SUGA INTERNATIONAL HOLDINGS LIMITED
信 佳 國 際 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 912)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

FINANCIAL HIGHLIGHTS

– Revenue amounted to HK$959.9 million (2009: HK$812.0 million)

– Gross profit was HK$127.0 million (2009: HK$96.6 million)

– Profit attributable to equity holders was HK$56.5 million (2009: HK$24.9 million)

– Basic earnings per share was HK23.94 cents (2009: HK10.80 cents)

– The Board proposed a final dividend of HK 6.5 cents per share (2009: HK3.5 cents)

– The Board proposed a bonus issue of new shares on the basis of 1 bonus share for every 10 existing shares

– Total dividends per share for the year amounted to HK10.5 cents (2009: HK5.5 cents)

FINAL RESULTS

The Board of Directors (the "Board") of Suga International Holdings Limited ("Company") would like to announce the consolidated results of the Company and its subsidiaries (together "SUGA" or the "Group") for the year ended 31 March 2010:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Revenue	*2*	**959,866**	812,034
Cost of sales	*3*	**(832,851)**	(715,426)
Gross profit		**127,015**	96,608
Other income		**797**	1,460
Distribution and selling expenses	*3*	**(14,699)**	(16,514)
General and administrative expenses	*3*	**(49,706)**	(53,001)
Operating profit		**63,407**	28,553
Finance income	*4*	**458**	1,514
Finance costs	*4*	**(652)**	(1,869)
Finance costs – net	*4*	**(194)**	(355)
Profit before income tax		**63,213**	28,198
Income tax expense	*5*	**(6,708)**	(3,274)
Profit for the year		**56,505**	24,924
Attributable to:			
Equity holders of the Company		**56,505**	24,924
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic (HK cents)	*6*	**23.94**	10.80
– Diluted (HK cents)	*6*	**23.78**	10.77
Dividends	*7*	**25,329**	12,766

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**56,505**	24,924
Other comprehensive income:		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	5,949
Total comprehensive income for the year	**56,505**	30,873
Attributable to:		
Equity holders of the Company	**56,505**	30,873

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2010

	Note	**2010** **HK$'000**	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**79,440**	62,761
Land use rights		**30,719**	4,399
Goodwill		**1,059**	1,059
Interest in an associate		**–**	–
Interest in a jointly controlled entity		**–**	–
Deferred income tax assets		**2,301**	2,179
		113,519	70,398
Current assets			
Inventories		**122,890**	125,341
Trade and other receivables	*8*	**127,989**	96,018
Tax recoverable		**200**	1,116
Amount due from a jointly controlled entity		**24,082**	27,601
Derivative financial instruments		**168**	–
Cash and cash equivalents		**127,429**	79,647
		402,758	329,723
Total assets		**516,277**	400,121
LIABILITIES			
Non-current liabilities			
Bank borrowings		**26,163**	3,636
Deferred income tax liabilities		**2,579**	2,746
		28,742	6,382
Current liabilities			
Trade and other payables	*9*	**130,097**	84,111
Income tax payable		**18,222**	14,401
Bank borrowings		**8,448**	8,683
Finance lease liabilities		**–**	42
Bank advances for factored receivables		**–**	2,175
Derivative financial instruments		**160**	–
		156,927	109,412
Total liabilities		**185,669**	115,794

	Note	2010 HK$'000	2009 HK$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**24,252**	23,084
Other reserves		**103,237**	96,732
Retained earnings			
– Proposed dividend		**15,811**	8,149
– Others		**187,308**	156,362
Total equity		**330,608**	284,327
Total equity and liabilities		**516,277**	400,121
Net current assets		**245,831**	220,311
Total assets less current liabilities		**359,350**	290,709

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These consolidated financial statements are prepared under the historical cost convention, except that certain derivative financial instruments are stated at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in accounting and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs since 1 April 2009:

- HKFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company have adopted HKFRS 2 (amendment) from 1 April 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8, 'Operating segments' – effective 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting. It requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-marker has been identified as the Executive Directors that makes strategic decisions. The chief operating decision-marker considers the business from a product perspective and assesses separately the performance of electronic products, and moulds and plastics products.

