–	5,744
– office automation products	12,335	29,542
Total turnover	453,344	243,655
Other revenue		
– Interest income	154	355
Total revenue	453,498	244,010

4. SEGMENT INFORMATION

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 segments as the secondary reporting format.

(a) Primary segment:

The Group has categorised its business segment by products types into consumer electronics appliances, telecommunication products, office automation products and others. The results of operation and other financial information of S&V Lighting Limited ("SVLL") as at and for the year/period ended 31 March 2002 and 2003 were included in the others category. Details of the results of operations, total assets and total liabilities of SVLL as at and for the year/period ended 31 March 2002 and 2003 are set out in note 5 to the accounts. An analysis of the Group's turnover, profit attributable to shareholders, depreciation and capital expenditure by business segment is as follows:

	2003				
	Consumer electronics appliances HK$'000	Telecommunication products HK$'000	Office automation products HK$'000	Others HK$'000	Total HK$'000
Turnover	213,988	205,701	26,795	6,860	453,344
OPERATING RESULTS					
Operating profit	25,328	8,176	3,222	476	37,202
Gain on disposal of interest in a subsidiary					9,076
Interest income					154
Finance costs					(2,459)
Taxation					(4,527)
Minority interests					(425)
Profit attributable to shareholders					39,021
Depreciation and amortisation	2,594	2,493	325	83	5,495
Other information					
Segment assets	105,150	101,078	13,167	3,370	222,765
Unallocated assets					35,893
					258,658
Segment liabilities	28,205	27,113	3,532	904	59,754
Unallocated liabilities					64,897
					124,651
Capital expenditures	3,230	13,492	384	56	17,162

4. **SEGMENT INFORMATION** *(continued)*

(a) **Primary segment:** *(continued)*

	2002				
	Consumer electronics appliances HK$'000	Telecommunication products HK$'000	Office automation products HK$'000	Others HK$'000	Total HK$'000
Turnover	127,084	69,830	43,869	2,872	243,655
OPERATING RESULTS					
Operating profit	18,998	6,528	8,045	227	33,798
Gain on disposal of interest in a subsidiary					129
Interest income					355
Finance costs					(942)
Taxation					(6,122)
Profit attributable to shareholders					27,218
Depreciation and amortisation	1,627	894	562	37	3,120
Other information					
Segment assets	70,548	38,765	24,353	1,594	135,260
Unallocated assets					22,275
					157,535
Segment liabilities	19,283	10,595	6,656	436	36,970
Unallocated liabilities					32,386
					69,356
Capital expenditures	19,114	10,502	1,774	432	31,822

4. SEGMENT INFORMATION *(continued)*

(b) Secondary segment:

An analysis by geographical segment is as follow:

(i) Analysis by turnover – by location of customers

	2003 HK$'000	2002 HK$'000
Turnover		
– The United States of America	138,302	83,070
– Mainland China	193,294	14,327
– Asia Pacific region (excluding Mainland China)	119,844	145,648
– Europe	1,904	610
	453,344	243,655

(ii) Analysis by segment results – by location of customers

	2003 HK$'000	2002 HK$'000
Segment results		
– The United States of America	24,542	16,614
– Mainland China	4,301	1,433
– Asia Pacific region (excluding Mainland China)	8,048	15,633
– Europe	311	118
	37,202	33,798

(iii) Analysis by segment assets – by location of assets

	2003 HK$'000	2002 HK$'000
– Hong Kong	70,316	83,012
– Mainland China	188,342	74,523
	258,658	157,535

4. SEGMENT INFORMATION *(continued)*

(b) Secondary segment: *(continued)*

(iv) Capital expenditure – by location of assets

	2003 HK$'000	2002 HK$'000
– Hong Kong	637	11,435
– Mainland China	16,525	20,387
	17,162	31,822

5. DISCONTINUING OPERATION

On 23 August 2002, pursuant to the Reorganisation, Suga Electronics Limited, a wholly-owned subsidiary, disposed of its entire equity interest in SVLL, a company engaged in the research and development of lighting products, to companies beneficially owned by Mr. Ng Chi Ho, Mr. Ma Fung On and Mr. Fung Chi Leung, Mark, directors and beneficial shareholders of the Company for a total consideration of HK$1,000. The gain arising from the disposal amounted to approximately HK$9,076,000. The results of SVLL are presented as discontinuing operations in the consolidated accounts for the year ended 31 March 2002 and for the period from 1 April 2002 to 23 August 2002 (date of disposal):

