# 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 2014

**FINANCIAL HIGHLIGHTS**

– Revenue amounted to HK$680.4 million (2013: HK$608.2 million)

– Gross profit was HK$88.2 million (2013: HK$81.7 million)

– Profit attributable to Owners of the Company was HK$149.2 million (2013: HK$37.5 million)

– Basic earnings per share was HK54.65 cents (2013: HK13.76 cents)

– The Board proposed an interim dividend of HK7.0 cents per share (2013: HK6.0 cents) and special dividend of HK5.0 cents per share (2013: nil)

## 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 2014:

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014*

| | | Six months ended 30 September | |
|---|---|---|---|
| | *Note* | **2014** *HK$'000* **(Unaudited)** | 2013 *HK$'000* (Unaudited) |
| Revenue | *3* | **680,381** | 608,166 |
| Cost of sales | *5* | **(592,147)** | (526,452) |
| Gross profit | | **88,234** | 81,714 |
| Other income | | **650** | 72 |
| Other gains, net | *4* | **121,193** | 3,479 |
| Distribution and selling expenses | *5* | **(10,816)** | (7,924) |
| General and administrative expenses | *5* | **(43,421)** | (34,858) |
| Operating profit | | **155,840** | 42,483 |
| Finance income | *6* | **1,049** | 1,122 |
| Finance costs | *6* | **(1,978)** | (1,682) |
| Finance costs – net | | **(929)** | (560) |
| Share of loss of an associate | | **(129)** | (356) |
| Profit before income tax | | **154,782** | 41,567 |
| Income tax expense | *7* | **(5,911)** | (4,399) |
| Profit for the period | | **148,871** | 37,168 |
| Attributable to: | | | |
| Owners of the Company | | **149,156** | 37,474 |
| Non-controlling interests | | **(285)** | (306) |
| | | **148,871** | 37,168 |
| Earnings per share for profit attributable to owners of the Company during the period | | | |
| – Basic (HK cents) | *8* | **54.65** | 13.76 |
| – Diluted (HK cents) | *8* | **54.60** | 13.74 |
| Dividends | *9* | **32,778** | 16,338 |

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014*

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Profit for the period** | **148,871** | 37,168 |
| **Other comprehensive income:** | | |
| Items that have been reclassified or may be subsequently reclassified to profit or loss: | | |
| Exchange differences on translation of foreign subsidiaries | **4,850** | – |
| Fair value loss on available-for-sale financial asset | **(1,529)** | – |
| Other comprehensive income for the period, net of tax | **3,321** | – |
| **Total comprehensive income for the period** | **152,192** | 37,168 |
| Attributable to: | | |
| Owners of the Company | **152,477** | 37,474 |
| Non-controlling interests | **(285)** | (306) |
| | **152,192** | 37,168 |

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**

*AS AT 30 SEPTEMBER 2014*

| | Note | **As at 30 September 2014** *HK$'000* **(Unaudited)** | As at 31 March 2014 *HK$'000* (Audited) |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | **270,107** | 200,943 |
| Land use rights | | **56,665** | 58,973 |
| Intangible asset | | **13,315** | 15,892 |
| Goodwill | | **3,949** | 3,949 |
| Interest in an associate | | **1,861** | 1,702 |
| Amount due from an associate | | **267** | 267 |
| Available-for-sale financial asset | | **6,018** | 7,547 |
| Bond investments | | **7,711** | 7,711 |
| Deferred income tax assets | | **2,631** | 2,811 |
| Other non-current receivables | *10* | **3,773** | 852 |
| | | **366,297** | 300,647 |
| Current assets | | | |
| Inventories | | **143,238** | 147,378 |
| Trade and other receivables | *10* | **274,561** | 206,103 |
| Financial assets at fair value through profit or loss | | **1,279** | 1,279 |
| Loan receivable | *10* | **13,770** | 16,250 |
| Tax recoverable | | **331** | 257 |
| Derivative financial instruments | | **1,686** | 145 |
| Cash and cash equivalents | | **165,352** | 169,404 |
| | | **600,217** | 540,816 |
| Total assets | | **966,514** | 841,463 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank borrowings | | **13,820** | 47,731 |
| Deferred income tax liabilities | | **2,607** | 4,649 |
| | | **16,427** | 52,380 |

