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 2013

FINANCIAL HIGHLIGHTS

– Revenue amounted to HK$608.2 million (2012: HK$628.3 million)

– Gross profit was HK$81.7 million (2012: HK$83.4 million)

– Profit attributable to Owners of the Company was HK$37.5 million (2012: HK$49.5 million)

– Basic earnings per share was HK13.76 cents (2012: HK18.19 cents)

– The Board has proposed an interim dividend of HK6.0 cents per share (2012: HK7.0 cents)

* *for identification purpose only*

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 2013:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

		Six months ended 30 September	
		2013	2012
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**608,166**	628,301
Cost of sales	*5*	**(526,452)**	(544,912)
Gross profit		**81,714**	83,389
Other income		**72**	296
Other gains, net	*4*	**3,479**	11,083
Distribution and selling expenses	*5*	**(7,924)**	(9,945)
General and administrative expenses	*5*	**(34,858)**	(33,278)
Operating profit		**42,483**	51,545
Finance income	*6*	**1,122**	1,741
Finance costs	*6*	**(1,682)**	(736)
Finance (costs)/income – net	*6*	**(560)**	1,005
Share of loss of an associate		**(356)**	(349)
Profit before income tax		**41,567**	52,201
Income tax expense	*7*	**(4,399)**	(2,771)
Profit for the period		**37,168**	49,430
Attributable to:			
Owners of the Company		**37,474**	49,528
Non-controlling interests		**(306)**	(98)
		37,168	49,430
Earnings per share for profit attributable to owners of the Company during the period			
– Basic (HK cents)	*8*	**13.76**	18.19
– Diluted (HK cents)	*8*	**13.74**	18.16
Interim dividend	*9*	**16,338**	19,061

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit and total comprehensive income for the period	**37,168**	49,430
Attributable to:		
Owners of the Company	**37,474**	49,528
Non-controlling interests	**(306)**	(98)
	37,168	49,430

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2013

	Note	**As at 30 September 2013** ***HK$'000*** **(Unaudited)**	As at 31 March 2013 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**136,090**	117,366
Land use rights		**60,163**	60,798
Intangible asset		**18,469**	21,046
Goodwill		**3,949**	3,949
Interests in an associate		**1,512**	1,868
Amount due from an associate		**267**	267
Long-term loan receivable	*10*	**16,575**	16,575
Available-for-sale financial asset		**4,323**	4,323
Financial assets at fair value through profit or loss		**1,279**	1,279
Bonds investments		**7,711**	7,711
Deferred income tax assets		**2,929**	3,524
Other non-current receivables	*10*	**3,875**	3,875
		257,142	242,581
Current assets			
Inventories		**128,699**	132,252
Trade and other receivables	*10*	**204,099**	126,582
Financial assets at fair value through profit or loss		**6,553**	6,553
Bond investments		**–**	1,428
Tax recoverable		**4,218**	2,407
Derivative financial instruments		**694**	696
Cash and cash equivalents		**243,454**	243,625
		587,717	513,543
Total assets		**844,859**	756,124
LIABILITIES			
Non-current liabilities			
Bank borrowings		**66,636**	85,532
Other non-current liabilities	*11*	**17,595**	17,595
Deferred income tax liabilities		**5,382**	5,759
		89,613	108,886

	Note	**As at 30 September 2013** *HK$'000* **(Unaudited)**	As at 31 March 2013 *HK$'000* (Audited)
Current liabilities			
Trade and other payables	*11*	**217,495**	146,722
Income tax payable		**14,079**	10,885
Bank borrowings		**32,780**	16,927
		264,354	174,534
Total liabilities		**353,967**	283,420
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**27,229**	27,229
Other reserves		**119,915**	119,834
Retained earnings			
– Proposed dividend		**16,338**	19,061
– Others		**328,270**	307,134
		491,752	473,258
Non-controlling interests		**(860)**	(554)
Total equity		**490,892**	472,704
Total equity and liabilities		**844,859**	756,124
Net current assets		**323,363**	339,009
Total assets less current liabilities		**580,505**	581,590

Notes:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2013 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 2013, 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 2013, with the exception of changes in estimates that are required in determining the provision for income taxes.

