



SUGA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 912

Systematic Management

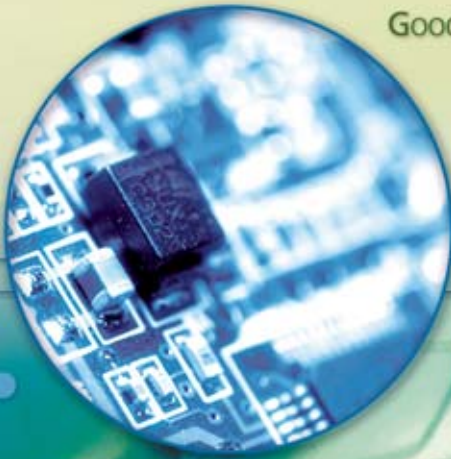


Understanding of
Customers' Requirements

Good Quality



Advanced Technology



INTERIM REPORT
2007/2008

Corporate Information

Board of Directors

Executive

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

Independent Non-executive

Professor Wong Sook Leung, Joshua
Mr. Murase Hiroshi
Mr. Leung Yu Ming, Steven

Company Secretary

Mr. Huen Po Wah

Audit Committee

Professor Wong Sook Leung, Joshua
Mr. Murase Hiroshi
Mr. Leung Yu Ming, Steven

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Legal Advisers

Mallesons Stephen Jaques

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
Bangkok Bank Public Company Limited

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

Public Relations Consultant

Strategic Financial Relations Limited
Unit A
29th Floor
Admiralty Centre I
18 Harcourt Road
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Stock code: 912

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CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the interim results of Suga International Holdings Limited (the "Company") and its subsidiaries ("SUGA" or the "Group") for the six months period ended 30 September 2007.

Financial Performance

SUGA recorded a turnover of approximately HK\$343.3 million for the period, compared to HK\$331.0 million for the corresponding period last year. We were able to grow turnover by 3.7% despite a substantial drop in orders from a major networking products customer in China because our consumer electronic appliances business had notable success with new product launches.

Applying effective cost control measures, the Group's gross profit grew to HK\$45.0 million from HK\$42.8 million in the same period last year. Gross profit margin was 13.1% (2006: 12.9%). With increased contributions from higher profit margin businesses and significantly reduced interest expenses, profit attributable to shareholders surged by 110.5% to HK\$9.7 million (2006: HK\$4.6 million). Net profit margin was 2.8% (2006: 1.4%). Basic earnings per share were HK4.2 cents (2006: HK2.0 cents).

Interim Dividend

The Board has resolved to declare payment of an interim dividend of HK1.0 cent per share for the period (2006: HK0.5 cent) payable to shareholders whose names appear on the register of members of the Company on 3 January 2008. The interim dividend will be paid on or before 16 January 2008. This dividend represents approximately 23.7% of the net profit of SUGA for the first half of the fiscal year.

Business Overview

Consumer Electronic Appliances

Sales from the consumer electronic appliances business grew to HK\$268.1 million, up 8.1% compared with the same period last year and accounted for 78.1% of the Group's total revenue. This segment remained as our major source of revenue.

As for the more matured products, pet training devices continued to deliver steady income and satisfactory gross margin. It continued to be the major revenue contributor in the segment.

We continued to actively expand our customer base and diversify our product portfolio. Since the last fiscal year, the Group has started manufacturing interactive educational products and bluetooth headsets for two new European customers. Revenue from these two customers grew significantly during the review period against the corresponding period last year. We are confident of our ability to capture more orders in the second half of the fiscal year. These products have higher margins and will help increase SUGA's overall profitability.

CHAIRMAN'S STATEMENT

During the review period, we also secured a new Australian customer who is a world leader in the development and supply of integrated fare management and software systems, smart card systems and services for the transit industry. The Group finished product testing and trial run of electronic ticket processors during the period under review and the first batch of such processors was shipped in September 2007.

Telecommunication Products

Total sales of telecommunication products amounted to HK\$75.1 million, a decline of 9.5% compared with the last corresponding period, accounting for 21.9% of the Group's total revenue. Excluding sales from a networking product customer in the same period last year, which sold a significant portion of its business to another leading networking product provider in China in June 2006, the sales of other products from this segment actually increased by 24.2%.

The segment's performance was braced mainly by several Japanese customers ordering networking products, key telephone systems and voice-over-internet-protocol ("VoIP") phones from the Group. The latter two products had satisfactory growth in sales during the review period.