	For the period ended 23 August 2002 HK$'000	For the twelve months ended 31 March 2002 HK$'000
Turnover	660	–
Cost of sales	(889)	–
Gross loss	(229)	–
Research and development costs	–	(185)
Distribution and selling expenses	(354)	–
General and administrative expenses	(1,584)	(3,913)
Loss from operation	(2,167)	(4,098)
Interest income	–	3
Loss before taxation	(2,167)	(4,095)
Taxation	–	–
Loss attributable to shareholders	(2,167)	(4,095)
Net cash flows attributable to SVLL were as follows:		
Net operating cash outflow	(3,044)	(3,665)
Net investing cash inflow	4,564	4,096
	1,520	431

5. DISCONTINUING OPERATION *(continued)*

	As at 31 March 2003 HK$'000	As at 31 March 2002 HK$'000
Property, plant and equipment	–	1,054
Current assets	–	920
Total assets	–	1,974
Total liabilities	–	(9,372)
Net liabilities	–	(7,398)

	Year ended 31 March 2003 HK$'000
Net liabilities disposed of	9,566
Goodwill written back upon disposal of interest in SVLL	(491)
Proceeds from disposal of interest in SVLL	1
Gain on disposal of interest in SVLL	9,076
Taxation thereon	–
After-tax profit on disposal	9,076

6. OPERATING PROFIT

Operating profit is determined after charging and crediting the following:

	2003 HK$'000	2002 HK$'000
Charging:		
Cost of inventories sold	365,468	178,521
Depreciation of property, plant and equipment		
– owned assets	3,846	3,009
– assets held under finance leases	2,449	667
Loss on disposal of property, plant and equipment	105	–
Operating lease rental of premises	2,493	2,521
Staff costs (including directors' emoluments)	25,522	30,228
Provision for bad and doubtful debts	621	100
Provision for obsolete and slow-moving inventories	–	200
Net exchange loss	1,394	700
Auditors' remuneration	765	350
Crediting:		
Amortisation of negative goodwill	800	556
Gain on disposal of interest in a subsidiary	9,076	129

7. FINANCE COSTS

	2003 HK$'000	2002 HK$'000
Interest on:		
– bank loans wholly repayable within five years	2,112	730
– obligations under finance leases	347	37
– amount due to a related company	–	151
– amount due to directors	–	24
	2,459	942

8. STAFF COSTS

	2003 HK$'000	2002 HK$'000
Wages and salaries	**20,960**	24,184
Bonus	**133**	856
Unutilised annual leave	**260**	–
Pension costs – defined contribution plans	**1,161**	825
Staff welfare	**3,008**	4,363
	25,522	30,228

9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Details of emoluments paid/payable to directors of the Company are as follows:

	2003 HK$'000	2002 HK$'000
Directors' fees		
– independent non-executive directors	**–**	–
– other non-executive directors	**85**	–
Other emoluments payables to executive directors		
– basic salaries, allowances and other benefits in kind	**3,788**	3,961
– discretionary bonus	**–**	153
– contribution to retirement scheme	**264**	261
	4,137	4,375

During the year, no directors waived any emoluments. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the year.

Analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	Number of directors	
	2003	2002
HK$Nil – HK$1,000,000	**6**	5
HK$2,000,001 – HK$2,500,000	**1**	1
	7	6

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 (2002: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2002: one) individuals during the year are as follows:

	2003	2002
	HK$'000	HK$'000
Basic salaries, allowances and other benefits in kind	**996**	673
Contribution to retirement scheme	**50**	34
	1,046	707

The emoluments fell within the following band:

	Number of individuals	
	2003	2002
HK$Nil – HK$1,000,000	**2**	1

No emolument was paid to the five highest paid individuals (including directors and other employees) as compensation for loss of office during the year.