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 Mar 2013, 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) The following new standards, amendments to standards and interpretations are mandatory for the Group's financial year beginning on 1 April 2013.

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HK (IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above new standards, amendments to standards and interpretation has had no material effect on the Group's result and financial position of the Group, except for certain disclosures in respect of HKAS 1 (Amendment) and HKFRS 13.

(b) The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2013 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities	1 January 2014
HK (IFRIC) - Int 21	Levies	1 January 2014

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/or the presentation of its financial statements will result.

3. SEGMENT INFORMATION

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

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of goods:		
− electronic products	**591,793**	609,941
− moulds and plastic products	**16,373**	18,360
	608,166	628,301

(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.

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

The CODM assesses the performance of the operating segments based on a measure of the results of reportable segments. Finance income and costs, corporate income and expenses, fair value gain/(loss) of financial assets 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 interim income statement.

Assets of reportable segments exclude deferred income tax assets, tax recoverable, available-for-sale financial assets, bond investments, financial assets of fair value through profit or loss, long-term loan receivables, interest in an associate and corporate assets, all of which are managed on a central basis. Liabilities of reportable segments 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 2013 and 2012 is as follows:

	Six months ended 30 September 2013			
	Electronic products *HK$'000* (Unaudited)	Moulds and plastic products *HK$'000* (Unaudited)	Elimination *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue				
Revenue from external customers	**591,793**	**16,373**	**–**	**608,166**
Inter-segment revenue	**–**	**6,760**	**(6,760)**	**–**
	591,793	**23,133**	**(6,760)**	**608,166**
Results of reportable segments	**39,348**	**(416)**	**–**	**38,932**

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

Results of reportable segments	**38,932**
Other income	**72**
Other gains, net	**3,479**
Operating profit	**42,483**
Finance income	**1,122**
Finance costs	**(1,682)**
Share of loss of an associate	**(356)**
Profit before income tax	**41,567**
Income tax expense	**(4,399)**
Profit for the period	**37,168**

	Six months ended 30 September 2013			
	Electronic products *HK$'000* (Unaudited)	Moulds and plastic products *HK$'000* (Unaudited)	Other Segments *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Other segment information				
Depreciation on property, plant and equipment	**4,449**	**997**	**1,585**	**7,031**
Amortisation of land use rights	**566**	**29**	**40**	**635**
Amortisation of intangible assets	**2,577**	–	–	**2,577**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**25,776**	**59**	**1**	**25,836**
Income tax expense	**4,220**	**101**	**78**	**4,399**

	Six months ended 30 September 2012			
	Electronic products *HK$'000* (Unaudited)	Moulds and plastic products *HK$'000* (Unaudited)	Elimination *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue				
Revenue from external customers	609,941	18,360	–	628,301
Inter-segment revenue	–	5,759	(5,759)	–
	609,941	24,119	(5,759)	628,301
Results of reportable segments	38,571	1,595	–	40,166

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	11,083
Operating profit	51,545
Finance income	1,741
Finance costs	(736)
Share of loss of an associate	(349)
Profit before income tax	52,201
Income tax expense	(2,771)
Profit for the period	49,430

	Six months ended 30 September 2012			
	Electronic products *HK$'000* (Unaudited)	Moulds and plastic products *HK$'000* (Unaudited)	Other Segments *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Other segment information				
Depreciation on property, plant and equipment	5,502	1,064	768	7,334
Amortisation of land use rights	–	29	322	351
Amortisation of intangible assets	2,147	–	–	2,147
Additions to non-current assets (other than financial instruments and deferred income tax assets)	32,806	189	54,039	87,034
Income tax expense	2,736	310	(275)	2,771

The segment assets and segment liabilities as at 30 September 2013 and 31 March 2013 and the reconciliation to the total assets and total liabilities are as follows:

	As at 30 September 2013		
	Electronic products (Unaudited)	**Moulds and plastic products (Unaudited)**	**Total (Unaudited)**
Segment assets	**718,174**	**31,822**	**749,996**
Deferred income tax assets			**2,929**
Tax recoverable			**4,218**
Unallocated:			
Property, plant and equipment			**47,162**
Interest in an associate			**1,512**
Long-term loan receivables			**16,575**
Other investments			**19,866**
Other unallocated assets			**2,601**
Total assets per condensed consolidated interim balance sheet			**844,859**
Segment liabilities	**209,881**	**5,081**	**214,962**
Income tax payable			**14,079**
Deferred income tax liabilities			**5,382**
Unallocated:			
Bank borrowings			**99,416**
Other unallocated liabilities			**20,128**
Total liabilities per condensed consolidated interim balance sheet			**353,967**

	As at 31 March 2013		
	Electronic products *HK$'000* (Audited)	Moulds and plastic products *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment assets	616,414	35,737	652,151
Deferred income tax assets			3,524
Tax recoverable			2,407
Unallocated:			
Property, plant and equipment			48,313
Interest in an associate			1,868
Long-term loan receivables			16,575
Other investments			21,294
Other unallocated assets			9,992
Total assets per consolidated balance sheet			756,124

	As at 31 March 2013		
	Electronic products *HK$'000* (Audited)	Moulds and plastic products *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment liabilities	139,428	4,691	144,119
Income tax payable			10,885
Deferred income tax liabilities			5,759
Unallocated:			
Bank borrowings			102,459
Other unallocated liabilities			20,198
Total liabilities per consolidated balance sheet			283,420

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 2013 and 2012 is as follows:

	2013 ***HK$'000*** **(Unaudited)**	2012 *HK$'000* (Unaudited)
The United States of America	**277,726**	249,509
Japan	**118,940**	115,285
United Kingdom	**81,677**	137,702
PRC (including Hong Kong)	**54,919**	65,451
Australia	**39,612**	20,836
Others	**35,292**	39,518
	608,166	628,301

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

	As at 30 September 2013 ***HK$'000*** **(Unaudited)**	As at 31 March 2013 *HK$'000* (Audited)
Hong Kong	**90,445**	108,255
Mainland China	**163,667**	130,656
Macao	**101**	146
	254,213	239,057

For the six months ended 30 September 2013, external revenue of approximately HK$344,339,000 (2012: HK$372,620,000) is generated from four (2012: 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, NET

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Fair value loss in financial assets at fair value through profit or loss	**–**	(64)
Fair value loss on derivative financial instruments	**(2)**	(1,612)
Net realised gain on derivative financial instruments	**503**	1,636
Gain on remeasurement of previously held equity interest in a joint-controlled entity	**-**	8,908
Net foreign currency exchange gain	**2,978**	2,151
Others	**-**	64
Total other gains, net	**3,479**	11,083

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	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories	**455,500**	474,053
Depreciation of property, machinery and equipment	**7,031**	7,334
Amortisation of land use rights	**635**	351
Amoritisation of intangible asset	**2,577**	2,147
Employee benefit expense (including directors' emoluments)	**68,688**	67,458
Reversal of provision for impairment of trade receivables	**(5)**	(128)
Other expenses	**34,808**	36,920
Total cost of sales, distribution and selling expenses, and general and administrative expenses	**569,234**	588,135

6. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income from:		
- bank deposits	**637**	1,194
- bonds investments	**485**	547
Finance income	**1,122**	1,741
Interest on bank borrowings	**(1,682)**	(736)
Finance (costs)/income – net	**(560)**	1,005

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	**3,463**	3,985
– Income tax outside Hong Kong	**718**	1,245
Over- provision in prior years	**–**	(2,544)
	4,181	2,686
Deferred income tax relating to the origination and reversal of temporary differences	**218**	85
	4,399	2,771

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	
	2013	2012
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**37,474**	49,528
Weighted average number of ordinary shares in issue ('000)	**272,294**	272,294
Basic earnings per share (HK cents)	**13.76**	18.19

(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	
	2013	2012
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**37,474**	49,528
Weighted average number of ordinary shares in issue ('000)	**272,294**	272,294
Adjustments for share options ('000)	**506**	398
Weighted average number of ordinary shares for diluted earnings per share ('000)	**272,800**	272,692
Diluted earnings per share (HK cents)	**13.74**	18.16

9. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK6.0 cents per share (2012: HK7.0 cents) for the six months ended 30 September 2013 to shareholders whose names appear on the register of members of the Company on 13 December 2013. The interim dividend will be paid on or before 20 December 2013.

