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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 UNAUDITED INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 SEPTEMBER 2012**

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$628.3 million (2011: HK\$637.5 million)
- Gross profit was HK\$83.4 million (2011: HK\$86.4 million)
- Profit attributable to Owners of the Company was HK\$49.5 million (2011: HK\$48.0 million)
- Basic earnings per share was HK18.19 cents (2011: HK17.66 cents)
- The Board proposed an interim dividend of HK7.0 cents per share (2011: HK7.0 cents)

INTERIM RESULTS

The Board of Directors (the “Board”) of Suga International Holdings Limited (the “Company”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together “SUGA” or the “Group”) for the six months ended 30 September 2012:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

		Six months ended 30 September	
	Note	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	3	628,301	637,470
Cost of sales	5	<u>(544,912)</u>	<u>(551,044)</u>
Gross profit		83,389	86,426
Other income		296	568
Other gains/(losses), net	4	11,083	(1,903)
Distribution and selling expenses	5	(9,945)	(7,004)
General and administrative expenses	5	<u>(33,278)</u>	<u>(26,130)</u>
Operating profit		<u>51,545</u>	<u>51,957</u>
Finance income	6	1,741	1,204
Finance costs	6	<u>(736)</u>	<u>(465)</u>
Finance income – net	6	<u>1,005</u>	<u>739</u>
Share of loss of associates		<u>(349)</u>	<u>-</u>
Profit before income tax		52,201	52,696
Income tax expense	7	<u>(2,771)</u>	<u>(4,660)</u>
Profit for the period		<u>49,430</u>	<u>48,036</u>
Attributable to:			
Owners of the Company		49,528	48,036
Non-controlling interests		<u>(98)</u>	<u>-</u>
		<u>49,430</u>	<u>48,036</u>
Earnings per share for profit attributable to the owners of the Company during the period			
– Basic (HK cents)	8	<u>18.19</u>	<u>17.66</u>
– Diluted (HK cents)	8	<u>18.16</u>	<u>17.61</u>
Interim dividend	9	<u>19,061</u>	<u>19,061</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	49,430	48,036
Other comprehensive income:		
Exchange reserve released upon disposal of a foreign subsidiary	-	(429)
Fair value loss on available-for-sale financial assets	-	(1,434)
Other comprehensive loss for the period, net of tax	-	(1,863)
Total comprehensive income for the period	49,430	46,173
Attributable to:		
Owners of the Company	49,528	46,173
Non-controlling interests	(98)	-
	49,430	46,173

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2012

	<i>Note</i>	As at 30 September 2012 HK\$'000 (Unaudited)	As at 31 March 2012 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		113,950	116,678
Land use rights		57,575	4,159
Intangible assets		23,623	-
Goodwill		3,949	1,059
Interests in associates		1,384	1,733
Interest in a jointly controlled entity		-	-
Amount due from an associate		267	267
Long-term loan receivable	<i>10</i>	16,250	16,250
Available-for-sale financial assets		2,679	2,679
Financial assets at fair value through profit or loss		6,993	6,993
Bonds investments		7,712	9,109
Deferred income tax assets		2,938	3,665
		237,320	162,592
Current assets			
Inventories		150,145	160,230
Trade and other receivables	<i>10</i>	189,835	156,417
Financial assets at fair value through profit or loss		7,698	7,762
Bonds investments		1,399	5,165
Tax recoverable		400	400
Amount due from a jointly controlled entity		-	30,083
Derivative financial instruments		950	853
Cash and cash equivalents		159,449	143,959
		509,876	504,869
Total assets		747,196	667,461
LIABILITIES			
Non-current liabilities			
Bank borrowings		49,428	22,463
Deferred income tax liabilities		6,417	2,807
		55,845	25,270
Current liabilities			
Trade and other payables	<i>11</i>	207,196	179,872
Income tax payable		15,228	15,737
Bank borrowings		7,728	9,376
Derivative financial instruments		1,709	-
		231,861	204,985
Total liabilities		287,706	230,255

	<i>Note</i>	As at 30 September 2012 HK\$'000 (Unaudited)	As 31 March 2012 HK\$'000 (Audited)
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		27,229	27,229
Other reserves		115,582	115,499
Retained earnings			
– Proposed dividend		19,061	27,229
– Others		297,883	267,415
		459,755	437,372
Non-controlling interests		(265)	(166)
Total equity		459,490	437,206
Total equity and liabilities		747,196	667,461
Net current assets		278,015	299,884
Total assets less current liabilities		515,335	462,476

Notes:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2012 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2012, with the addition of changes in estimates that are required in determining the provision for income taxes and the purchase price allocation related to the business combination during the period.

