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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

FINANCIAL HIGHLIGHTS

– Revenue amounted to HK$595.7 million (2009: HK$482.9 million)

– Gross profit was HK$77.2 million (2009: HK$63.0 million)

– Profit attributable to equity holders was HK$40.5 million (2009: HK$25.1 million)

– Basic earnings per share was HK15.09 cents (2009: HK9.78 cents)

– The Board proposed an interim dividend of HK 5.0 cents per share (2009: HK4.0 cents)

INTERIM RESULTS

The Board of Directors (the "Board") of Suga International Holdings Limited ("Company") would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together "SUGA" or the "Group") for the six months ended 30 September 2010:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		Six months ended 30 September	
		2010	2009
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Restated note 2(d) and 7)
Revenue	*3*	**595,687**	482,873
Cost of sales	*4*	**(518,443)**	(419,891)
Gross profit		**77,244**	62,982
Other income		**416**	215
Distribution and selling expenses	*4*	**(7,813)**	(8,667)
General and administrative expenses	*4*	**(25,102)**	(25,804)
Operating profit		**44,745**	28,726
Finance income	*5*	**826**	278
Finance costs	*5*	**(519)**	(245)
Finance income – net	*5*	**307**	33
Profit before income tax		**45,052**	28,759
Income tax expense	*6*	**(4,519)**	(3,616)
Profit for the period		**40,533**	25,143
Attributable to:			
Equity holders of the Company		**40,533**	25,143
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic (HK cents)	*7*	**15.09**	9.78
– Diluted (HK cents)	*7*	**15.00**	9.75
Interim dividend	*8*	**13,542**	9,518

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**40,533**	25,143
Other comprehensive income for the period, net of tax		
Currency translation differences	**2,200**	-
Total comprehensive income attributable to equity holders of the Company for the period	**42,733**	25,143

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2010

	Note	**As at 30 September 2010 HK$'000 (Unaudited)**	As at 31 March 2010 HK$'000 (Restated note 2(d))
ASSETS			
Non-current assets			
Property, plant and equipment		**112,612**	105,892
Land use rights		**4,242**	4,267
Goodwill		**1,059**	1,059
Interest in an associate		**–**	–
Interest in a jointly controlled entity		**–**	–
Available-for-sale financial assets		**3,880**	–
Financial assets at fair value through profit or loss		**7,714**	–
Loans and receivables		**13,952**	–
Deferred income tax assets		**2,229**	2,301
		145,688	113,519
Current assets			
Inventories		**153,609**	122,890
Trade and other receivables	*9*	**151,557**	127,989
Tax recoverable		**262**	200
Amount due from a jointly controlled entity		**26,108**	24,082
Derivative financial instruments		**311**	168
Cash and cash equivalents		**140,746**	127,429
		472,593	402,758
Total assets		**618,281**	516,277
LIABILITIES			
Non-current liabilities			
Bank borrowings		**38,191**	26,163
Deferred income tax liabilities		**2,408**	2,579
		40,599	28,742
Current liabilities			
Trade and other payables	*10*	**180,542**	130,097
Income tax payable		**20,649**	18,222
Bank borrowings		**15,479**	8,448
Derivative financial instruments		**227**	160
		216,897	156,927
Total liabilities		**257,496**	185,669

	Note	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Restated note 2(d))
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**27,052**	24,252
Other reserves		**106,056**	103,237
Retained earnings			
– Proposed dividend		**13,542**	15,811
– Others		**214,135**	187,308
Total equity		**360,785**	330,608
Total equity and liabilities		**618,281**	516,277
Net current assets		**255,696**	245,831
Total assets less current liabilities		**401,384**	359,350

Notes:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2010 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 March 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 March 2010, except as mentioned below.

(a) Amended standards adopted by the Group and relevant to the Group's operations

- In 2010, the Group has adopted the following amendment to an existing standard which is mandatory for the first time for the Group's financial year beginning 1 April 2010 and is relevant to the Group's operations. The impact on the Group's accounting policies upon adoption is set out below:

  HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under 'Leasehold land' and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The accounting for land interest classified as finance lease is that if the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

  The effect of adoption of this amendment is analysed on note 2(d).