| | Note | As at 30 September 2014 HK$'000 (Unaudited) | As at 31 March 2014 HK$'000 (Audited) |
|---|---|---|---|
| Current liabilities | | | |
| Trade and other payables | *11* | **212,644** | 217,488 |
| Income tax payable | | **17,855** | 12,870 |
| Bank borrowings | | **67,537** | 37,798 |
| Derivative financial instruments | | **1,881** | 2,398 |
| | | **299,917** | 270,554 |
| Total liabilities | | **316,344** | 322,934 |
| EQUITY | | | |
| Capital and reserves attributable to the owners of the Company | | | |
| Share capital | | **27,315** | 27,229 |
| Other reserves | | **124,684** | 120,148 |
| Retained earnings | | | |
| – Proposed dividends | | **32,778** | 21,852 |
| – Others | | **466,810** | 350,432 |
| | | **651,587** | 519,661 |
| Non-controlling interests | | **(1,417)** | (1,132) |
| Total equity | | **650,170** | 518,529 |
| Total equity and liabilities | | **966,514** | 841,463 |
| Net current assets | | **300,300** | 270,262 |
| Total assets less current liabilities | | **666,597** | 570,909 |

*Notes:*

## 1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2014 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 2014, 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 are the same as those that applied to the annual financial statements for the year ended 31 March 2014, 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 March 2014, 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 or after 1 April 2014 and have been adopted in the preparation of this condensed consolidated interim financial information.

| | |
|---|---|
| HKFRS 10, HKFRS 12 and HKAS 27 (Amendments) | Investment entities |
| HKAS 32 (Amendment) | Offsetting financial assets and financial liabilities |
| HKAS 36 (Amendment) | Recoverable amount disclosures for non-financial assets |
| HKAS 39 (Amendment) | Novation of derivatives and continuation of hedge accounting |
| HK(IFRIC)-Int 21 | Levies |

The adoption of the above new standards, amendments to standards and interpretation has had no material effect on the preparation of the Group's condensed consolidated interim financial information, except for certain additional or revised disclosures.

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2014 and have not been early adopted by the Group:

| | | Effective for the accounting period beginning on or after |
|---|---|---|
| HKAS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |
| HKAS 16 and HKAS 41 (Amendments) | Bearer plants | 1 January 2016 |
| HKAS 16 and HKAS 38 (Amendments) | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| HKAS 19 (Amendment) | Defined benefit plans: employee contribution | 1 July 2014 |
| HKAS 27 (Amendment) | Equity method in separate financial statements | 1 January 2016 |
| HKFRS 9 | Financial instruments | 1 January 2018 |
| HKFRS 11 (Amendment) | Accounting for acquisitions of interests in joint operations | 1 January 2016 |
| HKFRS 14 | Regulatory deferred accounts | 1 January 2016 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2017 |
| HKFRSs (Amendments) | Improvements to HKFRS 2010 - 2012 cycle | 1 July 2014 |
| HKFRSs (Amendments) | Improvements to HKFRS 2011 - 2013 cycle | 1 July 2014 |
| HKFRSs (Amendments) | Improvements to HKFRS 2012- 2014 cycle | 1 January 2016 |

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. REVENUE AND SEGMENT INFORMATION

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

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Sales of goods: | | |
| – electronic products | **667,626** | 591,793 |
| – moulds and plastic products | **12,755** | 16,373 |
| | **680,381** | 608,166 |

### (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 at fair value through profit or loss, 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 2014 and 2013 is as follows:

| | Six months ended 30 September 2014 | | | |
|---|---|---|---|---|
| | **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 | **667,626** | **12,755** | **–** | **680,381** |
| Inter-segment revenue | **–** | **5,578** | **(5,578)** | **–** |
| | **667,626** | **18,333** | **(5,578)** | **680,381** |
| Results of reportable segments | **35,704** | **(1,707)** | **–** | **33,997** |