10. TAXATION

a. **Bermuda income tax**

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

b. **Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit of the subsidiaries in Hong Kong for the year.

c. **Mainland China enterprise income tax**

Suga Electronics (Shenzhen) Co., Ltd. and Suga Networks Equipment (Shenzhen) Limited ("SNESL"), subsidiaries incorporated in Mainland China, are subject to Mainland China enterprise income tax ("EIT") of 15% on their taxable income. However, SNESL, which was incorporated during the year, is exempted from EIT for the first two years of profitable operations after off-setting prior year losses, followed by 50% deduction for the following three years. SNESL was still in a loss position during the year ended 31 December 2002.

d. **Others**

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

10. TAXATION *(continued)*

d. Others *(continued)*

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

	2003 HK$'000	2002 HK$'000
Current taxation		
– Hong Kong profits tax	4,800	1,933
– Mainland China enterprise income tax	771	3,232
	5,571	5,165
(Write-back of)/provision for deferred taxation	(1,044)	957
	4,527	6,122

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK$10,601,000 (2002: Nil).

12. DIVIDENDS

	2003 HK$'000	2002 HK$'000
Interim dividend of HK2.5 cents per ordinary share	5,000	–
Final dividend of HK2.5 cents per ordinary share, proposed	5,500	–
Special dividend	–	30,000
	10,500	30,000

At a meeting held on 15 July 2003, the directors proposed a final dividend of HK2.5 cents per ordinary share. This proposed dividend is reflected as an appropriation of retained profit as at 31 March 2003.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of approximately HK$39,021,000 (2002: HK$27,218,000) and the weighted average number of 176,986,000 (2002: 150,000,000) shares in issue during the year.

No information in respect of diluted earnings per share is presented as the Company has no potential dilutive ordinary shares in existence for the years ended 31 March 2002 and 2003.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Total HK$'000
Cost					
At 1 April 2002	38,500	5,617	24,925	10,829	79,871
Exchange adjustment	–	165	816	164	1,145
Additions	–	4,608	8,743	3,811	17,162
Disposal of subsidiary	–	–	–	(1,323)	(1,323)
Other disposals	–	(223)	–	(323)	(546)
At 31 March 2003	**38,500**	**10,167**	**34,484**	**13,158**	**96,309**
Accumulated depreciation					
At 1 April 2002	(626)	(3,960)	(16,001)	(6,260)	(26,847)
Exchange adjustment	–	(114)	(847)	(109)	(1,070)
Charge for the year	(939)	(899)	(3,115)	(1,342)	(6,295)
Disposal of subsidiary	–	–	–	250	250
Other disposals	–	85	–	323	408
At 31 March 2003	**(1,565)**	**(4,888)**	**(19,963)**	**(7,138)**	**(33,554)**
Net book value					
At 31 March 2003	**36,935**	**5,279**	**14,521**	**6,020**	**62,755**
At 31 March 2002	37,874	1,657	8,924	4,569	53,024

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

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Certain machinery of the Group was held under finance leases. Details of these assets were as follows:

	2003 HK$'000	2002 HK$'000
Cost	**13,041**	5,718
Less: Accumulated depreciation	**(3,116)**	(667)
Net book value	**9,925**	5,051

15. NEGATIVE GOODWILL

Movement of negative goodwill during the year was as follows:

	HK$'000
Opening net book amount at 1 April 2002	15,448
Amortisation charge for the year	(800)
Closing net book amount at 31 March 2003	14,648
At 31 March 2003	
Cost	16,004
Accumulated amortisation	(1,356)
Net book amount	14,648
At 31 March 2002	
Cost	16,004
Accumulated amortisation	(556)
Net book amount	15,448

16. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries comprised:

	2003 HK$'000	2002 HK$'000
Unlisted shares, at cost	**65,072**	–
Due from subsidiaries	**44,042**	–
	109,114	–

16. INVESTMENT IN SUBSIDIARIES *(continued)*

The underlying value of the investments in subsidiaries is in the opinion of the Directors, not less than its carrying values at 31 March 2003.