  Goodwill is allocated by management to groups of cash–generating units on a segment level. Goodwill relating to previous acquisitions remains in the respective segments. There has been no further impact on the measurement of the Group's assets and liabilities.

- HKAS 1 (revised) 'Presentation of financial statements'. The revised standard required 'non-owner changes in equity' to be presented separately from owner changes in equity. As a result the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all 'non-owner changes in equity' are presented in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

- HKAS 23 (amendment), 'Borrowing costs'. The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Group and Company have adopted HKAS 23 (amendment) from 1 April 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2010 or later periods, but the Group has not early adopted them:

- HKFRS (amendments) Improvements to HKFRS 2009
- HKFRS 1 (revised) 'First-time adoption of HKFRS'
- HKFRS 1 (amendments) 'Additional exemptions for first-time adopters'
- HKFRS 2 (amendments) 'Group cash-settled share-based payment transactions'
- HKFRS 3 (revised) 'Business combinations'
- HKFRS 5 (amendment) 'Measurement of non-current assets (or disposal groups) classified as held for sale'
- HKFRS 9 'Financial instruments'
- HKAS 1 (amendment), 'Presentation of financial statements'
- HKAS 24 (revised) 'Related party disclosures'
- HKAS 27 (revised) 'Consolidated and separate financial statements'
- HKAS 32 (amendment) 'Classification of right issues'
- HKAS 38 (amendment) 'Intangible Assets'
- HKAS 39 (amendment) 'Eligible hedged items'
- HK(IFRIC) 14 (amendments) 'Prepayment of a minimum funding requirement'
- HK(IFRIC) 17 'Distribution of non-cash assets to owners'
- HK(IFRIC) 18 'Transfer of assets from customers'
- HK(IFRIC) 19 'Extinguishing financial liabilities with equity instruments'

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. So far it believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial positions.

2. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group (collectively referred to as the "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from a product perspective and assesses separately the performance of electronic products, and moulds and plastics products.

The CODM assesses the performance of the operating segments based on a measure of the results of reportable segments. Finance income and costs, corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

Revenue from external customers are after elimination of inter-segment revenue. Sales between segments are carried out at mutually agreed terms. The revenue from external parties reported to CODM is measured in a manner consistent with that in the consolidated income statement.

Assets of reportable segments exclude deferred income tax assets, tax recoverable and corporate assets, all of which are managed on a central basis. Liabilities of reportable segment exclude current and deferred income tax liabilities and corporate liabilities. These are part of the reconciliation to total balance sheet assets and liabilities.

The segment information provided to the CODM for the reportable segments for the year ended 31 March 2010 and 2009 is as follows:

	2010			
	Electronic products *HK$'000*	**Moulds and plastic products** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Revenue				
Revenue from external customers	**917,638**	**42,228**	**–**	**959,866**
Inter-segment revenue	**–**	**11,173**	**(11,173)**	–
	917,638	**53,401**	**(11,173)**	**959,866**
Results of reportable segments	**56,980**	**7,444**		**64,424**

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	**64,424**
Unallocated expenses	**(1,814)**
Other income	**797**
Operating profit	**63,407**
Finance income	**458**
Finance costs	**(652)**
Profit before income tax	**63,213**
Income tax expense	**(6,708)**
Profit for the year	**56,505**

	2010			
	Electronic products	**Moulds and plastic products**	**Other segments**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Other segment information				
Depreciation on property, plant and equipments	**8,389**	**3,052**	**1,364**	**12,805**
Amortization of land use rights	**–**	**52**	**435**	**487**
Additions to non-current assets (other than deferred tax assets)	**2,869**	**1,209**	**52,582**	**56,660**
Income tax expense	**5,595**	**1,292**	**(179)**	**6,708**