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

| | |
|---|---|
| Results of reportable segments | **33,997** |
| Other income | **650** |
| Other gains, net | **121,193** |
| Operating profit | **155,840** |
| Finance income | **1,049** |
| Finance costs | **(1,978)** |
| Share of loss of an associate | **(129)** |
| Profit before income tax | **154,782** |
| Income tax expense | **(5,911)** |
| Profit for the period | **148,871** |

| | Six months ended 30 September 2014 | | | |
|---|---|---|---|---|
| | **Electronic products** *HK$'000* **(Unaudited)** | **Moulds and plastic products** *HK$'000* **(Unaudited)** | **Other** *HK$'000* **(Unaudited)** | **Total** *HK$'000* **(Unaudited)** |
| **Other segment information** | | | | |
| Depreciation on property, plant and equipment | **9,218** | **566** | **1,151** | **10,935** |
| Amortisation of land use rights | **566** | **29** | **40** | **635** |
| Amortisation of intangible asset | **2,577** | **–** | **–** | **2,577** |
| Additions to non-current assets (other than financial instruments and deferred income tax assets) | **105,426** | **–** | **20** | **105,446** |
| Income tax expense | **6,099** | **(186)** | **(2)** | **5,911** |

| | 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 *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 asset | 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 |

The segment assets and segment liabilities as at 30 September 2014 and 31 March 2014 and the reconciliation to the total assets and total liabilities are as follows:

| | **As at 30 September 2014** | | |
|---|---|---|---|
| | **Electronic products** *HK$'000* **(Unaudited)** | **Moulds and plastic products** *HK$'000* **(Unaudited)** | **Total** *HK$'000* **(Unaudited)** |
| Segment assets | **847,691** | **30,114** | **877,805** |
| Deferred income tax assets | | | **2,631** |
| Tax recoverable | | | **331** |
| Unallocated: | | | |
| Property, plant and equipment | | | **44,995** |
| Interest in an associate | | | **1,861** |
| Loan receivable | | | **13,770** |
| Other investments | | | **15,008** |
| Other unallocated assets | | | **10,113** |
| Total assets per condensed consolidated interim balance sheet | | | **966,514** |
| Segment liabilities | **206,084** | **5,810** | **211,894** |
| Income tax payable | | | **17,855** |
| Deferred income tax liabilities | | | **2,607** |
| Unallocated: | | | |
| Bank borrowings | | | **81,357** |
| Other unallocated liabilities | | | **2,631** |
| Total liabilities per condensed consolidated interim balance sheet | | | **316,344** |

| | As at 31 March 2014 | | |
|---|---|---|---|
| | Electronic products *HK$'000* (Audited) | Moulds and plastic products *HK$'000* (Audited) | Total *HK$'000* (Audited) |
| Segment assets | 724,237 | 30,394 | 754,631 |
| Deferred income tax assets | | | 2,811 |
| Tax recoverable | | | 257 |
| Unallocated: | | | |
| Property, plant and equipment | | | 46,126 |
| Interest in an associate | | | 1,702 |
| Loan receivable | | | 16,250 |
| Other investments | | | 16,537 |
| Other unallocated assets | | | 3,149 |
| Total assets per condensed consolidated balance sheet | | | 841,463 |
| Segment liabilities | 194,674 | 4,524 | 199,198 |
| Income tax payable | | | 12,870 |
| Deferred income tax liabilities | | | 4,649 |
| Unallocated: | | | |
| Bank borrowings | | | 85,529 |
| Other unallocated liabilities | | | 20,688 |
| Total liabilities per condensed consolidated balance sheet | | | 322,934 |