Prospects

Looking ahead, we will continue to provide the best products, services and support to our customers. The Group's quality services have continued to bring accolades. In October 2007, SUGA was recognised as "The Best Vendor for Brookstone 2007" for its efficient, timely and high volume product delivery. In the same month, SUGA received certification under the Hong Kong Green Mark Certification Scheme recognising its relentless efforts in implementing effective environmental protection measures.

Taking into account the improving economy, demand for consumer electronic appliances will remain strong in the foreseeable future. Pet training devices will see organic growth. Orders from the two European customers for interactive educational products and bluetooth headsets with higher profit margins will be our key revenue drivers. Furthermore, as shipment of electronic ticket processors has commenced in September 2007, more meaningful contributions from the product will be reflected in the second half of the fiscal year.

Applying its strong research and development expertise, the Group will explore ways to offer tailor-made Original Design Manufacturing ("ODM") services and secure new customers with products that have niche advantages and good growth potential.

Moving forward, by focusing on high margin businesses, we are confident of enhancing our competitiveness and profitability. The Group will continue to explore business opportunities with new customers and at the same time remain open to opportunities for potential mergers and acquisitions to accelerate growth. With clear goal to widen our customer base with high growth and distinctive competitiveness, we will strive to bring ample rewards to our shareholders.

CHAIRMAN'S STATEMENT

Appreciation

Finally, on behalf of SUGA, I would like to extend my heartfelt appreciation to the management team and our staff for the efforts and contributions they made during the review period. My thanks also go to our business associates, customers and shareholders for their continuous support.

On behalf of the Board of Directors,

Ng Chi Ho

Chairman

Hong Kong, 12 December 2007



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

For the six months ended 30 September 2007, the Group recorded total revenue of approximately HK\$343.3 million, an increase of 3.7% as compared to corresponding period last year. The increase was mainly due to the steady upward growth of sales of Interactive Educational Products and bluetooth headsets to two European customers, which the Group won in fiscal year 2006/07.

In term of products, consumer electronic appliances remained as the major income source of the Group. This segment achieved sales growth of 8.1% to reach HK\$268.1 million, which accounted for 78.1% of the Group's total revenue. Sales of pet training devices remain healthy and accounted for 39.2% of this segment's total sales for the six months period under review. Sales of interactive educational products and bluetooth headsets, has contributed a total of 23.0% to this segment and expected to become more significant in the second half of the fiscal year 2007/08. For digital Audio-Visual ("AV") products, the Group had stopped all trading business of digital AV products since July 2006 and is now focused on producing digital photo album on ODM basis. As the sales of digital photo albums was not significant during the period under review as compared with the Group's total revenue, the sales of digital AV products was grouped under the segment of consumer electronic appliances starting this fiscal year.

Geographically, Asia Pacific Region became the major market of the Group with the sales growth of 3.0% during the period under review, which accounted for 39.9% of the Group's total revenue. Sales to United States has dropped slightly to HK\$124.6 million, representing 36.3% of the Group's revenue, down from 41.5% for the corresponding period last year. With the steady growth of sales of interactive educational products and bluetooth headsets to the two new European customers, revenue of Europe market has boosted 341.0% to HK\$65.1 million, representing 19.0% of the Group's total revenue.

Profit Attributable to Equity Holders of the Company

Despite continuous increase in labour and material costs, and appreciation in Renminbi, the Group still managed to improve its gross profit margin from 12.9% to 13.1% during the period under review. The Group's gross profit was up by 5.0% to HK\$45.0 million. The increase in gross profit was mainly due to the Group's strategy to shift resources to higher margin products such as pet training devices, interactive educational products, bluetooth headsets and ODM basis digital AV products.

Operating profit was HK\$11.5 million, compared with HK\$8.6 million of the corresponding period last year, an increased of HK\$2.9 million. Of which, HK\$2.2 million was attributed by increase in revenue and the remaining HK\$0.7 million mainly representing net effect of decrease in advertising and promotion expenses and the increased in general and administrative expenses such as rents and staff costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs for the period dropped significantly by 69.4% to HK\$1.5 million from HK\$5.0 million as compared to corresponding period last year. The significant decrease was mainly attributable to better fund control by the management and dropped in interest rate, the Group's gearing ratio remains at a safety level of 19.4% and maintained a net cash position of 9.3 million as at 30 September 2007.

As a result of the aforementioned factors, the Group's profit attributable to equity holders for the period was approximately HK\$9.7 million, an increase of 110.5% from HK\$4.6 million in same period last year.