2. ACCOUNTING POLICIES

Except as described below, the accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amended standards adopted by the Group

The following amendments to standards are mandatory for the Group’s financial year beginning on 1 April 2012. The adoption of these amendments to standards and interpretations has not had any significant impact on the results and financial position of the Group.

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

(b) New standards, amendments to standards and interpretations that have been issued but are not effective

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2012 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 1 (Amendment)	Government Loans	1 January 2013
HKFRS 7 (Amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013

HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HK (IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
HKFRSs (Amendment)	Annual Improvements 2009-2011 Cycle	1 January 2013

Management is in the process of making an assessment of the likely impact of these changes but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial statements will result.

3. SEGMENT INFORMATION

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

	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of goods:		
– electronic products	609,941	608,900
– moulds and plastic products	18,360	28,570
	<u>628,301</u>	<u>637,470</u>

(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 the electronic products and moulds and plastic products segments.

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, fair value gain/(loss) of financial assets, gain on remeasurement of previously held equity interest in a joint-controlled entity and share of loss of an associate are not included in the results for each operating segment that are 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 is shown 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 condensed consolidated income statement.

Assets of reportable segments exclude deferred income tax assets, tax recoverable, available-for-sale financial assets, bond investments, financial assets at fair value through profit and loss, long-term loan receivable, interests in associates 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 2012 and 2011 is as follows:

Six months ended 30 September 2012				
	Electronic products	Moulds and plastic products	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Revenue from external customers	609,941	18,360	-	628,301
Inter-segment revenue	-	5,759	(5,759)	-
	<u>609,941</u>	<u>24,119</u>	<u>(5,759)</u>	<u>628,301</u>
Results of reportable segments	<u>38,571</u>	<u>1,595</u>	<u>-</u>	<u>40,166</u>
A reconciliation of results of reportable segments to profit for the period is as follows:				
Results of reportable segments				40,166
Other income				296
Other gains, net				<u>11,083</u>
Operating profit				51,545
Finance income				1,741
Finance costs				(736)
Share of loss of an associate				<u>(349)</u>
Profit before income tax				52,201
Income tax expense				<u>(2,771)</u>
Profit for the period				<u>49,430</u>

Six months ended 30 September 2012				
	Electronic products	Moulds and plastic products	Other Segments	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other segment information				
Depreciation on property, plant and equipment	5,502	1,064	768	7,334
Amortisation of land use rights	-	29	322	351
Amortisation of intangible assets	2,148	-	-	2,148
Additions to non-current assets (other than financial instruments and deferred income tax assets)	32,806	189	54,039	87,034
Income tax expense	<u>2,736</u>	<u>310</u>	<u>(275)</u>	<u>2,771</u>

Six months ended 30 September 2011

	Electronic products <i>HK\$'000</i> (Unaudited)	Moulds and plastic products <i>HK\$'000</i> (Unaudited)	Elimination <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue				
Revenue from external customers	608,900	28,570	–	637,470
Inter-segment revenue	–	4,458	(4,458)	–
	<u>608,900</u>	<u>33,028</u>	<u>(4,458)</u>	<u>637,470</u>
Results of reportable segments	<u>48,381</u>	<u>4,629</u>	<u>–</u>	<u>53,010</u>

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

Results of reportable segments	53,010
Unallocated income	282
Other income	568
Other losses	<u>(1,903)</u>
Operating profit	51,957
Finance income	1,204
Finance costs	<u>(465)</u>
Profit before income tax	52,696
Income tax expense	<u>(4,660)</u>
Profit for the period	<u>48,036</u>

Six months ended 30 September 2011

	Electronic products <i>HK\$'000</i> (Unaudited)	Moulds and plastic products <i>HK\$'000</i> (Unaudited)	Other Segments <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Other segment information				
Depreciation on property, plant and equipment	3,848	1,015	1,586	6,449
Amortisation of land use rights	–	27	40	67
Additions to non-current assets (other than financial assets and deferred income tax assets)	10,798	632	34	11,464
Income tax expense	<u>3,792</u>	<u>957</u>	<u>(89)</u>	<u>4,660</u>