	2009			
	Electronic products	Moulds and plastic products	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Revenue from external customers	791,109	20,925	–	812,034
Inter-segment revenue	–	18,692	(18,692)	–
	791,109	39,617	(18,692)	812,034
Results of reportable segments	30,687	(3,977)		26,710

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	26,710
Unallocated income	383
Other income	1,460
Operating profit	28,553
Finance income	1,514
Finance costs	(1,869)
Profit before income tax	28,198
Income tax expense	(3,274)
Profit for the year	24,924

	2009			
	Electronic products	Moulds and plastic products	Other segments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information				
Depreciation on property, plant and equipments	10,675	4,038	1,169	15,882
Amortization of land use rights	–	52	80	132
Additions to non-current assets (other than deferred tax assets)	7,353	4,744	264	12,361
Income tax expense	3,187	93	(6)	3,274

The segment assets as at 31 March and the reconciliation to the total assets are as follows:

	2010		
	Electronic products *HK$'000*	**Moulds and plastic products** *HK$'000*	**Total** *HK$'000*
Segment assets	**418,751**	**36,859**	**455,610**
Deferred income tax assets			**2,301**
Tax recoverable			**200**
Unallocated:			
Property, plant and equipment			**25,774**
Land use rights			**26,452**
Other unallocated assets			**5,940**
Total assets per consolidated balance sheet			**516,277**
Segment liabilities	**124,755**	**4,954**	**129,709**
Income tax payable			**18,222**
Deferred income tax liabilities			**2,579**
Unallocated:			
Bank borrowings			**32,504**
Other unallocated liabilities			**2,655**
Total liabilities per consolidated balance sheet			**185,669**

	2009		
	Electronic products *HK$'000*	Moulds and plastic products *HK$'000*	Total *HK$'000*
Segment assets	360,386	31,614	392,000
Deferred income tax assets			2,179
Tax recoverable			1,116
Unallocated:			
Other unallocated assets			4,826
Total assets per consolidated balance sheet			400,121
Segment liabilities	82,811	3,048	85,859
Income tax payable			14,401
Deferred income tax liabilities			2,746
Unallocated:			
Bank borrowings			10,909
Other unallocated liabilities			1,879
Total liabilities per consolidated balance sheet			115,794

The Company is domiciled in Bermuda. An analysis of the Group's revenue from external customers by country for the year ended 31 March 2010 and 2009 was as follows:

	2010	2009
	HK$'000	*HK$'000*
United Kingdom	**305,043**	191,417
The United States of America	**263,358**	326,120
Japan	**197,906**	170,519
Australia	**116,951**	47,550
PRC (including Hong Kong)	**48,060**	39,635
Others	**28,548**	36,793
	959,866	812,034

An analysis of the Group's non-current assets, excluding deferred income tax assets, by geographical locations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**55,328**	4,685
Mainland China	**55,542**	62,966
Macao	**348**	568
	111,218	68,219

3. EXPENSES BY NATURE

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

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories	**748,838**	631,902
Depreciation of property, plant and equipment		
– owned assets	**12,728**	15,798
– assets held under finance leases	**77**	84
Amortization of land use rights	**487**	132
Loss/(gain) on disposals of property, plant and equipment	**295**	(51)
Operating lease rental of premises	**6,282**	4,342
Net foreign currency exchange loss	**1,243**	700
Employee benefit expense (including directors' remuneration)	**82,439**	82,746
(Reversal of)/provision for impairment of trade receivables	**(938)**	546
Provision for obsolete and slow-moving inventories (included in cost of sales)	**–**	221
Fair value gain on derivative financial instruments	**(8)**	(863)
Auditor's remuneration	**1,887**	1,891
Other expenses	**43,926**	47,493
Total cost of sales, distribution and selling expenses and general and administrative expenses	**897,256**	784,941

4. FINANCE INCOME AND FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest income from:		
– bank deposits	**458**	890
– others	**–**	624
Finance income	**458**	1,514
Interest on:		
– bank borrowings wholly repayable within five years	**(651)**	(1,865)
– finance lease liabilities	**(1)**	(4)
Finance costs	**(652)**	(1,869)
Finance costs – net	**(194)**	(355)

5. INCOME TAX EXPENSE

(a) Bermuda and British Virgin Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year.

