




**Systematic
Management**

**Understanding of
Customers' Requirements**



Good Quality

Advanced Technology



SUGA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 912

Interim Report 2008/2009



PHOTOS ON COVER

Video Pico Projector

Rewarded "2008 HKEIA Gold Award for Outstanding Innovation and Technology"

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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

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) 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
Hong Kong

Contacts

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Stock code: 912

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 (together "SUGA" or the "Group") for the six months ended 30 September 2008.

Financial Performance

Despite the global financial turmoil and poor market conditions for the manufacturing industry, SUGA recorded turnover of approximately HK\$409.2 million for the review period, up 19.2% from HK\$343.3 million for the same period last year. The increase in turnover is mainly attributable to the solid orders for some of our specialised electronic products.

The Group's gross profit grew to HK\$50.9 million compared to HK\$45.0 million for the corresponding period of last year. Gross profit margin was 12.4% (2007: 13.1%). Distribution and selling expenses along with general and administrative expenses increased by 4.5%. The slightly decrease in gross profit margin and the increase in general and administrative expenses was mainly due to the drastic increase in operating costs in China, especially labour costs, and the appreciation of the Renminbi ("RMB") against United States dollar ("USD"). As our boosted effort to improve fund management and reduce bank borrowings, net finance costs during the period decreased notably. Profit attributable to shareholders increased by 35.1% to HK\$13.1 million (2007: HK\$9.7 million). Net profit margin was 3.2% (2007: 2.8%). Basic earnings per share was HK5.69 cents (2007: HK4.22 cents).

Interim Dividend

The Board has resolved to declare an interim dividend of HK2.0 cents per share (2007: HK1.0 cent) for the period payable to shareholders whose names appear on the register of shareholders of the Company on 2 January 2009. The interim dividend will be paid on or before 16 January 2009. This dividend represents approximately 35.1% of the net profit of SUGA for the first half of the fiscal year.

Business Overview

Consumer Electronic Products

Continuous efforts of the Group to focus on specialised electronic products during the period paid off, as reflected by the 27.8% increase in sales of this segment to HK\$342.7 million, as compared with the corresponding period last year. The sector was our main source of revenue for the reporting period, which accounted for 83.7% of the Group's total sales.

A key revenue contributor of the business segment, pet training devices, achieved satisfactory growth and solid income during the period. Such growth clearly indicated the economic downturn has not affected spending on pets by their owners. Apart from contributing significant revenue to the Group, we are also pleased to note that our "Spray Pet Training Products" line won the customer's "Innovation Award of 2008" in August 2008.

CHAIRMAN'S STATEMENT

Our interactive educational products tailored specially for schools also delivered impressive performance. Their sales surged by three folds against the last corresponding period. We manufacture the central system and the student learning devices for use in the classroom environment. With interactive education becoming more popular in the United States of America ("US") and Europe, our products have enormous room for growth in those markets.

Another branch of our specialised electronic products business was the electronic ticket processors. Though still a modest activity, sales of such devices doubled in the past six months compared with the same period last year. The customer is currently selling the electronic ticket processors in the Asian Pacific Region and Europe. We are confident of receiving more orders from this customer as its products continue to penetrate the market.

As for other general consumer electronic products, such as Bluetooth headsets and electronic home appliances, their sales declined. The Group took it as an indication of the need to shift focus and reallocate resources to niche and specialised products with higher margins.

Telecommunication Products

Revenue from the telecommunication products segment declined by 11.4% to HK\$66.5 million and accounted for 16.3% of the Group's total turnover. The decline was mainly due to the departure of a network product customer. However, we received solid orders from existing Japanese customers for key telephone systems and voice-over-internet protocol (VoIP) phones, which had helped to moderate the loss in revenue and profit caused by departure of that network product customer.

Prospects

We will continue to focus on manufacture of niche products that have higher margins and are resilient in the unstable economic environment in our strive to assume leadership in the specialised electronic products segment. In September 2008, we secured new orders from a leading US professional audio equipment company. The new customer expressed confidence in our capabilities and skilled workforce, proving that opportunities are still available for capable manufacturers like SUGA in difficult times. We expect this new customer to bring significant revenue to the Group in the second half of this fiscal year.