The segment assets and segment liabilities as at 30 September 2012 and 31 March 2012 and the reconciliation to the total assets and total liabilities are as follows:

	As at 30 September 2012		
	Electronic products HK\$'000 (Unaudited)	Moulds and plastic products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	542,486	39,777	582,263
Deferred income tax assets			2,938
Tax recoverable			400
Unallocated:			
Property, plant and equipment			104,558
Interest in associates			1,384
Long-term loan receivable			16,250
Other investments			26,481
Other unallocated assets			12,922
Total assets per condensed consolidated balance sheet			<u>747,196</u>
Segment liabilities	194,738	5,141	199,879
Income tax payable			15,228
Deferred income tax liabilities			6,417
Unallocated:			
Bank borrowings			57,156
Other unallocated liabilities			9,026
Total liabilities per condensed consolidated balance sheet			<u>287,706</u>
	As at 31 March 2012		
	Electronic products HK\$'000 (Audited)	Moulds and plastic products HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	515,814	43,072	558,886
Deferred income tax assets			3,665
Tax recoverable			400
Unallocated:			
Property, plant and equipment			51,965
Interest in associates			1,733
Long-term loan receivable			16,250
Other investments			31,708
Other unallocated assets			2,854
Total assets per condensed consolidated balance sheet			<u>667,461</u>
Segment liabilities	171,320	5,926	177,246
Income tax payable			15,737
Deferred income tax liabilities			2,807
Unallocated:			
Bank borrowings			31,839
Other unallocated liabilities			2,626
Total liabilities per condensed consolidated balance sheet			<u>230,255</u>

The Company is domiciled in Bermuda. An analysis of the Group's revenue from external customers by country of destination for the period ended 30 September 2012 and 2011 is as follows:

	Six months ended 30 September	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
The United States of America	249,509	198,645
United Kingdom	137,702	157,221
Japan	115,285	129,587
PRC (including Hong Kong)	65,451	65,001
Australia	20,836	21,931
Others	39,518	65,085
	<u>628,301</u>	<u>637,470</u>

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

	As at 30 September 2012 <i>HK\$'000</i> (Unaudited)	As at 31 March 2012 <i>HK\$'000</i> (Audited)
	Hong Kong	99,703
Mainland China	134,536	82,983
Macao	143	181
	<u>234,382</u>	<u>158,927</u>

For the six months ended 30 September 2012, external revenue of approximately HK\$372,620,000 (2011: HK\$370,805,000) is generated from four (2011: four) 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. OTHER GAINS/(LOSSES), NET

	Six months ended 30 September	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Fair value loss in financial assets at fair value through profit or loss	(64)	-
Fair value loss on derivative financial instruments	(1,612)	(3,011)
Net realised gain on derivative financial instruments	1,636	1,108
Gain on remeasurement of previously held equity interest in a joint-controlled entity (Note 12)	8,908	-
Net foreign currency exchange gain	2,151	-
Others	64	-
Total other gains/(losses), net	<u>11,083</u>	<u>(1,903)</u>

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	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Cost of inventories	474,053	492,920
Depreciation of property, plant and equipment	7,334	6,449
Amortisation of land use rights	351	67
Amortisation of intangible assets	2,148	-
Employee benefit expense (including directors' emoluments)	67,458	58,392
Reversal of provision for impairment of trade receivables	(128)	(91)
Other expenses	36,919	26,441
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses and general and administrative expenses	588,135	584,178

6. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Interest income from:		
- bank deposits	1,194	733
- bonds investments	547	471
	<hr/>	<hr/>
Finance income	1,741	1,204
Interest on bank borrowings	(736)	(465)
	<hr/>	<hr/>
Finance income – net	1,005	739

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Current income tax:		
- Hong Kong profits tax	3,985	3,732
- Income tax outside Hong Kong	1,245	3,325
Over-provision in prior years	(2,544)	-
	<hr/>	<hr/>
	2,686	7,057
Deferred income tax relating to the origination and reversal of temporary differences	85	(2,397)
	<hr/>	<hr/>
	2,771	4,660

8. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 September	
	2012 (Unaudited)	2011 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>49,528</u>	<u>48,036</u>
Weighted average number of ordinary shares in issue ('000)	<u>272,294</u>	<u>272,035</u>
Basic earnings per share (HK cents)	<u>18.19</u>	<u>17.66</u>

(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.