- Amendments to HKAS 36 regarding cash-generating unit for goodwill impairment test. The amendment does not have a material impact on the Group's consolidated financial statement.

(b) Revised standard, amendments to standards and interpretations but not relevant to the Group

The following revised standard, amendments to standards and interpretations are effective for the financial year beginning 1 April 2010 but not relevant to the Group.

● HKFRS 1 (Revised) and (Amendment)	'Additional exemptions for first-time adopters'
● HKFRS 2 (Amendment)	'Group cash-settled share-based payment transaction'
● HKFRS 3 (Revised)	'Business combinations'
● HKAS 27	'Consolidated and separate financial statements'
● HKAS 39 (Amendment)	'Eligible hedged items'
● HK(IFRIC)-Int 17	'Distributions of non-cash assets to owners'

- First improvements to HKFRS (2008)
- Second improvements to HKFRS (2009) other than those mentioned above that are relevant to the Group's operations, the amendments included in the improvements are not currently relevant to the Group's operations.

(c) Amendments to standards and interpretations that have been issued but are not effective

The following revised standard, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:

- HKFRS 1 (Amendment) — 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' (effective from 1 July 2010)
- HKFRS 9 — 'Financial instruments' (effective from 1 January 2013)
- HKAS 24 (Revised) — 'Related party disclosures' (effective from 1 January 2011)
- HKAS 32 (Amendment) — 'Classification of rights issues' (effective from 1 February 2010)
- HK(IFRIC) Int-14 (Amendments) — 'Prepayments of a minimum funding requirement' (effective from 1 January 2011)
- HK(IFRIC) –Int 19 — 'Extinguishing financial liabilities with equity instruments' (effective from 1 July 2010)
- Third improvements to HKFRS (2010) were issued in May 2010 by the HKICPA (effective in the financial year ending 31 March 2012)

(d) The effect of the adoption of HKAS 17 (Amendment)

The effect of adoption of HKAS 17 (Amendment) on the condensed consolidated interim income statement is as follows:

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Increase in depreciation under administrative expenses	**355**	–
Decrease in amortisation of leasehold land under administrative expenses	**(355)**	–

The effect of the adoption of HKAS 17 (Amendment) on the condensed consolidated interim balance sheet is as follows:

	As at 30 September 2010	As at 31 March 2010	As at 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*
Increase in property, plant and equipment	**26,097**	26,452	–
Decrease in land use rights	**(26,097)**	(26,452)	–

3. SEGMENT INFORMATION

(a) Revenue recognised during the period is as follows:

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of goods:		
– electronic products	**564,255**	465,163
– moulds and plastic products	**31,432**	17,710
	595,687	482,873

(b) 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 plastic products.

The CODM assesses the performance of the operating segments based on a measure of the result of reportable segment. Finance income and costs, corporate income and expenses and amortisation of intangible assets are not included in the result 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 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 period ended 30 September 2010 and 2009 is as follows:

	Six months ended 30 September 2010			
	Electronic products *HK$'000* (Unaudited)	Moulds and plastic products *HK$'000* (Unaudited)	Elimination *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue				
Revenue from external customers	**564,255**	**31,432**	**–**	**595,687**
Inter-segment revenue	**–**	**3,918**	**(3,918)**	**–**
	564,255	**35,350**	**(3,918)**	**595,687**
Results of reportable segments	**43,049**	**3,862**	**–**	**46,911**
A reconciliation of results of reportable segments to profit for the period is as follows:				
Results of reportable segments				**46,911**
Unallocated expenses				**(2,582)**
Other income				**416**
Operating profit				**44,745**
Finance income				**826**
Finance costs				**(519)**
Profit before income tax				**45,052**
Income tax expense				**(4,519)**
Profit for the period				**40,533**