To grow our customer base, we will continue to strengthen our research and development ("R&D") capabilities. The Group is committed to providing customers with value-adding total solutions, and in doing so hopes to bolster SUGA's position as an original design manufacturer. To this end, we recently forged partnership with a technology company to develop a Video Pico Projector. The projector won the Gold Award at the HKEIA Award for Outstanding Innovation and Technology Products 2008 (Portable Electronics Category) bearing witness to our strong R&D capabilities. We expect the new mini-video projector will be well received by the market and contribute revenue growth of the Group in the coming fiscal year. We are also confident that our continuous research effort will develop more high-margin products that can turn into strong income sources for the Group in the future.

CHAIRMAN'S STATEMENT

Remaining positive that the current economic downturn will bring about a consolidation period which will weed out less competitive players, SUGA is certainly in a strong position to capture more market share. The Group has a cash balance of over HK\$75 million and also has significant banking facilities at our disposal, giving us great flexibility in pursuing business expansion if so desired. However, we will carefully assess opportunities presented to us with the best interest of shareholders in mind.

Appreciation

On behalf of SUGA, I would like to extend my heartfelt appreciation to the management team and all staff for their efforts and contribution during the review period. I would also like to extend my gratitude to our business associates, customers and shareholders for their continuous support.

On behalf of the board of directors

Ng Chi Ho

Chairman

Hong Kong, 10 December 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the six months ended 30 September 2008, the Group has achieved continuous growth in turnover and net profit attributable to equity holders. Total revenue increased to HK\$409 million, representing an increase of HK\$66 million or 19.2% as compared with that of the corresponding period last year. The increase was mainly attributable to the significant increase in sales of interactive educational products together with the steady growth in sales of pet training devices.

In term of business segment, consumer electronics products remain the major income contributor of the Group. This segment achieved sales growth of 27.8% to reach HK\$343 million, which accounted for 83.7% of the Group's total revenue. Sales of pet training devices remain healthy and accounted for 35.7% of this segment's total sales for the six months period under review. Sales of interactive educational products increased significantly during the period under review and contributed a total of 30.9% to this segment.

Geographically, revenue was more evenly spread between the US, the Asian and the European markets during the period under review. Sales to US increased to HK\$149.0 million during the period, representing 36.4% of the Group's revenue. The increase was mainly contributed by healthy growth of pet training devices and sales of photo album under ODM basis. With the significant growth of sales of interactive educational products during the six months period, revenue from European market was uplifted by 85.1% to HK\$120.5 million, representing 29.5% of the Group's total revenue. Sales to the Asian market remained steady during the period and represented 30.3% to this segment.

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 maintain a healthy gross profit margin at 12.4% during the period under review. The Group's gross profit was up by 13.1% to HK\$50.9 million.

Operating profit was HK\$16.0 million, compared with HK\$11.5 million of the corresponding period last year, an increased of HK\$4.5 million or 39.4%. The increase was mainly contributed by the increase in sales. Distribution and selling expenses along with general and administrative expenses increased by 4.5% during the period, which was mainly due to increase in operating cost in China and appreciation of RMB against US dollars.

Finance costs for the period dropped by 25.1% to HK\$1.2 million from HK\$1.5 million as compared to corresponding period last year. The decrease was resulted from better fund control by the management.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the aforementioned factors, the Group's profit attributable to equity holders for the period increased by 35.1% to HK\$13.1 million.

Liquidity and Financial Resources

As at 30 September 2008, net current assets of the Group maintained at a healthy level of HK\$209.2 million with a liquidity ratio of 2.44 (31 March 2008: 2.67). Gearing ratio (calculated by dividing total bank borrowings by total equity) decreased to 7.8% from 11.5% as at 31 March 2008. The Group was able to maintain a net cash position of HK\$54.0 million as at 30 September 2008 (31 March 2008: HK\$34.4 million).

As at 30 September 2008, the Group had aggregate banking facilities of approximately HK\$448 million (At 31 March 2008: HK\$439 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$380 million (31 March 2008: HK\$354 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\$6.9 million of which mainly comprised investment in machineries and equipment for production plants in Mainland China.

Foreign Exchange Exposure

Most of the Group's business transactions are denominated either in HKD, USD or RMB. As USD is pegged to HKD, the Group does not expect any significant movements in the USD/HKD exchange rate.

As all of the Group's production plants are based in the People's Republic of China, most of the wages, salaries and manufacturing overheads are mainly denominated in RMB. The continued appreciations of RMB inevitably increase our production costs. However, the appreciation of the RMB was slow down during the period under review, and we expect the exchange rate of RMB against USD will remain steady in the second half of this fiscal year. The Group has entered into several foreign exchange contracts to minimise the currency translation risk of RMB against HKD/USD.