	Six months ended 30 September	
	2012 (Unaudited)	2011 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>49,528</u>	<u>48,036</u>
Weighted average number of ordinary shares in issue ('000)	<u>272,294</u>	<u>272,035</u>
Adjustments for share options ('000)	<u>398</u>	<u>714</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>272,692</u>	<u>272,749</u>
Diluted earnings per share (HK cents)	<u>18.16</u>	<u>17.61</u>

9. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK7.0 cents per share (2011: HK7.0 cents) for the six months ended 30 September 2012 to shareholders whose names appear on the Register of Shareholders of the Company on 12 December 2012. The interim dividend will be paid on or before 19 December 2012.

10. TRADE AND OTHER RECEIVABLES

Trade receivables are aged as follows:

	As at 30 September 2012 <i>HK\$'000</i> (Unaudited)	As at 31 March 2012 <i>HK\$'000</i> (Audited)
0 to 30 days	164,009	114,280
31 to 60 days	5,483	10,773
61 to 90 days	3,716	2,654
91 to 180 days	266	1,494
Over 180 days	4,939	6,444
	<u>178,413</u>	<u>135,645</u>
Less: Provision for impairment	(3,803)	(3,931)
Trade receivables, net	174,610	131,714
Prepayments	757	875
Rental and other deposits	2,255	1,560
Value added tax receivables	7,039	8,960
Others	5,174	13,308
	<u>189,835</u>	<u>156,417</u>
Long-term loan receivable	16,250	16,250
	<u>206,085</u>	<u>172,667</u>

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

11. TRADE AND OTHER PAYABLES

Trade payables are aged as follows:

	As at 30 September 2012 <i>HK\$'000</i> (Unaudited)	As at 31 March 2012 <i>HK\$'000</i> (Audited)
0 to 30 days	161,755	144,174
31 to 60 days	7,271	7,723
61 to 90 days	2,693	1,159
91 to 180 days	4,472	2,619
Over 180 days	3,563	3,440
	<u>179,754</u>	<u>159,115</u>
Trade payables	10,829	11,221
Salaries and staff welfare payable	3,710	3,996
Accrued expenses	12,903	5,540
Others	<u>207,196</u>	<u>179,872</u>

12. ACQUISITION OF SUGA TECHNOLOGY LIMITED

In May 2012, the Group entered into a business combination to acquire the remaining 50% equity interest in Suga Technology Limited (formerly known as Suga-AI Limited), a jointly controlled entity, from the other shareholder of Suga Technology Limited. The consideration was satisfied by US\$2,000,000 (equivalent to HK\$15,500,000) in cash. A contingent consideration, subject to a maximum of US\$500,000, was also agreed should certain performance results achieved by Suga Technology Limited during the 30-month period from the acquisition date. Upon acquisition, Suga Technology Limited became a wholly owned subsidiary of the Group.

Based on a valuation performed by an independent valuer, the fair value of the 50% equity interest in Suga Technology Limited previously held by the Group on acquisition date was assessed to be HK\$8,908,000. A gain on remeasurement of this previously held interest of HK\$8,908,000 was recognised in “other gains, net” accordingly in the condensed consolidated income statement (Note 4).

In accordance with HKFRS 3 (Revised), “Business Combination”, the Group is required to recognise the identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Accordingly, the Group has undertaken a purchase price allocation allocating the purchase consideration to the identifiable assets acquired and liabilities assumed at the acquisition date. Significant accounting estimates have been involved when performing the allocation. As of the date of the condensed consolidated interim financial information, the purchase price allocation was ongoing and is yet to be finalised.

The following table summarises the consideration paid for the acquisition and the amounts of the identifiable assets acquired and liabilities assumed at the acquisition date, determined provisionally, based on the director’s best estimation.

	HK\$’000
Cash consideration	15,500
Fair value of previously held interest	<u>8,908</u>
Total consideration	<u>24,408</u>
Recognised amounts of identifiable assets acquired and liabilities assumed, at fair value:	
- intangible asset- customer relationship	25,770
- cash and cash equivalents	18,802
- trade and other receivables	30,952
- trade and other payables	(49,754)
- deferred tax liabilities	<u>(4,252)</u>
Total identifiable net assets	<u>21,518</u>
Goodwill	<u>2,890</u>

No contingent consideration was recognised as the directors consider the specified performance results are unlikely to be achieved.