	Six months ended 30 September 2010			
	Electronic products *HK$'000* (Unaudited)	Moulds and plastic products *HK$'000* (Unaudited)	Other Segments *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Other segment information				
Depreciation on property, plant and equipment	**3,089**	**1,272**	**1,453**	**5,814**
Amortisation of land use rights	**–**	**27**	**40**	**67**
Additions to non-current assets (other than financial investments and deferred income tax assets)	**11,048**	**884**	**71**	**12,003**
Income tax expense	**3,936**	**685**	**(102)**	**4,519**

	Six months ended 30 September 2009			
	Electronic products *HK$'000* (Unaudited)	Moulds and plastic products *HK$'000* (Unaudited)	Elimination *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue				
Revenue from external customers	465,163	17,710	–	482,873
Inter-segment revenue	–	6,838	(6,838)	–
	465,163	24,548	(6,838)	482,873
Results of reportable segments	27,421	2,803	–	30,224

A reconciliation of results of reportable segments to profit for the period is as follows:	
Results of reportable segments	30,224
Unallocated expenses	(1,713)
Other income	215
Operating profit	28,726
Finance income	278
Finance costs	(245)
Profit before income tax	28,759
Income tax expense	(3,616)
Profit for the period	25,143

	Six months ended 30 September 2009			
	Electronic products *HK$'000* (Unaudited)	Moulds and plastic products *HK$'000* (Unaudited)	Other Segments *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Other segment information				
Depreciation on property, plant and equipment	4,677	975	584	6,236
Amortisation of land use rights	–	26	40	66
Additions to non-current assets (other than deferred income tax assets)	2,526	583	7	3,116
Income tax expense	3,319	519	(222)	3,616

The segment assets and segment liabilities as at 30 September 2010 and 31 March 2010 and the reconciliation to the total assets and total liabilities are as follows:

	As at 30 September 2010		
	Electronic products *HK$'000* **(Unaudited)**	**Moulds and plastic products** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Segment assets	**491,408**	**40,660**	**532,068**
Deferred income tax assets			**2,229**
Tax recoverable			**262**
Unallocated:			
Property, plant and equipment			**51,274**
Other unallocated assets			**32,448**
Total assets per condensed consolidated balance sheet			**618,281**
Segment liabilities	**179,987**	**5,608**	**185,595**
Income tax payable			**20,649**
Deferred income tax liabilities			**2,408**
Unallocated:			
Bank borrowings			**47,535**
Other unallocated liabilities			**1,309**
Total liabilities per condensed consolidated balance sheet			**257,496**

	As at 31 March 2010		
	Electronic products *HK$'000* (Audited)	Moulds and plastic products *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment assets	418,751	36,859	455,610
Deferred income tax assets			2,301
Tax recoverable			200
Unallocated:			
Property, plant and equipment			52,226
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

The Company is domiciled in Bermuda. An analysis of the Group's revenue from external customers by country for the period ended 30 September 2010 and 2009 is as follows:

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The Unites State of America	**196,247**	126,821
United Kingdom	**187,198**	163,580
Japan	**99,523**	80,599
PRC (including Hong Kong)	**56,685**	18,455
Australia	**37,688**	75,096
Others	**18,346**	18,322
	595,687	482,873

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

	As at 30 September 2010	As at 31 March 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**78,533**	55,328
Mainland China	**64,648**	55,542
Macao	**278**	348
	143,459	111,218

For the six months ended 30 September 2010, external revenue of approximately HK$349,089,000 (2009: HK$271,923,000) is generated from three (2009: three) major customers, each of which accounts for 10% or more of the Group's external revenue. The revenue is attributable to the segment of electronic products.