Pledge of Assets

As at 30 September 2008, the Group did not pledge any of its assets (31 March 2008: nil) as securities for generating banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments and Contingent Liabilities

As at 30 September 2008, the Group had no outstanding capital commitment (31 March 2008: nil). Corporate guarantees given by the Company to banks to secure the borrowings granted to subsidiaries as at 30 September 2008 amounted to HK\$61.6 million (31 March 2008: HK\$77.3 million) and the Group did not have any other contingent liabilities.

Human Resources

As at 30 September 2008, the Group had approximately 1,973 employees, of which 72 were based in Hong Kong and Macao while the rest were mainly in Mainland China. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the individual and company performance. In addition to salaries and other usual benefits like annual leave, medical insurance and various mandatory pension schemes, the Group also provides educational sponsorship subsidies, discretionary performance bonus and share options. A share option scheme was adopted on 17 September 2002 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 2007/08 Annual Report.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK2.0 cents per share for the six months ended 30 September 2008 (2007: HK1.0 cent) payable to shareholders whose names appear on the register of shareholders of the Company on 2 January 2009. The interim dividend will be paid on or before 16 January 2009.

Closure of Register

The register of shareholders of the Company will be closed from 30 December 2008 to 2 January 2009 (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 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, 29 December 2008 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 2008.

OTHER INFORMATION

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 2008.

Directors' Interests in Shares

As at 30 September 2008, 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						Total interests	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				
Mr. Ng Chi Ho	4,000,000	39,608,000 (Note 2)	100,000,000 (Note 3)	-	-	143,608,000	62.21%	2,000,000	
Mr. Ma Fung On	730,000	9,000,000 (Note 4)	-	-	-	9,730,000	4.22%	3,000,000	
Mr. Wong Wai Lik, Lamson	500,000	-	-	-	-	500,000	0.22%	3,000,000	
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 options 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 2008, 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)	3,680,000
Mr. Ma Fung On (Note)	240,000

Note:

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. 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 2008.

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 2007/08 Annual Report.

Details of the shares option movements during the period ended 30 September 2008 under the Share Option Scheme are as follows:

	Number of share options				Outstanding at 30 September 2008	Exercise price (HK\$)	Date of grant	Exercisable Period
	Outstanding at 1 April 2008	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	2,110,000	-	-	2,110,000	-	1.230	5 May 2003	5 May 2003 – 4 May 2008
	800,000	-	-	300,000	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	3,200,000	-	-	-	3,200,000	0.436	23 March 2007	23 March 2007-22 March 2012
Others	1,800,000 (Note 1)	-	-	1,800,000	-	1.230	5 May 2003	5 May 2003 – 4 May 2008
	500,000 (Note 2)	-	-	-	500,000	1.230	7 May 2004	7 May 2004 – 6 May 2009
	<u>19,780,000</u>	<u>-</u>	<u>-</u>	<u>6,580,000</u>	<u>13,200,000</u>			

OTHER INFORMATION

Notes:

1. 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.
2. 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 2008, 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	43.32%
Billion Linkage Limited (Note 2)	39,608,000	17.16%
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 2008.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	64,989	65,195
Land use rights	6	4,465	4,458
Goodwill	7	1,059	1,059
Interest in an associate	8	–	–
Interest in a jointly controlled entity	9	–	–
Deferred tax assets		2,190	3,106
Trade and other receivables	10	4,719	–
		<u>77,422</u>	<u>73,818</u>
Current assets			
Inventories		138,455	139,664
Trade and other receivables	10	116,105	104,565
Tax recoverable		1,462	1,293
Amounts due from a jointly controlled entity	9	23,121	16,141
Derivative financial instruments		–	1,040
Cash and cash equivalents		75,644	64,868
		<u>354,787</u>	<u>327,571</u>
Total assets		<u>432,209</u>	<u>401,389</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	108,602	80,186
Income tax payable		15,115	14,266
Bank borrowings	12	14,326	19,404
Finance lease liabilities	13	83	81
Bank advances for factored receivables		6,047	6,777
Derivative financial instruments		1,417	1,875
		<u>145,590</u>	<u>122,589</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Non-current liabilities			
Long term bank borrowings	12	7,273	10,909
Finance lease liabilities	13	–	42
Deferred tax liabilities		<u>2,880</u>	<u>2,853</u>
		<u>10,153</u>	<u>13,804</u>
Total liabilities		<u>155,743</u>	<u>136,393</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	23,084	23,084
Other reserves		96,040	90,783
Retained earnings			
– Proposed dividend		4,617	6,925
– Others		<u>152,725</u>	<u>144,204</u>
Total equity		<u>276,466</u>	<u>264,996</u>
Total equity and liabilities		<u>432,209</u>	<u>401,389</u>
Net current assets		<u>209,197</u>	<u>204,982</u>
Total assets less current liabilities		<u>286,619</u>	<u>278,800</u>