Goodwill arising from acquisition of HK\$2,890,000 is attributable to the existence of an assembled workforce and synergy expected to be achieved upon acquisition of Suga Technology Limited through efficiency and cost savings.

Acquisition-related costs of HK\$136,000 have been charged to administrative expenses in the condensed consolidated interim income statement for the period ended 30 September 2012.

Revenue included in the condensed consolidated interim income statement since acquisition date contributed by Suga Technology Limited was HK\$15,454,000. This acquired business contributed profit of HK\$10,492,000 for the period ended 30 September 2012 from acquisition date.

Had the remaining 50% equity interest in Suga Technology Limited been consolidated from 1 April 2012, the condensed consolidated interim income statement would show revenue of HK\$629,735,000 and profit of HK\$49,430,000.

CHAIRMAN'S MESSAGE

2012 has proven to be yet another challenging year for the electronics and manufacturing industries as poor global economic conditions persist. Despite the lackluster conditions, the Group was able to generate revenue of HK\$628.3 million, which is comparable with the same period last year (1H2011/12: HK\$637.5 million). Gross profit margin stood at 13.3% (1H2011/12: 13.6 %). Profit attributable to shareholders achieved a modest year-on-year increase of 3.1% to HK\$49.5 million (1H2011/12: HK\$48.0 million). Net profit margin was 7.9% (1H2011/12: 7.5%) and basic earnings per share were HK18.19 cents (1H2011/12: HK17.66 cents)

Business Overview

Electronic products

The electronic products segment recorded sales of HK\$609.9 million, which is at a similar level with the same period last year when HK\$608.9 million was recorded. The segment thus accounted for 97.1% of the Group's total sales.

Revenue from pet training devices picked up as our partner began to replenish stocks. Although this partner is expected to continue abiding by more prudent inventory management practices, there are indications that demand for pet training devices is recovering, and we will be fully prepared to support them as the market revives. It is worth noting that SUGA was recently bestowed with "Supplier of the Year", "Supply Management Award", "Quality Award" and "Engineering Support Award" from this very same partner, in recognition of outstanding quality products and excellent service. We are therefore confident of our ability to remain their trusted supplier.

Despite poor market conditions during the first half year, the Group was able to sustain sales for most of its electronic products, including general consumer electronic products, professional audio equipment and auto-fare collection system. In addition, the Group secured new orders, specifically for general consumer electronic products, consisting of WiFi modules for various applications. The new orders, which are for a modest quantity at this point, were realized as a result of effective communication efforts made by our sales team. They were able to gain the trust of clients by offering efficient solutions whenever needed, which is essential for building customer loyalty.

Development of interactive educational products experienced a modest slowdown owing to challenging market conditions that drove down demand. Moreover, our partner took a more conservative stance towards inventory management; wanting to wait and see clear signs of market recovery before raising inventory levels.

Moulds and plastic

Sales derived from the moulds and plastic segment contracted by 35.7% to HK\$18.4 million, accounting for 2.9% of the Group's total sales. The decrease was attributable to a reduction in orders from our European client. Despite the sales dip, this segment remains an important component of our vertically integrated production line.

Environmental Protection and Corporate Social Responsibility

The Group's commitment to being a responsible corporate citizen has gained recognition from prominent organizations. A case in point is Suga Electronics Limited, which garnered the Green Achievement Award – Certificate of Merit - part of HSBC Living Business Awards 2012. The award was in recognition of SUGA's "Supply Chain Sustainability".

Over the past few years, SUGA has initiated green management measures with respect to its daily operations and strictly adhered to environmental safety codes that are applicable to its supply chain. Our staff has also been actively involved in a variety of green activities. We will certainly continue to operate in a responsible manner, and will bolster operations by referencing the latest environmental protection best practices.

Prospects

With global economic conditions remaining unstable, this will continue to place negative pressure on the electronics and manufacturing industries. The Group will therefore remain vigilant of market developments while shrewdly manage and develop all aspects of operations.

Our strategy of focusing on specialized products has proved effective, and we have created a diversified portfolio that enables us to mitigate the impact of market downturns. Capitalizing on the solid foundation that we laid over the past years, the Group will continue to explore new opportunities to realize growth.