4. EXPENSES BY NATURE

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

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories	**466,344**	382,066
Depreciation of property, plant and equipment		
– owned assets	**5,814**	6,194
– assets held under finance leases	**–**	42
Amortisation of land use rights	**67**	66
Employee benefit expense (including directors' remuneration)	**49,497**	40,569
Reversal of provision for impairment of trade receivables	**(557)**	(305)
Written back of provision for obsolete and slow-moving inventories (included in cost of sales)	**–**	(53)
Fair value (gain) / loss on derivative financial instruments	**(79)**	24
Other expenses	**30,272**	25,759
Total cost of sales, distribution and selling expenses and general and administrative expenses	**551,358**	454,362

5. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income	**826**	278
Interest on bank borrowings	**(519)**	(245)
Finance income – net	**307**	33

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong profits tax	**2,557**	3,463
– Income tax outside Hong Kong	**2,061**	668
	4,618	4,131
Deferred income tax relating to the origination and reversal of temporary differences	**(99)**	(515)
	4,519	3,616

7. 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, after taking into account the effect of the bonus issue (the "Bonus Issue") during the period.

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Restated)
Profit attributable to equity holders of the Company (HK$'000)	**40,533**	25,143
Weighted average number of ordinary shares in issue ('000)	**268,661**	257,067
Basic earnings per share (HK cents)	**15.09**	9.78

(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 and adjusting for the Bonus Issue in September 2010. 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.

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Restated)
Profit attributable to equity holders of the Company (HK$'000)	**40,533**	25,143
Weighted average number of ordinary shares in issue ('000)	**268,661**	257,067
Adjustments for share options ('000)	**1,525**	850
Weighted average number of ordinary shares for diluted earnings per share ('000)	**270,186**	257,917
Diluted earnings per share (HK cents)	**15.00**	9.75

8. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5.0 cent per share (2009: HK4.0 cent) for the six months ended 30 September 2010 to shareholders whose names appear on the register of shareholders of the Company on 15 December 2010. The interim dividend will be paid on or before 23 December 2010.

9. TRADE AND OTHER RECEIVABLES

The ageing analysis of trade receivables is as follows:

	As at 30 September 2010 *HK$'000* (Unaudited)	As at 31 March 2010 *HK$'000* (Audited)
0 to 30 days	**126,503**	88,411
31 to 60 days	**1,482**	1,795
61 to 90 days	**1,662**	5,456
91 to 180 days	**830**	13,475
Over 180 days	**3,569**	7,075
	134,046	116,212
Less: Provision for impairment	**(3,620)**	(6,964)
Trade receivables, net	**130,426**	109,248
Prepayments	**686**	390
Rental and other deposits	**1,498**	1,864
Value added tax receivables	**10,824**	8,595
Others	**8,123**	7,892
	151,557	127,989

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

10. TRADE AND OTHER PAYABLES

The ageing analysis of the trade payables is as follows:

	As at 30 September 2010 *HK$'000* (Unaudited)	As at 31 March 2010 *HK$'000* (Audited)
0 to 30 days	**130,585**	91,578
31 to 60 days	**16,659**	9,246
61 to 90 days	**6,577**	3,313
91 to 180 days	**8,803**	4,133
Over 180 days	**4,648**	4,886
Trade payables	**167,272**	113,156
Salaries and staff welfare payable	**6,922**	6,634
Accrued expenses	**3,114**	4,092
Others	**3,234**	6,215
	180,542	130,097

CHAIRMAN'S MESSAGE

Benefiting from a gradually recovering global economy, which has resulted in an increase in demand for most of SUGA's products, the Group recorded turnover of approximately HK$595.7 million, up 23.4% from HK$482.9 million for the same period last year. Gross profit reached HK$77.2 million compared to HK$63.0 million for the last corresponding period. Gross profit margin was 13.0% (2009: 13.0%). Even though market conditions for the manufacturing industry remained challenging during the review period, the Group realized profit attributable to shareholders of HK$40.5 million – 61.2% higher than last year's HK$25.1 million – owing to effective efforts at streamlining operations and successfully controlling costs. Net profit margin increased to 6.8% (2009: 5.2%) and basic earnings per share were HK15.09 cents (2009: HK9.78 cents).