The balances with subsidiaries were unsecured, non-interest bearing and are not expected to be repayable within one year.

Details of the principal subsidiaries of the Company as at 31 March 2003 were as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Percentage of equity interest attributable to the Group (iv)	Principal activities
Speedy Source Limited	Hong Kong 26 March 1997	Ordinary HK$2	100%	Trading of electronic products
Suga Electronics Limited	Hong Kong 28 May 1991	Ordinary HK$2	100%	Trading of electronic products
		Non-voting deferred shares HK$4,000,000 (i)	–	
Suga Electronics (Shenzhen) Co., Ltd. (ii)	Mainland China 10 June 1994	Registered capital HK$33,500,000	100%	Manufacturing of electronic products
Suga Networks Hong Kong Limited	Hong Kong 27 March 2002	Ordinary HK$100,000	85%	Trading of networking devices
Suga Networks Equipment (Shenzhen) Co. Ltd. (iii)	Mainland China 18 October 2002	Registered capital HK$1,000,000 (iii)	100%	Manufacturing of networking devices
Sumega Hong Kong Limited	Hong Kong 30 August 1999	Ordinary HK$500,000	100%	Trading of computer-related products
Suga International Limited	British Virgin Islands 9 August 2001	Ordinary US$700	100%	Investment holding
Typhoon International Limited	British Virgin Islands 4 December 1992	Ordinary US$1	100%	Property holding

16. INVESTMENT IN SUBSIDIARIES *(continued)*

Notes:

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

(ii) Suga Electronics (Shenzhen) Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 20 years until June 2014.

(iii) SNESL is a wholly foreign owned enterprise established in Mainland China to be operated for 20 years until October 2022. Total registered capital of SNESL is HK$1,000,000, of which HK$400,000 was paid up as at 31 March 2003. The outstanding registered capital to be contributed by the Group amounted to HK$600,000.

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

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2003.

17. OTHER INVESTMENTS

Other investments represent investments in unlisted units in investment funds managed by investment companies in Hong Kong, details of which are as follows:

	2003 HK$'000	2002 HK$'000
Long-term unlisted investments	3,510	3,510
Short-term unlisted investments	780	–
	4,290	3,510

18. INVENTORIES

	2003 HK$'000	2002 HK$'000
Raw materials	44,270	29,058
Work-in-progress	14,472	3,681
Finished goods	9,098	4,612
	67,840	37,351
Less: Provision for obsolete and slow-moving inventories	(1,800)	(1,800)
	66,040	35,551

There were no inventories stated at net realisable value as at 31 March 2003 (2002: Nil). Certain inventories were held under trust receipts bank loan arrangements (see Note 31).

19. TRADE RECEIVABLES

During the year ended 31 March 2003, the Group granted credit terms to its customers ranging from 30 to 75 days. The ageing analysis of trade receivables is as follows:

	2003 HK$'000	2002 HK$'000
0 to 30 days	**92,777**	41,825
31 to 60 days	**5,973**	2,992
61 to 90 days	**2,445**	3,261
91 to 180 days	**1,138**	2,536
181 to 365 days	**461**	1,607
1 to 2 years	**–**	386
2 to 3 years	**–**	294
	102,794	52,901
Less: provision for bad and doubtful debts	**(1,000)**	(379)
	101,794	52,522

20. OTHER CASH AND BANK DEPOSITS

At 31 March 2003, approximately HK$28,210,000 (2002: HK$1,716,000) 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. SHORT-TERM BANK BORROWINGS

	2003 HK$'000	2002 HK$'000
Bank overdrafts	**3,425**	–
Trust receipts bank loans	**37,790**	16,549
	41,215	16,549

Refer to Note 31 for details of the Group's banking facilities.