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Six months ended	
		30 September	
		2008	2007
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	409,225	343,254
Cost of sales	15	(358,318)	(298,244)
Gross profit		50,907	45,010
Other income		222	86
Distribution and selling expenses	15	(9,734)	(9,226)
General and administrative expenses	15	(25,341)	(24,350)
		16,054	11,520
Finance income	16	353	157
Finance costs	16	(1,154)	(1,540)
Finance costs – net	16	(801)	(1,383)
Profit before income tax		15,253	10,137
Income tax expense	17	(2,115)	(409)
Profit for the period		13,138	9,728
Earnings per share for profit attributable to equity holders of the Company during the period			
– Basic (HK cents)	18	5.69	4.22
– Diluted (HK cents)	18	5.67	4.17
Interim dividend	19	4,617	2,307

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Unaudited						
	Share capital	Share premium	Capital reserve	Share-based compensation reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2008	23,084	54,490	10,591	664	25,038	151,129	264,996
Exchange difference arising on translation of the accounts of a foreign subsidiary	-	-	-	-	5,257	-	5,257
Profit attributable to the equity holders of the Company	-	-	-	-	-	13,138	13,138
Total recognised income for the period ended 30 September 2008	-	-	-	-	5,257	13,138	18,395
Dividend paid	-	-	-	-	-	(6,925)	(6,925)
As at 30 September 2008	23,084	54,490	10,591	664	30,295	157,342	276,466
Representing:							
Proposed dividend						4,617	
Others						152,725	
						<u>157,342</u>	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2007	<u>22,994</u>	<u>54,187</u>	<u>10,591</u>	<u>747</u>	<u>12,917</u>	<u>137,282</u>	<u>238,718</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,728</u>	<u>9,728</u>
Total recognised income for the period ended 30 September 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,832</u>	<u>9,728</u>	<u>14,560</u>
Exercise of share options	80	269	-	73	-	73	349
Dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,609)</u>	<u>(4,609)</u>
	<u>80</u>	<u>269</u>	<u>-</u>	<u>73</u>	<u>-</u>	<u>(4,536)</u>	<u>(4,260)</u>
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						<u>140,167</u>	
						<u>142,474</u>	

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	33,330	9,226
Net cash used in investing activities	(6,524)	(1,356)
Net cash (used in)/generated from financing activities	(16,833)	596
Net increase in cash and cash equivalents	9,973	8,466
Effect of foreign exchange rate changes	803	3,941
Cash and cash equivalents, beginning of period	64,868	45,099
Cash and cash equivalents, end of period	75,644	57,506

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Suga International Holdings Limited (the “Company”) and its subsidiaries (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 was incorporated as an exempted company with limited liability in Bermuda on 28 September 2001. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved for issue on 10 December 2008.

2. Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30 September 2008 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 annual financial statements for the year ended 31 March 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. Accounting policies

The principal accounting policies and method of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 March 2008, except that the following interpretations are mandatory for financial year ending 31 March 2009.

Interpretation relevant and applied to the Group:

- HK(IFRIC)-Int 11, “HKFRS 2 – Group and Treasury Share Transactions”, provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent’s shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and group companies. This interpretation does not have an impact on the Group’s consolidated financial statements. The impact on the stand-alone financial statements of the parent will be disclosed in the financial statements of the Company for the year ending 31 March 2009.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies *(Continued)*

Interpretations not relevant to the Group:

- HK(IFRIC)-Int 12, "Service Concession Arrangements".
- HK(IFRIC)-Int 14, "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2008 and have not been early adopted by the Group:

- HKAS 1 (Revised), "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 1 (revised) from 1 April 2009.
- HKAS 23 (Revised), "Borrowing Costs", effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 23 (Revised) from 1 April 2009 but it is currently not applicable to the Group as there are no qualifying assets.
- HKAS 27 (Revised), "Consolidated and Separate Financial Statements", effective for annual periods beginning on or after 1 July 2009. The Group will apply HKAS 27 (Revised) from 1 April 2010.
- HKAS 32 (Amendment), "Financial Instruments: Presentation", and consequential amendments to HKAS 1, "Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation", effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 32 and HKAS 1 amendments from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.
- HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement", permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial Instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendments are effective prospectively from 1 July 2008. These amendments do not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies *(Continued)*

- HKFRS 1 (Amendment), "First-time Adoption of Hong Kong Financial Reporting Standards" and HKAS 27 "Consolidated and Separate Financial Statements", effective for annual periods beginning on or after 1 January 2009. The Group will apply HKFRS 1 (Amendment) and HKAS 27 (Amendment) prospectively from 1 April 2009.
- HKFRS 2 (Amendment), "Share-based Payment – Vesting Conditions and Cancellations", effective for annual periods beginning on or after 1 January 2009. The Group will apply HKFRS 2 (Amendment) from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.
- HKFRS 3 (Revised), "Business Combinations" and consequential amendments to HKAS 27, "Consolidated and Separate Financial Statements", HKAS 28, "Investments in Associates" and HKAS 31, "Interests in Joint Ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group will apply HKFRS 3 (Revised) and consequential amendments to HKAS 27, HKAS 28 and HKAS 31 from 1 April 2010.
- HKFRS 8, "Operating Segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, "Segment Reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management.
- HK(IFRIC)-Int 13, "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008. HK(IFRIC)-Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.
- HK(IFRIC)-Int 15, "Agreement for the Construction of Real Estate", effective for annual periods beginning on or after 1 January 2009. It is not relevant to the Group.
- HK(IFRIC)-Int 16, "Hedges of a Net Investment in a Foreign Operation", effective for annual periods beginning on or after 1 October 2008. It is not relevant to the Group.
- Improvements to HKFRS which include amendments to a number of standards, effective for accounting periods beginning on or after 1 January 2009. Management is assessing the effect of all the amendments on the Group's financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segmental information

(a) Primary reporting format – business segments

	Six months ended 30 September 2008		
	Consumer electronic products and other products	Tele- communication products	Total
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Total segment revenue	<u>342,683</u>	<u>66,542</u>	<u>409,225</u>
Segment results	<u>13,916</u>	<u>1,916</u>	15,832
Other income			222
Finance income			353
Finance costs			(1,154)
Income tax expense			<u>(2,115)</u>
Profit for the period			<u>13,138</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 2007

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

(b) Secondary reporting format – geographical segments

Six months ended 30 September

	2008		2007	
	Revenue HK\$'000 (Unaudited)	Segment results HK\$'000 (Unaudited)	Revenue HK\$'000 (Unaudited)	Segment results HK\$'000 (Unaudited)
The United States of America	149,002	12,296	124,601	9,459
Asian Pacific Region (excluding Mainland China)	123,810	884	136,810	838
Europe	120,546	1,965	65,134	1,034
Mainland China	15,867	687	16,709	103
	409,225	15,832	343,254	11,434

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Property, plant and equipment

	HK\$'000 (Unaudited)
Six months ended 30 September 2008	
Opening net book amount as at 1 April 2008	65,195
Additions	6,930
Exchange differences	1,088
Depreciation	<u>(8,224)</u>
Closing net book amount as at 30 September 2008	<u>64,989</u>
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>

6. Land use rights

	HK\$'000 (Unaudited)
Six months ended 30 September 2008	
Opening net book amount as at 1 April 2008	4,458
Amortisation	(66)
Exchange differences	<u>73</u>
Closing net book amount as at 30 September 2008	<u>4,465</u>
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>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. Goodwill

Movements of goodwill during the period are as follows:

	HK\$'000 (Unaudited)
Six months ended 30 September 2007	
Net book amount as at 1 April and 30 September 2007	1,059
At 30 September 2007	
Cost	1,059
Accumulated depreciation	—
Net book amount	1,059
Six months ended 30 September 2008	
Net book amount as at 1 April and 30 September 2008	1,059
At 30 September 2008	
Cost	1,059
Accumulated depreciation	—
Net book amount	1,059