Liquidity and Financial Resources

As at 30 September 2007, net current assets of the Group maintained at a healthy level of approximately HK\$188.5 million with a liquidity ratio of 2.35, up from 2.12 as at 31 March 2007. Gearing ratio (calculated by dividing total bank borrowings by total equity) remains at a safety level of 19.4% slightly increased from 17.5% as at 31 March 2007. However, the Group was able to maintain a net cash position of HK\$9.3 million as at the balance sheet date, an increased of HK\$6.1 million as compared to net cash of HK\$3.2 million as at 31 March 2007.

As at 30 September 2007, the Group had aggregate facilities of approximately HK\$372.6 million (As at 31 March 2007: HK\$366.0 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$253.0 million (As at 31 March 2007: HK\$266.6 million).

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

Capital Expenditures

The Group's total capital expenditures for the period under review was HK\$1.5 million of which mainly comprised investment in machineries and equipment for Green manufacturing.

Foreign Exchange Exposure

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies principally in Hong Kong dollars ("HKD"), United States Dollars ("USD") or Renminbi ("RMB"). As USD is pledged to HKD, the Group does not expect any significant movements in the USD/HKD exchange rate.

MANAGEMENT DISCUSSION AND ANALYSIS

As all of the Group's production plants are based in the People's Republic of China, most wages and salaries and manufacturing overheads are mainly denominated in RMB. The continued appreciations of RMB since July 2005 inevitably increase our production costs. However, the Group does not expect the appreciation or depreciation of the Renminbi might materially affect the Group's result of operations. The Group did not employ any financial instruments for hedging purposes. However management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimise the currency translation risk.

Pledge of Assets

As at 30 September 2007, the Group did not pledge any of its assets (2006: nil) as securities for generating banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

As at 30 September 2007, the Group had an outstanding capital commitment of approximately HK\$15.9 million for investment in the PRC subsidiaries. Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2007 amounted to HK\$108.1 million (At 31 March 2007: HK\$90.6 million) and the Group did not have any other contingent liabilities.

Human Resources

As at 30 September 2007, the Group had approximately 2,055 employees, of which 72 were based in Hong Kong and Macao and the rest were mainly in the PRC. 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 that is valid and effective for a period of 10 years from the adoption date. The principal terms of share option scheme are as disclosed in the Company's 2006/07 Annual Report.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK1.0 cent per share for the six months ended 30 September 2007 (2006: HK0.5 cent) payable to shareholders whose names appear on the register of members of the Company on 3 January 2008. The interim dividend will be paid on or before 16 January 2008.

Closure of Register

The register of members of the Company will be closed from 2 January 2008 to 3 January 2008 (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 Monday, 31 December 2007 for registration.

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 Mr. 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.

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 2007.

Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

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 financial information for the six months ended 30 September 2007.

OTHER INFORMATION

Directors' Interests in Shares

As at 30 September 2007, the interests and the short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Long position

(a) Interests in shares and underlying shares of the Company

Name of Director	Number of ordinary shares of HK\$0.1 each						Percentage of issued ordinary share capital	Number of underlying shares held under equity derivatives (Note 1)
	Personal interests	Corporate interests	Family interest	Trust/similar interest	Other interest	Total interests		
Mr. Ng Chi Ho	4,000,000	39,608,000 (Note 2)	100,000,000 (Note 3)	-	-	143,608,000	62.24%	2,000,000
Mr. Ma Fung On	730,000	9,000,000 (Note 4)	-	-	-	9,730,000	4.22%	4,070,000
Mr. Wong Wai Lik, Lamson	500,000	-	-	-	-	500,000	0.22%	4,300,000
Professor Wong Sook Leung, Joshua	-	-	-	-	-	-	-	500,000
Mr. Murase Hiroshi	-	-	-	-	-	-	-	500,000

OTHER INFORMATION

Notes:

1. These represent the interests in underlying shares in respect of the share opinions granted by the Company, the details of which are set out in the sub-section "Share Option Scheme".
2. 39,608,000 shares are held by Billion Linkage Limited, the entire issued shares of which is held by Mr. Ng Chi Ho and his spouse in equal share.
3. 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.
4. 9,000,000 Shares are held by Global Class Enterprises Limited, the entire issued shares of which is held by Mr. Ma Fung On.

(b) *Interests in shares of the Company's associated corporation*

As at 30 September 2007, each of Mr. Ng Chi Ho and Mr. Ma Fung On held the following non-voting deferred shares of HK\$1 each in Suga Electronics Limited, a wholly owned subsidiary of the Company.