22. UNSECURED LONG-TERM BANK LOAN

At 31 March 2003, the Group's unsecured long-term bank loan was repayable as follows:

	2003 HK$'000	2002 HK$'000
Within one year	3,334	3,334
In the second year	1,943	3,334
In the third year	–	1,943
	5,277	8,611
Less: Current portion of unsecured long-term bank loan	(3,334)	(3,334)
	1,943	5,277

Refer to Note 31 for details of the Group's banking facilities.

23. TRADE PAYABLES

	2003 HK$'000	2002 HK$'000
0 to 30 days	43,865	26,467
31 to 60 days	3,393	1,006
61 to 90 days	3,499	441
91 to 180 days	2,034	53
181 to 365 days	1,882	1,153
1 to 2 years	–	101
2 to 3 years	–	122
	54,673	29,343

24. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2003, the Group's finance lease liabilities were repayable as follows:

	2003 HK$'000	2002 HK$'000
Within one year	3,189	1,437
In the second year	3,189	1,326
In the third to fifth year	3,882	2,320
	10,260	5,083
Less: future finance charges on finance leases	(878)	(433)
	9,382	4,650
Less: current portion	(2,841)	(1,232)
	6,541	3,418

The present value of finance lease liabilities is as follows:

	2003 HK$'000	2002 HK$'000
Within one year	2,841	1,232
In the second year	2,967	1,193
In the third to fifth year	3,574	2,225
	9,382	4,650

25. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal rate of 17.5% (2002: 16%). The movements on the deferred liabilities account are as follows:

	2003 HK$'000	2002 HK$'000
At 1 April	1,044	87
(Write-back of)/provision for the year	(1,044)	957
At 31 March	–	1,044

There were no significant unprovided deferred taxation as at 31 March 2003.

26. SHARE CAPITAL

	Numbers of shares	Nominal value
	'000	HK$'000
Authorised (ordinary shares of HK$0.1 each)		
Upon incorporation on 28 September 2001 and as at 31 March 2002	1,000	100
Increase in authorised share capital (b)	1,999,000	199,900
As at 31 March 2003	**2,000,000**	**200,000**
Issued and fully paid		
Issue of shares upon incorporation on 28 September 2001 and as at 31 March 2002 (a)	1,000	–
Issue of shares arising from the reorganisation (c)	1,000	200
Issue of shares through public offering and private placement (d)	50,000	5,000
Capitalisation of share premium (e)	148,000	14,800
As at 31 March 2003	**200,000**	**20,000**

(a) On 28 September 2001, the Company was incorporated with an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.1 each. All of these shares were issued and nil paid on 11 October 2001 and were subsequently paid up in the manner described in note c below.

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

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

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

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

26. SHARE CAPITAL *(Continued)*

The share capital presented in the consolidated balance sheet as at 31 March 2002 represented the share capital of the Company, arising on the incorporation and from the share swap transaction as described in notes (a) to (c) above, which is deemed to have been in issue throughout the accounting periods presented in these accounts in accordance with the basis of preparation referred to in Note 1. The difference between the nominal value of these shares and the nominal value of shares of the subsidiaries acquired pursuant to the Reorganisation is accounted for as capital reserve.

27. EMPLOYEE SHARE OPTION

The Company has 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 employees (including executive directors) 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. No share option has been granted since the adoption of the Share Option Scheme to 31 March 2003.

On 5 May 2003, a total of 123,000,000 share options were granted to certain executive directors and employees of the Group. Up to 15 July 2003, 550,000 options were exercised by certain employees at exercise price of HK$1.23 per share.