(c) Mainland Chinese enterprise income tax

Suga Electronics (Shenzhen) Co., Ltd. ("SESL"), Suga Networks Equipment (Shenzhen) Co., Ltd. ("SNESL"), Pets & Supplies (Shenzhen) Co., Ltd ("PSSL"), Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Ltd. ("Nodic") and Precise Plastic Injection (Shenzhen) Co., Ltd. ("PPISL") are subsidiaries established in Mainland China. All the Group's subsidiaries in Mainland China are subject to corporate income tax at 25% effective from 1 January 2008.

(d) Macao taxation

P&S Macao Commercial Offshore Limited is a subsidiary established in Macao and is exempted from Macao Complementary Tax (2009: Nil).

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

	2010	2009
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**6,594**	710
– Income tax outside Hong Kong	**2,205**	1,744
– Over-provision in prior years	**(1,802)**	–
Deferred income tax relating to the origination and reversal of temporary differences	**(289)**	820
	6,708	3,274

6. EARNINGS PER SHARE

(a) Basic

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

	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**56,505**	24,924
Weighted average number of ordinary shares in issue ('000)	**236,031**	230,840
Basic earnings per share (HK cents)	**23.94**	10.80

(b) Diluted

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

	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**56,505**	24,924
Weighted average number of ordinary shares in issue ('000)	**236,031**	230,840
Adjustments for share options ('000)	**1,607**	593
Weighted average number of ordinary shares for diluted earnings per share ('000)	**237,638**	231,433
Diluted earnings per share (HK cents)	**23.78**	10.77

7. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Interim dividend, paid, of HK4.0 cents (2009: HK2.0 cents) per ordinary share	**9,518**	4,617
Final dividend, proposed, of HK6.5 cents (2009: HK3.5 cents) per ordinary share	**15,811**	8,149
	25,329	12,766

At a meeting held on 8 July 2010, the directors proposed the payment of a final dividend of HK6.5 cents per share for the year ended 31 March 2010. Such dividend is to be approved by the shareholders at the Annual General Meeting on 25 August 2010. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of distributable reserves in the year ending 31 March 2011.

8. TRADE AND OTHER RECEIVABLES

The ageing analysis of trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**88,411**	53,064
31 to 60 days	**1,795**	11,744
61 to 90 days	**5,456**	9,430
91 to 180 days	**13,475**	3,491
Over 180 days	**7,075**	12,731
	116,212	90,460
Less: Provision for impairment	**(6,964)**	(7,902)
Trade receivables, net	**109,248**	82,558
Prepayments	**390**	794
Rental and other deposits	**1,864**	1,900
Value added tax receivables	**8,595**	7,878
Others	**7,892**	2,888
	127,989	96,018

The Group generally granted credit terms of 30 days to its customers.

9. TRADE AND OTHER PAYABLES

The ageing analysis of the trade payables is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**91,578**	66,592
31 to 60 days	**9,246**	1,801
61 to 90 days	**3,313**	1,034
91 to 180 days	**4,133**	897
Over 180 days	**4,886**	4,301
Trade payables	**113,156**	74,625
Salaries and staff welfare payable	**6,634**	4,724
Accrued expenses	**4,092**	3,395
Others	**6,215**	1,367
	130,097	84,111

10. BONUS ISSUE

In addition to the proposed final cash dividend set forth above, the Directors also proposed to make bonus issue of new shares to the shareholders whose names appear on the Register of Shareholders of the Company on the date of the forthcoming annual general meeting of the Company on the basis of 1 bonus share for every 10 ordinary shares held by the shareholders. Based on a total of 243,240,000 shares in issue as at the date hereof, 24,324,000 bonus shares will be issued by the Company. The share capital of the Company will increase from approximately HK$24,324,000 to approximately HK$26,756,400 upon completion of the bonus issue. The bonus issue will be funded by way of capitalization of certain amount of the Company's share premium.