Name of shareholder	Number of non-voting deferred shares
Mr. Ng Chi Ho (Note 1)	3,680,000
Mr. Ma Fung On (Note 1)	240,000

Notes:

1. The 4,000,000 non-voting deferred shares in Suga Electronics Limited are held as to 80% by Essential Mix Enterprises Limited and 20% by Broadway Business Limited. Mr. Ng Chi Ho and Mr. Ma Fung On hold 92% and 6% interests in each of Essential Mix Enterprises Limited and Broadway Business Limited respectively.
2. 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 shares has been distributed to the holders of ordinary shares.

Save as disclosed above and under the "Share Option Scheme", none of the above Directors of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations as defined in the SFO as at 30 September 2007.

OTHER INFORMATION

Information of Share Option Scheme

The Company has a share option scheme adopted on 17 September 2002 (the "Share Option Scheme"), under which it may grant options to eligible participants (including Directors of the Company) to subscribe for shares in the Company.

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.

The principal terms of the Share Option Scheme are as disclosed in the Company's 2006/07 Annual Report.

Details of the shares option movements during the period ended 30 September 2007 under the Share Option Scheme are as follows:

	Number of share options				Outstanding at 30 September 2007	Exercise price (HK\$)	Date of grant	Exercisable Period
	Outstanding at 1 April 2007	Granted during the period	Exercised during the period	Lapsed during the period				
Mr. Ng Chi Ho	2,000,000	-	-	-	2,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Mr. Ma Fung On	1,070,000	-	-	-	1,070,000	1.230	5 May 2003	5 May 2003 – 4 May 2008
	1,000,000	-	-	-	1,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000	-	-	-	2,000,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Mr. Wong Wai Lik, Lamson	1,300,000	-	-	-	1,300,000	1.230	5 May 2003	5 May 2003 – 4 May 2008
	1,000,000	-	-	-	1,000,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	2,000,000	-	-	-	2,000,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Professor Wong Sook Leung Joshua	500,000	-	-	-	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Mr. Murase Hiroshi	500,000	-	-	-	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
Continuous contract employees	2,410,000	-	-	-	2,410,000	1.230	5 May 2003	5 May 2003 – 4 May 2008
	800,000	-	-	-	800,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	4,100,000	-	800,000 (Note 1)	-	3,300,000	0.436	23 March 2007	23 March 2007 – 22 March 2012
Others	1,800,000 (Note 2)	-	-	-	1,800,000	1.230	5 May 2003	5 May 2003 – 4 May 2008
	500,000 (Note 3)	-	-	-	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	<u>20,980,000</u>	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>20,180,000</u>			

OTHER INFORMATION

Notes:

1. During the financial year, the weighted average closing price of the Company's share immediately before the date (19 April 2007), on which 300,000 share options were exercised was HK\$0.526. The weighted average closing price of the Company's share immediately before the date (12 June 2007), on which 200,000 share options were exercised was HK\$0.602. The weighted average closing price of the Company's share immediately before the date (23 July 2007), on which 300,000 share options were exercised was HK\$0.758.
2. The 1,800,000 share options are held by Mr. Fung Chi Leung, Mark who resigned as director of the Company on 31 October 2004.
3. The 500,000 share options are held by Mr. Kyle Arnold Shaw, Jr. who resigned as director of the Company on 31 October 2005.

Substantial Shareholders

As at 30 September 2007, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which disclosure to the Company was required under the provisions of Divisions 2 and 3 Part XV of the SFO and which record had been entered in the register kept by the Company pursuant to the section 336 of the SFO.

Name of Shareholder	Number of Ordinary Shares	Percentage
Superior View Inc. (Note 1)	100,000,000	43.34%
Billion Linkage Limited (Note 2)	39,608,000	17.17%
Shaw, Kwei & Partners (Asia) Ltd (Note 3)	12,500,000	5.42%

Notes:

1. The entire issued share capital of Superior View Inc. is ultimately held by Fidelitycorp Limited as 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 shares and, as such, Mr. Ng Chi Ho is deemed to be interested in all the shares held by Billion Linkage Limited under the SFO.
3. The interests in the 12,000,000 shares are held by Shaw, Kwei & Partners (Asia) Limited as a general partner of the Asian Value Investment Fund L.P. The entire issued share capital of Shaw, Kwei & Partners (Asia) Limited is held by Mr. Kyle Arnold Shaw, Jr..