28. RESERVES

Group

	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained profit HK$'000	Proposed dividend HK$'000	Total HK$'000
At 1 April 2002	–	11,446	–	46,533	30,000	87,979
Premium on issue of ordinary shares	45,000	–	–	–	–	45,000
Share issuance expenses	(11,552)	–	–	–	–	(11,552)
Capitalisation of share premium	(14,800)	–	–	–	–	(14,800)
Transfer from capital reserve to retained profit upon disposal of a subsidiary	–	(855)	–	855	–	–
Goodwill reversed upon disposal of a subsidiary	–	–	–	491	–	491
Translation adjustments	–	–	2,428	–	–	2,428
Profit for the year	–	–	–	39,021	–	39,021
Proposed final dividends	–	–	–	(5,500)	5,500	–
Dividends paid	–	–	–	(5,000)	(30,000)	(35,000)
At 31 March 2003	**18,648**	**10,591**	**2,428**	**76,400**	**5,500**	**113,567**
At 1 April 2001	–	11,446	–	49,264	–	60,710
Profit for the year	–	–	–	27,218	–	27,218
Goodwill reversed upon disposal of a subsidiary	–	–	–	51	–	51
Proposed special dividends	–	–	–	(30,000)	30,000	–
At 31 March 2002	–	11,446	–	46,533	30,000	87,979

Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained profit HK$'000	Proposed dividend HK$'000	Total HK$'000
At 1 April 2001 and 2002	–	–	–	–	–
Premium on issue of ordinary shares	45,000	–	–	–	45,000
Share issuance expenses	(11,552)	–	–	–	(11,552)
Capitalisation of share premium	(14,800)	–	–	–	(14,800)
Effect of the Reorganisation	–	64,872	–	–	64,872
Profit for the year	–	–	10,601	–	10,601
Dividends proposed	–	–	(5,500)	5,500	–
Dividends paid	–	–	(5,000)	–	(5,000)
At 31 March 2003	**18,648**	**64,872**	**101**	**5,500**	**89,121**

28. RESERVES *(Continued)*

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.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2003 HK$'000	2002 HK$'000
Profit before taxation	43,973	33,340
Depreciation of property, plant and equipment	6,295	3,676
Loss on disposal of property, plant and equipment	105	–
Amortisation of negative goodwill	(800)	(556)
Gain on disposal of interest in a subsidiary	(9,076)	(129)
Interest income	(154)	(355)
Interest expense	2,459	942
Effect of foreign exchange rate changes	2,607	–
Operating profit before working capital charges	45,409	36,918
Increase in inventories	(30,489)	(886)
Decrease/(increase) in prepayments, deposits and other current assets	1,972	(2,966)
Increase in trade receivables	(49,904)	(3,107)
Increase/(decrease) in trade payables	25,506	(1,048)
Increase/(decrease) in accruals and other payables	2,155	(651)
Net cash (outflow)/inflow from operations	(5,351)	28,260

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Gain on disposal of interest in a subsidiary

On 23 August 2002, Suga Electronics Limited, a wholly-owned subsidiary, disposed of its entire equity interest in SVLL, a company engaged in the research and development of lighting products to companies beneficially owned by Mr. Ng Chi Ho and Mr. Ma Fung On and Mr. Fung Chi Leung, Mark, directors and beneficial shareholders of the Company, for an aggregate cash consideration of HK$1,000 and the gain resulted from the disposal of interest in this subsidiary was approximately HK$9,076,000. Details of the net liabilities disposed of were:

	HK$'000
Net liabilities disposed of	
Property, plant and equipment	1,073
Trade receivables	632
Prepayments, deposits and other current assets	815
Cash and bank deposits	2,034
Trade payables	(176)
Accruals and other payables	(51)
Amount due to related companies, net	(13,893)
	(9,566)
Less: goodwill written back upon disposal of interest in SVLL	491
Add: gain on disposal of interest in SVLL	9,076
Satisfied by	
Cash consideration received	1
Analysis of net outflow of cash and cash equivalents in respect of the disposal of a subsidiary:	
Cash consideration received	1
Cash and bank deposits disposed of	(2,034)
Net cash outflow of cash and cash equivalents in respect of disposal of a subsidiary	(2,033)

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

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

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

	Long-term bank loan HK$'000	Trust receipts bank loans HK$'000	Obligations under finance leases HK$'000	Due to a related company HK$'000	Due to directors HK$'000
Balance as at 1 April 2001	–	5,778	–	4,000	1,276
New long-term bank loan	10,000	–	–	–	–
Repayment of long-term bank loan	(1,389)	–	–	–	–
Net increase in trust receipts bank loans	–	10,771	–	–	–
Inception of finance leases	–	–	4,834	–	–
Repayment of capital element of finance leases	–	–	(184)	–	–
Repayment to a related company	–	–	–	(4,000)	–
Repayment to directors	–	–	–	–	(1,276)
Balance as at 31 March 2002	8,611	16,549	4,650	–	–