BUSINESS OVERVIEW

Electronic products

The electronic products segment generated sales of HK$564.3 million, up 21.3% from HK$465.2 million for the same period last year, accounting for 94.7% of the Group's total sales. The increase substantiates the Company's decision to focus on specialized electronic products. Consistent with this strategy, we have established a balanced product portfolio that, on the one hand, enables steady income to be generated, while on the other, helps the Company minimize risk by avoiding becoming over reliant on a specific product.

With the economic recovery underway, our pet training partner began to replenish inventory during the review period. Revenue from pet training devices consequently surged by more than 50% compared with the corresponding period of last year. We expect the amount of orders to gradually and continuously rise. Despite the peaks and troughs that the global economy has experienced over the past decade, we have built a solid relationship with our US partner – representing one of our key revenue contributors – and this strong tie has enabled the Group to generate stable income.

General consumer electronic products also experienced an upsurge in demand during the review period with sales nearly doubling. Moreover, during the first half of this fiscal year, we worked closely with our Japanese customer to prepare for a new telecommunication project. We completed trial production in mid-September and expect to proceed with mass production by the end of 2010.

Leveraging the Group's EMS capability, we received more orders for our professional audio equipment as well. Sales increased significantly compared with the same period last year. It is our objective to become a preferred key manufacturer for our customers and secure more orders in the coming years.

Looking at our interactive education products business, this area of activity now constitutes one of our core revenue streams – benefiting from the support of a key partner whom we have maintained ties with for nearly five years. During the review period, interactive educational products registered satisfactory growth, and since we believe that interactive education will be the trend of the future, we will seek to grow our operation in concert with our aforesaid partner.

Of all of our electronic products, only the auto-fare collection system experienced a decline in revenue during the review period. Owing to the shortage of some key electronic components for the products, part of the production orders had to be re-scheduled to the second half year. We have since resolved this raw materials shortage issue by arranging for more advanced orders, thereby shortening lead time. Sales in the second half year are expected to duly improve.

Moulds and plastic products

Sales derived from this segment increased by 77.5% to HK$31.4 million and accounted for 5.3% of the Group's total sales. Subsequent to the Group's decision to develop the moulds and plastic business by expanding its production capacity, SUGA has been receiving more orders. The Group will continue enhancing the efficiency of this segment in order to maintain a reasonable margin level.

Environmental Protection

SUGA is fully committed to making continuous improvements on the environmental protection front. Since our participation in the "Cleaner Production Partnership Program", organized by Hong Kong Productivity Council ("HKPC"), further energy conservation measures have been adopted and effectively implemented in our Buji and Huizhou manufacturing plants. The completion and verification of On-site Improvement Assessment Projects at the Buji factory has subsequently led to the granting of appreciation certificates as well.

Upholding our commitment to environmental protection, we took the initiative of joining the ISO 50001 Pilot Program organized by HKPC, which will enhance our ability to launch the new ISO 50001 Energy Management System in the future.

SUGA's dedication to environmental protection also extends to society. For instance, recently in response to "International Coastal Cleanup 2010" initiated by Ocean Conservancy, we participated in a trash and debris removal campaign in October 2010. Moreover, SUGA was a Gold Sponsor of the "Greening Hong Kong by PolyU Alumni 2010" campaign in November 2010, directly involved in its planting event. Through participation in these meaningful activities, the environmental protection concept has been deeply embedded in the minds of our staff members and their families, thus paving the way to sustainable green consumption.

PROSPECTS

Moving forward, the Group will maintain a diversified product portfolio – a strategy that will allow us to strengthen SUGA's position as leader of the specialized electronic products market. The current healthy income stream that we enjoy has allowed us to build a strong foundation from which future business growth can be realized.

The outlook for our existing products remains positive. Benefiting from the global market recovery, we anticipate these products to continue experiencing healthy organic growth. As our pet training devices partner continues to restock, SUGA will benefit from increased orders for associated products. Our strong ties with a professional audio equipment customer could lead to more orders for SUGA as well. Furthermore, as interactive education becomes more prevalent, interactive educational products will attract greater demand. With respect to the auto-fare collection system, sales are expected to resume at a steady level now that the issue of raw material supply has been addressed.