Save as disclosed above, as far as is known to the Directors, there is no person, other than the Directors and chief executives of the Company, who has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision 2 and 3 of Part XV of the SFO as at 30 September 2007.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Six months ended 30 September	
		2007	2006
	Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	343,254	330,989
Cost of sales	5	<u>(298,244)</u>	<u>(288,141)</u>
Gross profit		45,010	42,848
Other income		86	413
Distribution and selling expenses	5	(9,226)	(10,945)
General and administrative expenses	5	<u>(24,350)</u>	<u>(23,678)</u>
		11,520	8,638
Finance income	6	157	700
Finance costs	6	<u>(1,540)</u>	<u>(5,040)</u>
Finance costs – net	6	<u>(1,383)</u>	<u>(4,340)</u>
Profit before income tax		10,137	4,298
Income tax (expense)/credit	7	<u>(409)</u>	<u>324</u>
Profit for the period		<u>9,728</u>	<u>4,622</u>
Earnings per share for profit attributable to equity holders of the Company during the period			
– Basic (HK cents)	8	4.22	2.03
– Diluted (HK cents)	8	<u>4.17</u>	<u>2.03</u>
Interim dividend	9	<u>2,307</u>	<u>1,140</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		As at 30 September 2007	As at 31 March 2007
	Note	HK\$'000 (unaudited)	HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	70,340	78,028
Land use rights	11	4,437	4,443
Goodwill	12	1,059	1,059
Deferred income tax assets		<u>3,131</u>	<u>3,063</u>
		78,967	86,593
Current assets			
Inventories		124,933	130,210
Trade and other receivables	13	144,315	119,902
Tax recoverable		1,194	577
Cash and cash equivalents		<u>57,506</u>	<u>45,099</u>
		<u>327,948</u>	<u>295,788</u>
Total assets		<u>406,915</u>	<u>382,381</u>
LIABILITIES			
Current liabilities			
Bank borrowings	14	33,547	41,658
Trade and other payables	16	80,358	76,058
Finance lease liabilities	14	79	77
Bank advances for factored receivables		11,700	8,602
Income tax payable		<u>13,807</u>	<u>13,243</u>
		<u>139,491</u>	<u>139,638</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		As at 30 September 2007	As at 31 March 2007
	Note	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current liabilities			
Bank borrowings	14	14,545	–
Finance lease liabilities	15	83	123
Deferred income tax liabilities		<u>3,778</u>	<u>3,902</u>
		<u>18,406</u>	<u>4,025</u>
Total liabilities		<u>157,897</u>	<u>143,663</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	17	23,074	22,994
Other reserves		83,470	78,442
Retained earnings			
– Proposed dividend		2,307	4,609
– Others		<u>140,167</u>	<u>132,673</u>
Total equity		<u>249,018</u>	<u>238,718</u>
Total equity and liabilities		<u>406,915</u>	<u>382,381</u>
Net current assets		<u>188,457</u>	<u>156,150</u>
Total assets less current liabilities		<u>267,424</u>	<u>242,743</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007 (Unaudited)

	Share capital	Share premium	Capital reserves	Share-based compensation reserves	Exchange reserves	Retained earning	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2007	22,994	54,187	10,591	747	12,917	137,282	238,718
Exchange difference arising on translation of the accounts of a foreign subsidiary	-	-	-	-	4,832	-	4,832
Profit attributable to the equity holders of the Company	-	-	-	-	-	9,728	9,728
Total recognised income for the period ended							
30 September 2007	22,994	54,187	10,591	747	17,749	147,010	253,278
Exercise of share options	80	269	-	(73)	-	73	349
Dividend paid	-	-	-	-	-	(4,609)	(4,609)
As at 30 September 2007	<u>23,074</u>	<u>54,456</u>	<u>10,591</u>	<u>674</u>	<u>17,749</u>	<u>142,474</u>	<u>249,018</u>
Representing:							
Proposed dividend						2,307	
Others						140,167	
						<u>142,474</u>	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006 (Unaudited)

	Attributed to equity holders of the Company					
	Share capital	Share premium	Exchange reserves	Capital reserves	Retained earning	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2006	22,794	53,515	5,773	10,591	126,184	218,857
Exchange difference arising on translation of the accounts of a foreign subsidiary	-	-	24	-	-	24
Profit attributable to the equity holders of the Company	-	-	-	-	4,622	4,622
As at 30 September 2006	<u>22,794</u>	<u>53,515</u>	<u>5,797</u>	<u>10,591</u>	<u>130,806</u>	<u>223,503</u>
Representing:						
Proposed dividend					1,140	
Others					<u>129,666</u>	
					<u>130,806</u>	