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(d) Analysis of cash and cash equivalents:

	2003 HK$'000	2002 HK$'000
Other cash and bank deposits	31,603	15,598
Bank overdrafts	(3,425)	–
	28,178	15,598

(e) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of plant and machinery with a total capital value at the inception of the leases of approximately HK$6,860,000 (2002: HK$4,834,000).

30. COMMITMENTS AND CONTINGENT LIABILITIES

a. Operating lease commitments

At 31 March 2003, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2003 HK$'000	2002 HK$'000
Not later than one year	1,260	1,945
Later than one year and not later than five years	970	–
	2,230	1,945

b. Contingent liabilities

	2003 HK$'000	2002 HK$'000
Guarantees provided by the Company in respect of bank facilities of certain subsidiaries	59,105	–

As at 31 March 2003, the amount of such facilities utilised by the subsidiaries and guaranteed by the Company amounted to approximately HK$59,105,000 (2002: nil).

As at 31 March 2002 and 2003, the Group did not have any significant contingent liabilities.

31. BANKING FACILITIES

At 31 March 2003, the Group has aggregate banking facilities of approximately HK$97,528,000 (2002: HK$37,600,000) for overdrafts, loans and trade financing. Unused facilities at the same date amounted to approximately HK$38,423,000 (2002: HK$7,790,000). These facilities are secured by:

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

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

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

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 Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes approximately 7% to 12% of the basic salaries of its employees, and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

For the year ended 31 March 2003, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$1,161,000 (2002: HK$825,000).

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.

During the year, the Group made sales of electronic products of approximately HK$535,000 to SVLL, a company beneficially owned by Mr. Ng Chi Ho, Mr. Ma Fung On and Mr. Fung Chi Leung, Mark, directors and beneficial shareholders of the Company, in the normal course of the Group's business and on terms in accordance with the arrangements.

34. SUBSEQUENT EVENT

The following significant transactions took place subsequent to 31 March 2003 and up to the date of this report:

a. On 5 May 2003, a total of 123,000,000 share options were granted to certain executive directors and employees of the Group. Up to 15 July 2003, 550,000 options were exercised by certain employees at exercise price of HK$1.23 per share.

b. Pursuant to the Placing and Subscription Agreement dated 2 June 2003 entered into between the Company, a substantial shareholder (the "Vendor") of the Company and two placing agents, 20,000,000 existing shares held by the Vendor were placed to no fewer than six independent placees at HK$1.40 per placing share. Further, the Company issued 20,000,000 new shares to the Vendor at HK$1.40 per subscription share. The shares were issued to the Vendor on 12 June 2003.

35. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 15 July 2003.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years is set out below:

CONSOLIDATED RESULTS

	For the year ended 31st March,				
	1999 HK$'000	2000 HK$'000	2001 HK$'000	2002 HK$'000	**2003 HK$'000**
Turnover	592,103	565,650	217,993	243,655	**453,344**
Operating profit	14,706	24,558	30,433	34,282	**46,432**
Continuing operation	14,706	25,606	32,183	38,380	**48,599**
Discontinuing operation	–	(1,048)	(1,750)	(4,098)	**(2,167)**
Profit before taxation	14,588	24,402	29,653	33,340	**43,973**
Taxation	(1,031)	(1,994)	(5,238)	(6,122)	**(4,527)**
Profit after taxation	13,557	22,408	24,415	27,218	**39,446**
Minority interests	–	–	–	–	**(425)**
Profit attributable to shareholders	13,557	22,408	24,415	27,218	**39,021**