8. Interest in an associate

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Share of net assets	—	—

The Group's share of net assets of the associate represents the Group's cost of investment plus its share of results and reserves in the associate. Under the equity method of accounting, the Group's share of losses of the associate is restricted to the cost of investment. As at 30 September 2008, the Group's share of loss of the associate exceeded its cost of investment. Accordingly, the share of net assets of the associate is reported at nil value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. Interest in a jointly controlled entity

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Share of net assets (Note (a))	—	—
Amount due from a jointly controlled entity (Note (b))	23,166	16,186
Less: provision for impairment	(45)	(45)
	23,121	16,141

Notes:

- (a) The Group's share of net assets of the jointly controlled entity represents the Group's cost of investment plus its share of results and reserves in the jointly controlled entity. Under the equity method of accounting, the Group's share of losses of the jointly controlled entity is restricted to the cost of investment. As at 30 September 2008, the Group's share of loss of jointly controlled entity exceeded its cost of investment. Accordingly, the share of net assets of the jointly controlled entity is reported at nil value.
- (b) The amount due from the jointly controlled entity is unsecured, non-interest bearing and repayable on demand. The carrying value of the amount due from the jointly controlled entity approximates its fair value.

The Group's indirect interest in a jointly controlled entity, which is unlisted, is as follows:

Name	Place of incorporation	Particulars of issued shares held	Interest held	Principal activities
Suga-AI Limited	Hong Kong, limited liability company	2 shares of HK\$1.00 each	50%	Trading of electronic products

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. Interest in a jointly controlled entity *(Continued)*

The aggregate amounts of revenues, results, assets and liabilities of the jointly controlled entity are as follows:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
--	---	--

Financial position

Assets	<u>13,437</u>	<u>10,723</u>
Liabilities	<u>13,482</u>	<u>10,768</u>

	Six months ended 30 September 2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
--	--	---------------------------------

Operating results

Revenue	<u>57,039</u>	<u>–</u>
Loss for the period	<u>–</u>	<u>–</u>

There are no contingent liabilities relating to the Group's interest in the jointly controlled entity, and no contingent liabilities exist in the jointly controlled entity itself.

As at 30 September 2008, accumulated losses of the jointly controlled entity not recognised by the Group amounted to HK\$40,000 (31 March 2008: HK\$40,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. Trade and other receivables

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Trade receivables	117,777	98,038
Less: Provision for impairment	(7,385)	(10,156)
	<hr/>	<hr/>
Trade receivables, net	110,392	87,882
Prepayments	1,234	2,105
Rental and other deposits	1,157	7,432
Value added tax receivables	6,283	6,612
Others	1,758	634
	<hr/>	<hr/>
	120,824	104,565
Less: non-current portion	(4,719)	–
	<hr/>	<hr/>
Current portion	116,105	104,565
	<hr/>	<hr/>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. Trade and other receivables *(Continued)*

The ageing analysis of trade receivables is as follows:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
0 to 30 days	103,141	63,696
31 to 60 days	635	6,220
61 to 90 days	183	6,790
91 to 180 days	465	9,896
Over 180 days	13,353	11,436
	117,777	98,038
Less: Provision for impairment	(7,385)	(10,156)
Trade receivables, net	110,392	87,882
Less: non-current portion	(4,719)	–
Current portion of trade receivables	105,673	87,882

At 30 September 2008, a subsidiary of the Company had factored trade receivables of approximately HK\$6,047,000 (31 March 2008: HK\$6,777,000) (the "Factored Receivables") to banks for cash under certain receivables purchase agreements. As the subsidiary of the Company still retained the risks and rewards associated with the default and 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

11. Trade and other payables

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
0 to 30 days	84,652	55,082
31 to 60 days	5,959	6,108
61 to 90 days	3,610	1,963
91 to 180 days	1,941	4,882
Over 180 days	1,137	2,566
	<hr/>	<hr/>
Trade payables	97,299	70,601
Salaries and staff welfare payable	5,926	4,871
Accrued expense	2,932	2,816
Others	2,445	1,898
	<hr/>	<hr/>
	108,602	80,186

12. Bank borrowings

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Non-current		
Long term bank borrowings	14,546	18,182
Less: Current portion of long-term bank borrowings	(7,273)	(7,273)
	<hr/>	<hr/>
	7,273	10,909
	<hr/>	<hr/>
Current		
Trust receipt bank loans	7,053	12,131
Other bank borrowings	7,273	7,273
	<hr/>	<hr/>
	14,326	19,404
	<hr/>	<hr/>
Total borrowings	21,599	30,313

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. Bank borrowings (Continued)

The maturity of borrowings is as follows:

	Trust receipt bank loans		Bank borrowings		Total	
	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Within one year	7,053	12,131	7,273	7,273	14,326	19,404
In the second year	-	-	7,273	7,273	7,273	7,273
In the third year	-	-	-	3,636	-	3,636
	<u>7,053</u>	<u>12,131</u>	<u>14,546</u>	<u>18,182</u>	<u>21,599</u>	<u>30,313</u>

At 30 September 2008, the Group has aggregate banking facilities of approximately HK\$448,025,000 (As at 31 March 2008: HK\$438,704,000) for overdrafts, loans and trade financing.