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	9,226	49,503
Net cash used in investing activities	(1,356)	(1,402)
Net cash generated from/(used in) financing activities	<u>596</u>	<u>(59,873)</u>
Net increase/(decrease) in cash and cash equivalents	8,466	(11,772)
Effect of foreign exchange rate changes	3,941	20
Cash and cash equivalents, beginning of period	<u>45,099</u>	<u>62,899</u>
Cash and cash equivalents, end of period	<u>57,506</u>	<u>51,147</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Suga International Holdings Limited (“the Company”) and its subsidiaries and an associate (together, “the Group”) are principally engaged in the research and development, manufacturing and sales of electronic products. The Group has operations mainly within Hong Kong, Mainland China and Macao.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved on 12 December 2007.

2. Basis of preparation

These unaudited condensed consolidated financial information for the six months ended 30 September 2007 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 (“the HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the Listing Rules). These condensed consolidated interim financial information should be read in conjunction with the 2006/07 annual financial statements.

3. Accounting policies

The principal accounting policies and method of computation used in the preparation of these unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 March 2007 except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs which are effective from accounting periods beginning on or after 1 April 2007 and relevant to its operations as set out below.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transfer

The adoption of the above new standard, amendment and interpretations has no material impact on the condensed consolidated interim financial information of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies *(Continued)*

The following new standards and interpretations have been issued by HKICPA but are not effective for financial year ending 31 March 2008 and have not been early adopted:

HKFRS 8	Operating Segments
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKAS 23 (Revised)	Borrowing Costs

The Group has already commenced an assessment of their impact but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

4. Segmental information

(a) Primary reporting format – business segments

	Six months ended 30 September 2007		
	Consumer electronic appliances and other products	Tele- communication products	Total
	HK\$'000	HK\$'000	HK\$'000
Total segment revenue	<u>268,111</u>	<u>75,143</u>	<u>343,254</u>
Segment results	<u>10,502</u>	<u>932</u>	11,434
Other income			86
Finance income			157
Finance costs			(1,540)
Income tax expense			<u>(409)</u>
Profit for the period			<u>9,728</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segmental information *(Continued)*

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

Six months ended 30 September 2006

	Consumer electronic appliances and other products HK\$'000	Tele- communication products HK\$'000	Total HK\$'000
Total segment revenue	<u>247,935</u>	<u>83,054</u>	<u>330,989</u>
Segment results	<u>8,872</u>	<u>(647)</u>	8,225
Other income			413
Finance income			700
Finance costs			(5,040)
Income tax credit			<u>324</u>
Profit for the period			<u>4,622</u>

(b) Secondary reporting format – geographical segments

Six months ended 30 September

	2007		2006	
	Revenue HK\$'000	Segment results HK\$'000	Revenue HK\$'000	Segment results HK\$'000
Asian Pacific Region (excluding the PRC)	136,810	838	132,875	(2,983)
The United States of America	124,601	9,459	137,296	11,795
Europe	65,134	1,034	14,765	400
The PRC	<u>16,709</u>	<u>103</u>	<u>46,053</u>	<u>(987)</u>
	<u>343,254</u>	<u>11,434</u>	<u>330,989</u>	<u>8,225</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Expenses by nature

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

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Cost of inventories	264,617	252,275
Staff costs, including directors' emoluments	33,482	33,119
Depreciation of property, machinery and equipment		
– owned assets	10,252	9,640
– assets held under finance leases	42	773
Amortisation of land use rights	64	62
Provision for impairment of trade receivables	369	–
Provision for obsolete and slow-moving inventories	16	–
Written back of obsolete and slow-moving inventories	–	(87)
Other expenses	22,978	26,982
	<u>331,820</u>	<u>322,764</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u>331,820</u>	<u>322,764</u>

6. Finance costs

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Interest on:		
– bank borrowings wholly repayable within five years	(1,536)	(5,018)
– finance leases liabilities	(4)	(22)
	<u>(1,540)</u>	<u>(5,040)</u>
Finance costs	(1,540)	(5,040)
Finance income	157	700
	<u>(1,383)</u>	<u>(4,340)</u>
Finance costs – net	<u>(1,383)</u>	<u>(4,340)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	492	200
– Income tax outside Hong Kong	110	263
	<u>602</u>	<u>463</u>
Deferred income tax relating to the origination and reversal of temporary differences	(193)	(787)
	<u>409</u>	<u>(324)</u>

8. 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 period.