10. TRADE AND OTHER RECEIVABLES

Trade receivables are aged as follows:

	As at 30 September 2013 *HK$'000* **(Unaudited)**	As at 31 March 2013 *HK$'000* (Audited)
0 to 30 days	**172,409**	103,234
31 to 60 days	**12,317**	6,334
61 to 90 days	**6,814**	1,133
91 to 180 days	**217**	53
Over 180 days	**4,935**	4,698
	196,692	115,452
Less: Provision for impairment	**(3,818)**	(3,823)
Trade receivables, net	**192,874**	111,629
Prepayments	**3,164**	2,162
Rental and other deposits	**2,764**	2,770
Value added tax receivables	**6,236**	8,593
Others	**2,936**	5,303
	207,974	130,457
Trade and other receivables		
-Current portion	**204,099**	126,582
-Non-current portion	**3,875**	3,875
	207,974	130,457
Long-term loan receivable	**16,575**	16,575
Total trade and other receivables	**224,549**	147,032

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

11. TRADE AND OTHER PAYABLES

Trade payables are aged as follows:

	As at 30 September 2013 *HK$'000* **(Unaudited)**	As at 31 March 2013 *HK$'000* (Audited)
0 to 30 days	**178,398**	114,644
31 to 60 days	**4,634**	1,006
61 to 90 days	**1,370**	608
91 to 180 days	**1,476**	559
Over 180 days	**3,199**	5,121
Trade payables	**189,077**	121,938
Salaries and staff welfare payable	**9,383**	9,759
Accrued expense	**6,071**	4,073
Others	**12,964**	10,952
Trade and other payables – current portion	**217,495**	146,722
Other non-current payables	**17,595**	17,595
Total trade and other payables	**235,090**	164,317

CHAIRMAN'S MESSAGE

During the reporting period, the Group's businesses recorded a general improvement in performance when compared with the second half of the last financial year. For the six months ended 30 September 2013, revenue amounted to HK$608.2 million (1H2012/13: HK$628.3 million). Gross profit was HK$81.7 million (1H2012/13: HK$83.4 million) while gross profit margin was 13.4% (1H2012/13: 13.3%). Profit attributable to shareholders reached HK$37.5 million (1H2012/13: HK$49.5 million). If a one-time special gain of HK$8.9 million on the remeasurement of previously held equity interest in a joint-controlled entity was excluded in 1H2012/13, then the operating profit for the last corresponding period and review period would be at similar levels. Net profit margin was 6.1% (1H2012/13: 7.9%) and basic earnings per share were HK13.76 cents (1H2012/13: HK18.19 cents).

Business Overview

Electronic products

The electronic products segment generated HK$591.8 million in revenue (1H2012/13: HK$609.9 million), accounting for 97.3% (1H2012/13: 97.1%) of the Group's total sales.

During the period under review, the Group's major products recorded sales gains when compared with the second half of the last financial year. Interactive educational products picked up moderately despite the set-back experienced in the second half of last financial year. The growth in demand for existing products plus encouraging response to the newly launched model boosted sales of interactive educational products. As for pet training devices, this business generated a stable source of revenue for SUGA. During the period under review, a further uptake of pet training devices was observed, thus sustaining positive momentum that first began in 1H2012/13.

In respect of professional audio equipment, it also recorded increase sales when compared to the second half of last financial year. The segment continued to perform in a stable manner. Likewise, general consumer electronic products experienced an upswing, as our key Japanese customers began to replenish inventory, suggesting rising optimism towards their respective markets.

The encouraging performance of our various electronic products indicates that sentiment is improving in several of the Group's major markets.

While key products are making headway once again, progress has also been made towards capturing new business opportunities. We secured another auto-fare collection system client by leveraging our successful track record, and are now commencing work on projects in Europe for this client. Correspondingly, the auto-fare business achieved notable growth during the review period. In addition, we received more orders for our Wifi modules. We anticipate still greater demand for our Wifi modules since they can be applied in a variety of consumer electronic products.