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 2014 and 2013 is as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| The United States of America | **287,876** | 277,726 |
| United Kingdom | **149,418** | 81,677 |
| Japan | **140,796** | 118,940 |
| PRC (including Hong Kong) | **53,548** | 54,919 |
| Australia | **24,637** | 39,612 |
| Others | **24,106** | 35,292 |
| | **680,381** | 608,166 |

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

| | **As at** | As at |
|---|---|---|
| | **30 September** | 31 March |
| | **2014** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Hong Kong | **79,367** | 88,962 |
| Mainland China | **284,248** | 208,808 |
| Macao | **51** | 66 |
| | **363,666** | 297,836 |

For the six months ended 30 September 2014, external revenue of approximately HK$366,605,000 (2013: HK$344,339,000) is generated from four (2013: four) major customers, each of which accounts for 10% or more of the Group's external revenue. The revenue is attributable to the electronic products segment.

## 4. OTHER GAINS, NET

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Fair value gain / (loss) on derivative financial instruments | **2,058** | (2) |
| Net realised gain on derivative financial instruments | **144** | 503 |
| Gain on disposal of subsidiaries (Note 1) | **149,427** | – |
| Net foreign currency exchange gain | **4,774** | 2,978 |
| Provision for impairment of loan receivable | **(2,805)** | – |
| Relocation cost of factories (Note 2) | **(32,405)** | – |
| Total other gains, net | **121,193** | 3,479 |

Notes:

(1) On 19 December 2012, the Group entered into a sale and purchase agreement, pursuant to which the purchaser conditionally agreed to purchase, and the Group conditionally agreed to sell, 100% equity interests in Universal Gain Assets Limited ("UGL") at cash consideration of RMB138,000,000. UGL is a wholly-owned subsidiary of the Group which has interests in a piece of land in the PRC. In addition, the purchaser conditionally agreed to grant the Group the right to repurchase certain of the re-developed properties in future upon the completion of re-development. The Group received a deposit of HK$17,595,000 in prior year, which was included in trade and other payables at 31 March 2014. On 23 September 2014, the Group completed the disposal of UGL and recognised a disposal gain of approximately HK$149,427,000.

(2) During the period, the Group relocated certain of its manufacturing plants to Dongguan and had incurred relocation costs of approximately HK$32,405,000.

## 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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories | **510,451** | 455,500 |
| Depreciation of property, machinery and equipment | **10,935** | 7,031 |
| Amortisation of land use rights | **635** | 635 |
| Amoritisation of intangible asset | **2,577** | 2,577 |
| Employee benefit expense (including directors' emoluments) | **83,080** | 68,688 |
| Reversal of provision for impairment of trade receivables | **–** | (5) |
| Other expenses | **38,706** | 34,808 |
| Total cost of sales, distribution and selling expenses, and general and administrative expenses | **646,384** | 569,234 |

## 6. FINANCE INCOME AND FINANCE COSTS

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest income from: | | |
| – bank deposits | **786** | 637 |
| – bonds investments | **263** | 485 |
| Finance income | **1,049** | 1,122 |
| Interest on bank borrowings | **(1,978)** | (1,682) |
| Finance costs – net | **(929)** | (560) |

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current income tax | | |
| – Hong Kong profits tax | **6,243** | 3,463 |
| – Income tax outside Hong Kong | **–** | 718 |
| | **6,243** | 4,181 |
| Deferred income tax relating to the origination and reversal of temporary differences | **(332)** | 218 |
| | **5,911** | 4,399 |

## 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 | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| Profit attributable to owners of the Company (HK$'000) | **149,156** | 37,474 |
| Weighted average number of ordinary shares in issue ('000) | **272,913** | 272,294 |
| Basic earnings per share (HK cents) | **54.65** | 13.76 |

### (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 | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| Profit attributable to owners of the Company (HK$'000) | **149,156** | 37,474 |
| Weighted average number of ordinary shares in issue ('000) | **272,913** | 272,294 |
| Adjustments for share options ('000) | **248** | 506 |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | **273,161** | 272,800 |
| Diluted earnings per share (HK cents) | **54.60** | 13.74 |

## 9. DIVIDENDS

A dividend of HK$21,852,000 that relates to the period to 31 March 2014 was paid in August 2014 (2013: HK$19,061,000).