	Six months ended	
	30 September	
	2007	2006
Profit attributable to equity holders of the Company (HK\$'000)	9,728	4,622
Weighted average number of ordinary shares in issue ('000)	230,444	227,940
Basic earnings per share (HK cents)	<u>4.22</u>	<u>2.03</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. Earnings Per Share (Continued)

(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 annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 September 2007
Profit attributable to equity holders of the Company (HK\$'000)	9,728
Weighted average number of ordinary shares in issue ('000)	230,444
Adjustments for share options ('000)	2,827
Weighted average number of ordinary shares for diluted earnings per share ('000)	233,271
Diluted earnings per share (HK cents)	<u>4.17</u>

Diluted earnings per share is the same as basic earnings per share for the six months ended 30 September 2006 as the outstanding options are anti-dilutive.

9. Interim dividend

The Board has resolved to declare payment of an interim dividend of HK1.0 cent per share for the six months ended 30 September 2007 (2006: HK0.5 cent) payable to shareholders whose names appear on the register of members of the Company on 3 January 2008. The interim dividend will be paid on or before 16 January 2008.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. Property, plant and equipment

	HK\$'000
Six months ended 30 September 2007:	
Opening net book amount as at 1 April 2007	78,028
Additions	1,513
Exchange differences	1,093
Depreciation	<u>(10,294)</u>
Closing net book amount as at 30 September 2007	<u>70,340</u>
Six months ended 30 September 2006:	
Opening net book amount as at 1 April 2006	94,115
Additions	2,102
Disposals	(6)
Exchange differences	4
Depreciation	<u>(10,413)</u>
Closing net book amount as at 30 September 2006	<u>85,802</u>

11. Land use rights

	HK\$'000
Six months ended 30 September 2007:	
Opening net book amount as at 1 April 2007	4,443
Amortisation	(64)
Exchange differences	<u>58</u>
Closing net book amount as at 30 September 2007	<u>4,437</u>
Six months ended 30 September 2006:	
Opening net book amount as at 1 April 2006	4,505
Amortisation	<u>(62)</u>
Closing net book amount as at 30 September 2006	<u>4,443</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. Goodwill

Movements of goodwill during the period are as follows:

	HK\$'000
Six months ended 30 September 2006:	
Net book amount as at 1 April and 30 September 2006	<u>1,059</u>
At 30 September 2006	
Cost	1,059
Accumulated depreciation	<u>—</u>
Net book amount	<u>1,059</u>
Six months ended 30 September 2007:	
Net book amount as at 1 April and 30 September 2007	<u>1,059</u>
At 30 September 2007	
Cost	1,059
Accumulated depreciation	<u>—</u>
Net book amount	<u>1,059</u>

13. Trade and other receivables

	As at 30 September 2007	As at 31 March 2007
	HK\$'000	HK\$'000
Trade receivables	136,718	119,546
Less: Provision for impairment	<u>(9,648)</u>	<u>(9,224)</u>
Trade receivables, net	127,070	110,322
Prepayment, deposits and other receivables	<u>17,245</u>	<u>9,580</u>
	<u>144,315</u>	<u>119,902</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. Trade and other receivables (Continued)

The ageing analysis of trade receivables is as follows:

	As at 30 September 2007	As at 31 March 2007
	HK\$'000	HK\$'000
0 to 30 days	100,659	98,840
31 to 60 days	12,367	4,941
61 to 90 days	9,368	1,950
91 to 180 days	3,834	4,416
Over 180 days	<u>10,490</u>	<u>9,399</u>
	136,718	119,546
Less: Provision for impairment	<u>(9,648)</u>	<u>(9,224)</u>
Trade receivables, net	<u>127,070</u>	<u>110,322</u>

At 30 September 2007, a subsidiary of the Company had factored trade receivables of approximately HK\$11,700,000 (As at 31 March 2007: HK\$8,602,000) (the "Factored Receivables") to banks on a non-recourse basis for cash under certain receivables purchase agreements. As the subsidiary of the Company still retained the risks and rewards associated with the delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of trade receivables have been accounted for as the Group's liabilities and included in "Bank advances for factored receivables".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. Bank borrowings