The bonus issue is subject to approval of the Company's shareholders at the forthcoming annual general meeting and the granting by The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the new shares to be issued pursuant to the bonus issue.

CHAIRMAN'S MESSAGE

During the latest financial period, the market experienced a gradual recovery, enabling SUGA to record a turnover of approximately HK$959.9 million, up 18.2% from HK$812.0 million last year. The rise in turnover was largely attributed to an increase in orders for our specialized electronic products, offsetting weaker demand for our general consumer electronic products. Gross profit grew 31.5%, to HK$127.0 million, while gross profit margin was 13.2% (FY2008/09: 11.9%). The increase in gross profit margin was mainly the result of a change in product mix to include more specialized electronic products that generally provide higher margins compared with our traditional electronic products.

Owing to effective cost control measures, the Group achieved profit attributable to shareholders of HK$56.5 million, up 126.7% from HK$24.9 million last year. Net profit margin increased to 5.9% (FY2008/09: 3.1%) and basic earnings per share was HK23.9 cents (FY2008/09: 10.8 cents) for the year.

BUSINESS OVERVIEW

Beginning in the year under review, our consumer electronic products and telecommunication products businesses have been combined into a single reporting segment– electronic products, while a new segment – moulds and plastic products – has also been added. We believe that these changes more accurately reflect our areas of focus.

Electronic Products

Sales from the electronic products segment was HK$917.6 million, accounting for 95.6% of the Group's total sales. The segment covers specialized electronic products such as interactive educational products, auto-fare collection systems (formerly known as "electronic ticket processors"), professional audio equipment, pet training devices, general consumer electronic products and other electronic products.

Within this segment, the interactive educational products proved to be highly popular, with sales recording a significant rise of 43.3% over last year. Our business partner, a world leader in interactive learning technology, is selling the products mainly in the United States and Europe. We have seen an increasingly receptive response even though many schools have yet to adopt the interactive education mode, hence, there remains enormous room for growth.

Income from sales of auto-fare collection systems and professional audio equipment have both continued to achieve strong growth, enjoying increases of 146.0% and 115.4% respectively. We are thrilled that these two products have grown substantially and both have contributed significant revenue to the Group. The encouraging results have validated our decision to direct effort toward developing specialized electronic products. We believe that both products will continue to provide solid income to the Group.

For pet training devices, our business partner maintained a lower inventory level in the first half year, and sales for the whole financial year dropped compared to last year. However, with the market gradually picking up in the second half of FY2009/10, the business partner has started to restock. We are therefore optimistic about the sales of pet training devices in the coming year.

General consumer electronic products, including telecommunications products, reported a decline in revenue. Nevertheless, this business has continued to deliver stable revenue to the Group. We intend to maintain close relationship with our renowned Japanese partners as their orders are expected to pick up as the global economy continues to revive.

Moulds and Plastic Products

The moulds and plastic products segment experienced a surge in sales, up 101.8% to HK$42.2 million, accounting for 4.4% of the Group's total sales. Operated by a subsidiary acquired in 2004, in the past this segment was mainly responsible for supplying plastic components to the Group for internal use. After a RMB 3 million cash injection for new plant and machinery during the second half of FY2008/09, the capacity of our mould and plastic operation was significantly boosted, enabling it to serve other enterprises as well. The extended business scope of the subsidiary has expanded our revenue base and we are confident of receiving more orders.

Accreditation

While proudly witnessing SUGA make solid steps forward during the year, we also were gratified by recognition from the industry and the investment community. For the second consecutive year, we have placed second in the "Best Small-Cap" company (Hong Kong) category within "Asia's Best Managed Companies Poll", conducted by the authoritative *FinanceAsia* magazine. The accolade is recognition by the investment community of our corporate strategy and management style and we are motivated to build on our achievements.