On 26 November 2014, the board of directors has resolved to declare an interim dividend of HK7.0 cents per share (2013: HK6.0 cents per share) and a special dividend of HK5.0 cents per share (2013: nil), which is payable on or before 19 December 2014 to shareholders whose names are on the register at 12 December 2014. This interim dividend and special dividend, amounting to HK$32,778,000 (2013: HK$16,338,000), has not been recognised as a liability in this interim financial information.

## 10. TRADE AND OTHER RECEIVABLES

The ageing of trade receivables is as follows:

| | **As at 30 September 2014** *HK$'000* **(Unaudited)** | As at 31 March 2014 *HK$'000* (Audited) |
|---|---|---|
| 0 to 30 days | **212,718** | 177,663 |
| 31 to 60 days | **15,383** | 8,431 |
| 61 to 90 days | **8,350** | 279 |
| 91 to 180 days | **4,683** | 120 |
| Over 180 days | **5,036** | 4,852 |
| | **246,170** | 191,345 |
| Less: Provision for impairment | **(3,898)** | (3,898) |
| Trade receivables, net | **242,272** | 187,447 |
| Prepayments | **2,375** | 3,316 |
| Rental and other deposits | **6,477** | 2,668 |
| Value added tax receivables | **12,685** | 4,960 |
| Others | **14,525** | 8,564 |
| | **278,334** | 206,955 |
| Trade and other receivables | | |
| – Current portion | **274,561** | 206,103 |
| – Non-current portion | **3,773** | 852 |
| | **278,334** | 206,955 |
| Loan receivable | **16,575** | 16,250 |
| Less: Provision for impairment | **(2,805)** | – |
| | **13,770** | 16,250 |
| Total trade and other receivables | **292,104** | 223,205 |

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

All trade receivables are either repayable within one year or on demand.

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

## 11. TRADE AND OTHER PAYABLES

The ageing of the trade payables is as follows:

| | **As at 30 September 2014** *HK$'000* **(Unaudited)** | As at 31 March 2014 *HK$'000* (Audited) |
|---|---|---|
| 0 to 30 days | **135,783** | 145,566 |
| 31 to 60 days | **6,233** | 16,560 |
| 61 to 90 days | **2,394** | 1,379 |
| 91 to 180 days | **3,714** | 1,568 |
| Over 180 days | **3,252** | 6,676 |
| Trade payables | **151,376** | 171,749 |
| Salaries and staff welfare payable | **12,325** | 9,584 |
| Accrued expense | **4,583** | 4,390 |
| Deposit received | – | 17,595 |
| Construction payable | **29,776** | – |
| Others | **14,584** | 14,170 |
| Total trade and other payables | **212,644** | 217,488 |

## CHAIRMAN'S MESSAGE

SUGA recorded turnover of approximately HK$680.4 million as at the review period, up 11.9% from HK$608.2 million for the corresponding period last year. Gross profit increased by 8.0% to HK$88.2 million (1H2013/14: HK$81.7 million), and gross profit margin was 13.0% (1H2013/14: 13.4 %).

Prior to the close of the review period, the Group completed the disposal of an industrial land parcel in Buji, Shenzhen, the PRC. After deducting the relocation expenses, which mainly consists of severance to employees at its Shenzhen production facilities, the Group recorded a one-off net gain of approximately HK$117.0 million. Profit attributable to shareholders increased by 297.9% to HK$149.2 million (1H2013/14: HK$37.5 million). Net profit margin reached 21.9% (1H2013/14: 6.1%) and basic earnings per share were HK54.65 cents (1H2013/14: HK13.76 cents).

### Business Overview

*Electronic products*

The electronic products segment recorded sales of HK$667.6 million, up 12.8% from HK$591.8 million recorded for the same period last year. The segment thus accounted for 98.1% of the Group's total sales.