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March,				
	1999 HK$'000	2000 HK$'000	2001 HK$'000	2002 HK$'000	**2003 HK$'000**
Property, plant and equipment	5,747	4,288	5,531	53,024	**62,755**
Negative goodwill	–	–	–	(15,448)	**(14,648)**
Other long-term investment	–	–	–	3,510	**3,510**
Current assets	118,009	120,173	107,970	116,449	**207,041**
Current liabilities	(108,927)	(87,908)	(52,504)	(59,617)	**(116,167)**
Net current assets	9,082	32,265	55,466	56,832	**90,874**
Total assets less current liabilities	14,829	36,553	60,997	97,918	**142,491**
Long term bank loan	–	–	–	(5,277)	**(1,943)**
Obligations under finance leases	–	–	–	(3,418)	**(6,541)**
Deferred taxation	(200)	(87)	(87)	(1,044)	**–**
Minority interests	–	–	–	–	**(440)**
Net assets	14,629	36,466	60,910	88,179	**133,567**
Shareholders' funds	14,629	36,466	60,910	88,179	**133,567**

Note:

Pursuant to a group reorganisation scheme in preparation for the listing of the Company's shares on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies comprising the group (collectively referred to as the "Group") on 23 August 2002. The group reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated accounts have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31 March 2003, rather than from the date on which the Reorganisation was completed. The results and state of affairs of the Group as at and for the years ended 31 March 1999, 2000, 2001 and 2002 are presented on the same basis.

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at 3:00 p.m. on 21 August 2003 at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong to transact the following ordinary business:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 March 2003;

2. To declare a final dividend for the year ended 31 March 2003;

3. To re-elect directors and to authorize the Board to fix directors' remuneration;

4. To re-appoint Auditors and to authorize the Board to fix Auditors' remuneration;

and, as special business, to consider and, if thought fit, passing the following resolutions as Ordinary Resolutions as indicated below:

5. **"THAT:**

   (a) subject to paragraphs (c) of this Resolution, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional share(s) of HK$0.10 each in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this Resolution shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) the exercise any options granted under all share option schemes of the Company adopted from time to time in accordance with the Listing Rules, or (iii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares in accordance with the Bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any other applicable laws of Bermuda to be held; and

(iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares or issue of options to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory applicable to the Company)."

6. **"THAT:**

(a) subject to paragraph (b) and (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the company to repurchase shares of the Company on the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and is recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to tine, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to paragraph (a) of this Resolution during the Relevant period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held; and

(iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting."

7. **"THAT** conditional upon Resolution Nos. 5 and 6 above being passed, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares pursuant to Resolution No. 5 as set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company purchased by the Company under the authority granted pursuant to Resolution No. 6 as set out in the notice convening this meeting, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing this Resolution."

On behalf of the board of directors
NG Chi Ho
Chairman

Hong Kong, 15 July 2003

Notes:

1. The register of members will be closed from 18 August 2003 to 21 August 2003, both days inclusive, during which period no transfer of shares will be registered.

2. In order to qualify for the above mentioned final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 15 August 2003.

3. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and in the event of a poll, to vote on his behalf. A proxy need not be a member of the Company.

4. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's Hong Kong Branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the meeting.

5. In relation to proposed Resolutions 5 to 7 above, approval is being sought from the shareholders for a general mandate to authorize the allotment and issue of shares under Listing Rules. The directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company.

6. A circular regarding the Resolutions 5 to 7 above containing the information necessary to enable shareholders to make an informed decision as to vote on the proposed resolutions will be sent to shareholders together with the Company's Annual report as soon as possible.

CORPORATE PROFILE

Electronics Manufacturing Services (EMS) is becoming a global trend in information and electronics markets. At SUGA, with our innovative research and development (R&D) strategies and efficient manufacturing and logistic capabilities, we are making a name for ourselves as a new generation PROACTIVE EMS PROVIDER with a mission to lead the field in Asia.

SUGA: A proactive EMS provider combining

SYSTEMATIC MANAGEMENT

UNDERSTANDING OF CUSTOMERS' NEEDS

GOOD QUALITY

ADVANCED TECHNOLOGY

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