In respect of our existing products, we are cautiously optimistic about the sales performance of pet training devices in the second half year. Uptake of other products, including general consumer electronic products, professional audio equipment, auto-fare collection system and interactive educational products are expected to remain stable.

Over the past two years, the Group has been tapping the retail pet market in China. In October of this year, we opened one additional pet store, thus adding to the three "Losun" pet stores already in operation. As market conditions remain uncertain, we will be highly cautious of further expanding our network. We have, however, introduced a distribution business and will launch an online distribution platform in 2013. Having amassed invaluable experience and knowledge about clients' preferences, we are optimistic about enhancing our long-term presence in China's pet market.

Aside from our current business interests, we are nurturing other potential projects as well, including wireless applications. Having established a WiFi division back in 2009, the team's efforts have begun to bear fruit. Apart from WiFi modules, the Group has also introduced products specifically for Bluetooth 4.0, which is an energy saving technology that is suitable for a wide range of devices and applications. We have subsequently received enquiries about our solutions and are considering a number of applications, ranging from electronics to security. As wireless infrastructure is now more advanced, it can better support a variety of uses; hence, we will explore niche applications that allow us to unlock its full potential.

It is worth noting that our plan to move the Group's production facilities to Dongguan has begun to materialize. Construction will commence before the end of 2012 and the facilities will be completed by late 2013 or early 2014. With the cost of labor in Dongguan being lower than in Shenzhen – the current location of our factories – this will enable us to reduce this expense, as well as have the option to consolidate production lines to further enhance efficiency. We can therefore envisage the Dongguan factory playing a prominent role in fulfilling our objectives over the long term.

Though the world economy will experience a slow and arduous road to recovery, this will not discourage the Group from exploring new avenues of growth. We remain committed to building a stronger Group and delivering fair returns to our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the Group had current assets of HK\$509.9 million and current liabilities of HK\$231.9 million. The current ratio was 2.20 (31 March 2012: 2.46).

Bank borrowings were HK\$57.2 million as at 30 September 2012 (31 March 2012: HK\$31.8 million). The increase in bank borrowings was due to a new long-term bank loan raised during the period for financing the acquisition of entire interest in Benefit Holdings Company Limited, which indirectly held a parcel of land in Dongguan. Gearing ratio (calculated by dividing total bank borrowings by total equity) was 12.4% (31 March 2012: 7.3%). The Group maintained a net cash balance of HK\$102.3 million as at 30 September 2012 (31 March 2012: HK\$112.1 million).

As at 30 September 2012, the Group had aggregate facilities of approximately HK\$418.2 million (31 March 2012: HK\$349.8 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$342.3 million (31 March 2012: HK\$299.3 million).

The Group generally finances its business operations by internally 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.

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 2012.

During the six months ended 30 September 2012, the Group has entered into several foreign exchange contracts to manage the currency translation risk of Renminbi against United States dollars. All these foreign exchange contracts were for managing purpose and it is the policy of the Group not to enter into any derivative contracts purely for speculative activities. The net realised and unrealised gain on derivative instruments as of the balance sheet date was HK\$24,000.

PLEDGE OF ASSETS

As at 30 September 2012, the Group had 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\$22.2 million (31 March 2012: HK\$23.5 million) for financing the acquisition of the office premise and car parking spaces. Other than the said mortgage loan, the Group had not pledged any of its assets as securities for the banking facilities granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2012, the Group had no capital commitments (31 March 2012: Nil). Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2012 amounted to HK\$75.9 million (31 March 2012: HK\$50.6 million) and the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 30 September 2012 the Group employed 2,085 employees, of which 50 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.

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 CORPORATE GOVERNANCE CODE

The Company complied with the code of provisions as set out in the Appendix 14 "Corporate Governance Code" to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (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 2012.

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 2012.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK7.0 cents per share for the six months ended 30 September 2012 (2011: HK7.0 cents) payable to shareholders whose names appear on the Register of Shareholders of the Company on 12 December 2012. The interim dividend will be paid on or before 19 December 2012.

CLOSURE OF REGISTER

For the purpose of ascertaining the entitlement of the shareholders to receive the interim dividend, the Register of Shareholders of the Company will be closed on 12 December 2012 during which date no transfer of shares in the Company will be registered. 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 Tuesday, 11 December 2012 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 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 websites of the Stock Exchange and the Company in due course.

By Order of the Board
NG Chi Ho
Chairman

Hong Kong, 26 November 2012

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.