Unused facilities at the same date amounted to approximately HK\$380,297,000 (As at 31 March 2008: HK\$354,494,000). Certain of these facilities are secured by:

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. Finance lease liabilities

At 30 September 2008, the Group's finance lease liabilities were repayable as follows:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Within one year	85	85
In the second to fifth year	—	42
	<u>85</u>	<u>127</u>
Less: future finance charges on finance leases	<u>(2)</u>	<u>(4)</u>
	83	123
Less: current portion	<u>(83)</u>	<u>(81)</u>
	<u>—</u>	<u>42</u>

The present value of finance lease liabilities is as follows:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Within one year	83	81
In the second to fifth year	—	42
	<u>83</u>	<u>123</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. Share capital

	Number of shares '000 (Unaudited)	Nominal value HK\$'000 (Unaudited)
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 2007	229,940	22,994
Issue of shares upon exercise of share options	<u>900</u>	<u>90</u>
At 31 March 2008, 1 April 2008 and 30 September 2008	<u>230,840</u>	<u>23,084</u>

15. 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	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Cost of inventories	315,237	264,617
Staff costs, including directors' emoluments	41,248	33,482
Depreciation of property, machinery and equipment		
– owned assets	8,182	10,252
– assets held under finance leases	42	42
Amortisation of land use rights	66	64
Provision for impairment of trade receivables	29	369
(Written back of provision for)/provision for obsolete and slow-moving inventories	(104)	16
Fair value loss on derivative instruments	582	–
Research and development cost	1,486	987
Other expenses	<u>26,625</u>	<u>21,991</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u>393,393</u>	<u>331,820</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. Finance income and finance costs

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
– bank borrowings wholly repayable within five years	(1,152)	(1,536)
– finance leases liabilities	(2)	(4)
	<hr/>	<hr/>
Finance costs	(1,154)	(1,540)
Finance income	353	157
	<hr/>	<hr/>
Finance costs – net	(801)	(1,383)
	<hr/>	<hr/>

17. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	645	492
– Income tax outside Hong Kong	528	110
	<hr/>	<hr/>
	1,173	602
Deferred income tax relating to the origination and reversal of temporary differences	942	(193)
	<hr/>	<hr/>
	2,115	409
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. 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	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>13,138</u>	<u>9,728</u>
Weighted average number of ordinary shares in issue ('000)	<u>230,840</u>	230,444
Basic earnings per share (HK cents)	<u>5.69</u>	4.22

(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	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>13,138</u>	<u>9,728</u>
Weighted average number of ordinary shares in issue ('000)	<u>230,840</u>	230,444
Adjustments for share options ('000)	<u>995</u>	2,827
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>231,835</u>	<u>233,271</u>
Diluted earnings per share (HK cents)	<u>5.67</u>	4.17

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. Interim dividend

The Board has resolved to declare an interim dividend of HK2.0 cents per share (2007: HK1.0 cent) for the six months ended 30 September 2008 payable to shareholders whose names appear on the register of shareholders of the Company on 2 January 2009. The interim dividend will be paid on or before 16 January 2009.

20. Operating lease commitments

As at 30 September 2008, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Not later than one year	3,598	1,527
Later than one year and not later than five years	2,719	774
	<u>6,317</u>	<u>2,301</u>

The Company did not have any other significant commitments as at 30 September 2008 (As at 31 March 2008: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21. Related party transactions

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

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of electronics products to a jointly controlled entity	97,336	–
Management fee received from a jointly controlled entity	90	–
Management fee paid to a jointly controlled entity	46	–
	<u> </u>	<u> </u>

Note:

In the opinion of the 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	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	4,141	3,966
Post-employment benefits	257	240
	<u> </u>	<u> </u>
	4,398	4,206
	<u> </u>	<u> </u>