	As at 30 September 2007 HK\$'000	As at 31 March 2007 HK\$'000
Non-current		
Bank borrowings	<u>14,545</u>	<u>–</u>
Current		
Current portion of long-term bank borrowings	5,455	–
Trust receipt bank loans	11,692	12,958
Other bank borrowings	<u>16,400</u>	<u>28,700</u>
	<u>33,547</u>	<u>41,658</u>
Total borrowings	<u>48,092</u>	<u>41,658</u>

The maturity of borrowings is as follows:

	As at 30 September 2007 HK\$'000	As at 31 March 2007 HK\$'000
Within one year	33,547	41,658
In the second to fifth year	<u>14,545</u>	<u>–</u>
	<u>48,092</u>	<u>41,658</u>

At 30 September 2007, the Group has aggregate banking facilities of approximately HK\$372,562,000 (As at 31 March 2007: HK\$366,000,000) for overdrafts, loans and trade financing.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. Bank borrowings (Continued)

Unused facilities at the same date amounted to approximately HK\$252,645,000 (As at 31 March 2007: HK\$266,562,000). Certain of these facilities are secured by:

- (i) certain inventories held under trust receipts bank loans arrangements.
- (ii) corporate guarantee provided by the Company and certain of its subsidiaries.

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

15. Finance lease liabilities

At 30 September 2007, the Group's finance lease liabilities were repayable as follows:

	As at 30 September 2007 HK\$'000	As at 31 March 2007 HK\$'000
Within one year	85	85
In the second to fifth year	<u>85</u>	<u>127</u>
	170	212
Less: future finance charges on finance leases	<u>(8)</u>	<u>(12)</u>
	162	200
Less: current portion	<u>(79)</u>	<u>(77)</u>
	<u>83</u>	<u>123</u>

The present value of finance lease liabilities is as follows:

	2007 HK\$'000	2006 HK\$'000
Within one year	79	77
In the second to fifth year	<u>83</u>	<u>123</u>
	<u>162</u>	<u>200</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. Trade and other payables

	As at 30 September 2007	As at 31 March 2007
	HK\$'000	HK\$'000
0 to 30 days	57,486	54,186
31 to 60 days	9,226	8,849
61 to 90 days	2,184	234
91 to 180 days	1,862	1,712
Over 180 days	<u>1,229</u>	<u>380</u>
Trade payables	71,987	65,361
Accruals and other payables	<u>8,371</u>	<u>10,697</u>
	<u>80,358</u>	<u>76,058</u>

17. Share Capital

	Number of shares	Nominal value
	'000	HK\$'000
Authorised – ordinary shares of HK\$0.1 each	<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid – ordinary shares of HK\$0.1 each		
At 1 April 2006	227,940	22,794
Issue of shares upon exercise of share options	<u>2,000</u>	<u>200</u>
At 31 March 2007	<u>229,940</u>	<u>22,994</u>
At 1 April 2007	229,940	22,994
Issue of shares upon exercise of share options	<u>800</u>	<u>80</u>
At 30 September 2007	<u>230,740</u>	<u>23,074</u>

18. Contingent liabilities

As at 30 September 2007, the Group's contingent liabilities had not changed significantly from the last year-end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. Commitments

(a) Operating lease commitments

The Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	As at 30 September 2007	As at 31 March 2007
	HK\$'000	HK\$'000
Not later than one year	2,062	1,940
Later than one year and not later than five years	<u>298</u>	<u>964</u>
	<u>2,360</u>	<u>2,904</u>

The Group did not have any significant commitments as at 30 September 2007 (As at 31 March 2007: nil).

(b) Capital commitments

	As at 30 September 2007	As at 31 March 2007
	HK\$'000	HK\$'000
Contracted but not provided for	<u>15,932</u>	<u>18,382</u>

The Company did not have any significant commitments as at 30 September 2007 (As at 31 March 2007: nil).

Note: The balance of contracted but not provided for represents amount committed for investments in the PRC subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20. Related Party Transactions

(a) During the period, the Group has the following related party transactions:

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Technical consultancy fee paid to Micom Tech Limited (Note 1)	–	200
License fee paid to Micom Tech Limited (Note 1)	–	206
Sales of electronics products to an associated company	–	226
	–	226

Notes:

1. Mr. Ng Chi Ho, a director of the Company, holds interests and is a director of Micom Tech Limited;
2. In the opinion of the Company's Directors, the above transactions were carried out in the normal course of the Group's business, and conducted at terms mutually agreed by the respective parties.

(b) Key management compensation

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	3,966	4,025
Post-employment benefits	240	247
	4,206	4,272