Meanwhile, our subsidiary, Suga Electronics (Shenzhen) Co, Ltd., recently achieved an important milestone, earning the "Class A Enterprise" rating based on the Assessment on Classification of Manufacturing Enterprises of Export Industrial Products, as authorized by the Shenzhen Entry-Exit Inspection and Quarantine Bureau. Among the criteria assessed included enterprise integrity, production conditions, quality of staff, condition of products exported, and an enterprise's quality management system. Only enterprises with an "excellent" rating are categorized as a "Class A Enterprise".

PROSPECTS

Looking ahead, we see opportunities as well as challenges in the market. The growth momentum of the Group's key products looks set to continue, providing healthy income streams. However, the weakening European economy does raise concerns that the world could be hit by yet another financial crisis. We will therefore strive to achieve organic growth and prudently tap new opportunities whenever appropriate.

We remain confident that our existing businesses will continue to deliver solid results. A number of our products, including professional audio equipment and interactive educational products are expected to achieve satisfactory growth in the coming fiscal year. The solid performance of our business partners is an important factor that will also drive demand. For example, the Group's interactive educational products partner reported a strong first quarter in 2010, with sales increasing by nearly 50%. Our pet training devices partner has started to replenish inventory, and we expect more orders from them in the coming fiscal year. With the shared optimism among our general consumer electronic product customers about the market, we expect to roll out a new project for one of our Japanese partners in the second half of FY2010/11.

We are steadfastly committed to bringing more innovative products to market while also looking for fresh opportunities. In late 2009, the Group introduced an interactive LED projector mainly targeting the commercial and education markets, and we will explore opportunities to work with our customers in promoting this product. We have already received enquiries from different international markets, thus we believe demand for the interactive LED projector will grow stronger in the years ahead.

Aside from our products, SUGA's ability to penetrate markets has played a vital role in our success. China's strong economic growth and expanding consumer market definitely warrants ongoing exploration which we will carry out by expanding partnerships with our customers. Leveraging our thorough understanding of the local environment there, we will also align with new customers that complement the Group's goal of tapping the market's full potential.

Currently, the Group has a cash balance of more than HK$127.4 million and significant banking facilities, affording us the flexibility to pursue opportunities, including business expansion. We will thoroughly review all options presented to us while being mindful of shareholders' interests. Building on our present solid foundation, we are confident of our ability to deliver satisfactory returns to shareholders in the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the Group has current assets of HK$402.8 million and current liabilities of HK$156.9 million. The current ratio was 2.57 (31 March 2009: 3.01).

Bank borrowings were HK$34.6 million as at 31 March 2010 (31 March 2009: HK$12.4 million). The increase in bank borrowings was mainly due to a mortgage loan was incurred in October 2009 for financing the acquisition of one floor of office building and 4 car parking spaces located in Kowloon Bay, Hong Kong. Gearing ratio (calculated by dividing total bank borrowings by total equity) was 10.5% (31 March 2009: 4.3%) The Group maintained a net cash balance of HK$92.8 million as at the balance sheet date (31 March 2009: HK$67.3 million).

As at 31 March 2010, the Group had aggregate banking facilities of approximately HK$432.3 million (31 March 2009: HK$375.8 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$393.3 million (31 March 2009: HK$318.3 million).

The Group generally finances its operations by internally generated resources and banking facilities provided by its principal bankers in Hong Kong. Banking facilities used by the Group include revolving loans, trust receipt loans, overdrafts, leasing and term loans, which are primarily on floating interest rates basis.

FOREIGN EXCHANGE EXPOSURE

The Group's transaction and monetary assets are principally dominated in Reminbi, Hong Kong dollars and United States dollars. The Group has not experienced any difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the year ended 31 March 2010.