Apart from organic growth of existing products, we are also launching a new product for our Japanese customer. Mass production is scheduled in December of this year and income will be reflected in the second half of the fiscal year, with more significant contributions anticipated in the next fiscal year.

We are aiming to directly bring more innovative products to the market as well. Believing that LED projectors equipped with special features possess enormous potential, the Group launched an interactive LED projector in late 2009 followed by a 3D projector at Hong Kong Electronics Fair 2010. Very few companies have developed such technology and by tapping into this market before it matures, SUGA can benefit from a first-mover advantage. Clearly, we see this project has long-term growth potential.

While constantly seeking to enhance our product offerings, bolster manufacturing and improve R&D capabilities, we are also continually exploring new business possibilities. Enthused about strong economic growth in China, we are studying the feasibility of entering this market; specifically tapping the local retail sector. We are considering introducing our partners' products into the country, though will exercise utmost prudence, carefully examining all opportunities that arise.

Currently, the Group has a cash balance of more than HK$140.7 million and considerable banking facilities at its disposal, allowing it to have the flexibility to expand the business if desired. Although market conditions for the manufacturing industry remain difficult, the Group aims to deliver satisfactory results to shareholders by continuing to stringently control costs and enhancing production efficiency.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2010, the Group has current assets of HK$472.6 million and current liabilities of HK$216.9 million. The current ratio was 2.18 (31 March 2010: 2.57).

Bank borrowings were HK$53.7 million as at 30 September 2010 (31 March 2010: HK$34.6 million). The increase is mainly due to the draw down of a long term loan during the period. Gearing ratio (calculated by dividing total bank borrowings by total equity) was 14.9% (31 March 2010: 10.5%). The Group maintained a net cash balance of HK$87.1 million as at the balance sheet date (31 March 2010: HK$92.8 million).

As at 30 September 2010, the Group had aggregate facilities of approximately HK$461.5 million (31 March 2010: HK$432.2 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$396.1 million (31 March 2010: HK$393.3 million).

The Group generally finances its operations by internally generated resources and bank facilities provided by its principal bankers in Hong Kong. Banking facilities used by the Group include revolving loans, trust receipt loans, overdrafts 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 Renminbi, 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 six months ended 30 September 2010.

During the six months ended 30 September 2010, the Group has entered into several foreign exchange contracts to hedge the currency translation risk of Renminbi 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 30 September 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$27.5 million (31 March 2010: HK$28.9 million) for financing the acquisition of the office premise and car parking spaces. Other than the said mortgage loan, the Group did not pledge any of its assets as securities for the banking facilities granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2010, the Group had no outstanding capital commitment (31 March 2010: nil). Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2010 amounted to HK$65.4 million (31 March 2010: HK$39.0 million) and the Group did not have any significant contingent liability.

HUMAN RESOURCES

As at 30 September 2010, the Group employed 2,040 employees, of which 56 were based in Hong Kong and Macao while the rest were 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 period. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the period.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code of provisions as set out in the Appendix 14 "Code of Corporate Governance Practices" to the Listing Rules (the "Code") throughout the period, except the deviation from the code provision A.2.1. According to the code provision A.2.1 of the Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Up to the date of this interim report, the Company 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 consider appointing an individual as Chief Executive Officer when it thinks appropriate.

COMPLIANCE WITH THE MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 September 2010.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed, among other things, the internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 September 2010.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5.0 cents per share for the six months ended 30 September 2010 (2009: HK4.0 cents) payable to shareholders whose names appear on the register of shareholders of the Company on 15 December 2010. The interim dividend will be paid on or before 23 December 2010.

CLOSURE OF REGISTER

The register of shareholders of the Company will be closed from 13 December 2010 to 15 December 2010 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 December 2010 for registration.

PUBLICATION OF INTERIM 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 Interim 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, 25 November 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.