Moulds and plastic

Sales derived from the moulds and plastic segment amounted to HK$16.4 million (1H2012/13: HK18.4 million), accounting for 2.7% (1H2012/13: 2.9%) of SUGA's total sales. This segment continues to represent an important component of our vertically integrated production line, as many of the products produced are directly used by the Group.

Prospects

With consumer confidence improving both in the US and Europe, this positive development should enable all facets of the Group's business to achieve progress during the remaining financial year. Consequently, we are cautiously optimistic about the performance of our key products and their ability to sustain growth momentum.

To realize further growth, we will seek to seize on opportunities that emerge from the relatively healthier economic climate, though maintaining a prudent approach that strives to best leverage our core strengths. A perfect example is the pet training devices business, which we will look to broaden to encompass a variety of pet-related products. Already, we are developing a new product with our U.S. partner that will facilitate expansion of this business segment.

To further tap the pet market, particularly in China, we will be launching an online retail platform in mid-November 2013 with the goal of introducing a dedicated platform for our pet products. In view of consumer behavior and the popularity of online shopping in the country, we believe that the online pet products market in China to be immense. Having established pet stores in China, we have accumulated ample experience in the retail pet market. The new online store will create a direct link with our physical stores, helping improve brand recognition and sales.

Given our significant strength in R&D, we will continue leveraging this attribute to realize growth as well. The growing number of Wifi-related devices has led to encouraging result for our Wifi division. Our Wifi module has been employed in a number of applications, including educational products, and we will continue to develop and tailor this wireless technology to address market demands.

Also bearing the fruits of our R&D labors is the telecommunications device created for the hearing impaired. Jointly developed with a U.S. partner, the device entered production in 1H2013/14, and we are now working on an uprated model so that more end users can benefit from this helpful product. In addition, the Group will continue to optimize its Bluetooth 4.0 related products to satisfy market demand.

The strategy of developing niche products and building a diversified portfolio of products and solutions has proved invaluable for protecting SUGA from the knock-on effect of the global downturn. Going forward, we will capitalize on the progress made to seize fresh opportunities. Helping the Group rise to the next level will be the new factory in Dongguan, which is scheduled for completion by the first quarter of 2014, and commence production by the following quarter. The capacity that the new facility affords will also go towards supporting the management in its efforts to chart a course for the Group's long-term growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2013, the Group had current assets of HK$587.7 million and current liabilities of HK$264.4 million. The current ratio was 2.22 (31 March 2013: 2.94).

Bank borrowings were HK$99.4 million as at 30 September 2013 (31 March 2013: HK$102.5 million).. Gearing ratio (calculated by dividing total bank borrowings by total equity) was 20.3% (31 March 2013: 21.7%). The Group maintained a net cash balance of HK$144.0 million as at 30 September 2013 (31 March 2013: HK$141.2 million).

As at 30 September 2013, the Group had aggregate facilities of approximately HK$360.4 million (31 March 2013: HK$437.7 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$253.0 million (31 March 2013: HK$312.6 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 2013.

During the six months ended 30 September 2013, 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$501,000.

PLEDGE OF ASSETS

As at 30 September 2013, 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$19.4 million (31 March 2013: HK$20.8 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

On 6 December 2012, Dongguan Benefit, an indirect wholly-owned subsidiary of the Company, entered into a construction contract with Guangdong Hongda Construction Engineering Co., Ltd. (the “Contractor”), under which the Contractor has agreed to construct two factory buildings and three dormitories with gross construction floor area of approximately 72,723 square metres on the land located in Dongguan for RMB78.2 million. As at 30 September 2013, the Group had capital commitments of HK$77.3 million for the above construction contract (31 March 2013: HK$92.5 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2013 amounted to HK$107.4 million (31 March 2013: HK$125.1 million) and the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 30 September 2013 the Group employed 2,193 employees, of which 54 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 2013.

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 2013.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK6.0 cents per share for the six months ended 30 September 2013 (2012: HK7.0 cents) payable to shareholders whose names appear on the Register of Shareholders of the Company on 13 December 2013. The interim dividend will be paid on or before 20 December 2013.

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 13 December 2013 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 Thursday, 12 December 2013 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, 27 November 2013

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.