During the year, the Group had entered into several foreign exchange contracts to hedge the currency translation risk of Reminbi against United States dollars. All these foreign exchange contracts were for hedging purpose and it is the policy of the Group not to enter into any derivative contracts purely for speculative activities.

PLEDGE OF ASSETS

As at 31 March 2010, the Group pledged its office premise located at 22nd Floor, Tower B, Billion Centre, Kowloon Bay together with 4 car parking spaces to secure a bank mortgage loan of HK$30 million for financing the acquisition of the office premise and car parking spaces. Other then the said mortgage loan, the Group did not pledge any of its assets (2009: nil) as securities for the banking facilities granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2010, the Group had no outstanding capital commitment (31 March 2009: nil). Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2010 amounted to HK$39.0 million (31 March 2009: HK$55.2 million) and the Group did not have any significant contingent liability.

HUMAN RESOURCES

As at 31 March 2010 the Group employed 1,828 employees, of which 59 were based in Hong Kong and Macao while the rest were mainly in Mainland China. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the individual and company performance. In addition to salaries and other usual benefits like annual leave, medical insurance and various mandatory pension schemes, the Group also provides 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 from the adoption date.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Board of the Company is committed to maintain a high standard of corporate governance practices as set out in the Code of Corporate Governance Practice (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the Board, the Company has applied the principles and complied with the CG Code except for CG Code A.2.1 in respect of the roles of Chairman and Chief Executive Officer should be separate.

CG Code A2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not performed by the same individual. Up to the date of this report, the Group does not have a separate Chairman and Chief Executive Officer and Dr. Ng Chi Ho currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. Going forward, the Group will periodically review the effectiveness of this arrangement and considers appointing an individual as Chief Executive Officer when it thinks appropriate.

Save the abovementioned deviation, none of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for the year under review, in compliance with the code provisions set out in the CG Code.

A detailed Corporate Governance Report setting out the Group's framework of governance and explanation about how the provisions of the Code have been applied will be included in the Company's Annual Report 2009/10.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors of the Company. The audit committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed, among other things, the internal control and financial reporting matters including the financial statements of the Group for the year ended 31 March 2010.

FINAL DIVIDEND AND BONUS ISSUE OF SHARES

The Directors have proposed the payment of a final dividend of HK6.5 cents per ordinary share for the financial year ended 31 March 2010 (FY2008/09: HK3.5 cents) and a bonus issue of shares (the "Bonus Issue") on the basis of one new ordinary share for every ten ordinary shares held by shareholders whose names appears on the Register of Shareholders of the Company on the date of the forthcoming annual general meeting. The Bonus Issue is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company and the granting by The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the new shares to be issued pursuant to the Bonus Issue. If passed, the proposed final dividend and share certificates will be paid and posted respectively on or before 10 September 2010. A circular containing further details of the Bonus Issue and notice of the annual general meeting will be dispatched to the shareholders of the Company as soon as practicable.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from 23 August 2010 to 25 August 2010 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the financial year ended 31 March 2010, the Bonus Issue and to determine the identity of the shareholders who are entitled to attend and vote at the Company's forthcoming annual general meeting, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 20 August 2010 for registration.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting will be held at Unit A, 29/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 25 August 2010 at 3:30 p.m.. For details of the 2010 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 26 July 2010.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by the Listing Rules will be published on the Stock Exchange's designated website at (www.hkexnews.hk) and the Company's website at (www.suga.com.hk). The annual report will be dispatched to the shareholders and will be available on the designated website of the Stock Exchange and the website of the Company in due course.

On behalf of the board of directors
NG Chi Ho
Chairman

Hong Kong, 8 July 2010

The Directors of the Company as at the date of this announcement are Dr. Ng Chi Ho and Mr. Ma Fung On as executive directors; Mr. Lee Kam Hung as non-executive director; Professor Wong Sook Leung, Joshua, Mr. Leung Yu Ming, Steven and Mr. Chan Kit Wang as independent non-executive directors.