Interactive educational products continued to attract greater demand since the second half of the last financial year as reflected by a notable gain in revenue. The Group's partner implemented a new strategy that involved outsourcing production of more products to SUGA. Consequently, the Group has received more orders during the review period, and is currently in discussion with the partner regarding its deeper involvement in the R&D of new products. Such discussions are consistent with our objective of increasing the provision of value-added solutions to our customers.

With regards to the professional audio equipment business, this segment also achieved satisfactory sales growth over the corresponding period of last year, mainly attributable to the increase in new orders from our US clients. The business operation has grown to become one of our major revenue contributors, and the management is pleased to see that more customers have come to recognize SUGA's quality excellence.

The general consumer electronic products business was able to generate a rise in sales, owing to greater demand from our Japanese customers. A change in procurement practices by our clients aimed at streamlining suppliers also proved favorable for the Group. The overall rise in demand clearly reflects SUGA's ability to deliver quality products on a consistent basis, in turn, retain existing clients while concurrently capture fresh opportunities.

Pet training devices recorded a decrease in revenue, mainly because of disruptions resulting from the relocation of the Group's factory. Moreover, our business partner elected to shift its orders to the second half of the financial year owing to relocation reasons. With the new factory now fully operational, the Group will seek to grow alongside its long-standing business partner in the coming years.

Development of the auto-fare collection system experienced a slow down due to the lack of new projects in Europe held by its principal client. However, demand for the Group's Wi-Fi modules has picked up, and more demand is anticipated given their wide range of applications among electronic devices.

**Awards**

During the latest financial period, the Group was once again recognized for its commitment to excellence, in terms of management and products. In respect of the former, its subsidiary SGI Venture Limited ("SGI") was honored with "Management Excellence Award 2014" from The International Institute of Management ("IIM"). Another subsidiary of the Group, Suga Macao Commercial Offshore Limited, received the "Best Supplier Award" from a key customer and long-standing business partner, Radio Systems Corporation. The award was in recognition of its superior products and services, as well as exceptional support.

**Prospects**

Based on close monitoring of the macro economy and the available data over the past two years, the US is well on its way to economic recovery. This trend, plus further easing measures employed by the European Central Bank mean that besides the US, the Eurozone should also sustain recovery momentum, thus facilitating the economic growth of other regions around the world. The volume of orders that we have secured also matches this view, so the management remains optimistic about SUGA's performance for the entire year.

Since our founding, our core operations have mainly focused on the development and manufacturing of electronic products, and we have successfully introduced several niche electronic products in recent years, generating stable income for the Group. Our strategies have proven to be effective, enabling us to remain profitable and continuing to add value for shareholders amid adverse conditions. However, the management is not complacent and continues to evaluate different directions for transforming and upgrading our products and services with the goal of raising the competitiveness and overall profitability of the Group.

Looking ahead, SUGA aims to differentiate itself from conventional EMS suppliers and provide more comprehensive high-tech electronics solutions, in order to add value for its customers. We unveiled a series of smart household solutions at the recent Hong Kong Electronics Fair (Autumn Edition), demonstrating our outstanding R&D capability. We believe that smartphone-related solutions are the right direction for future development because of the desire for a more convenient lifestyle by consumers that they provide and the resultant increase in popularity of smartphones. Our Wi-Fi product team has amassed more than 5 years of experience in related research, and the Wi-Fi modules that we have launched over the years have been well received by customers and the market alike. The Group started negotiating with existing customers about integrating Wi-Fi technology into their products last year. The initial response has been positive and the Group intends to enhance promotion and contact more prospective clients to explore potential new business opportunities.

Another area of focus will be on the development of the pet product market in China. We have observed that more and more pet owners in China are willing to provide better care and more comfortable living conditions for their pets, which has translated into a strong demand for pet-related products of better quality, in particular pet food. Therefore, SUGA will select products with a high quality control assurance standard and introduce more premium products, such as pet food or pet care products imported from overseas, thus offering greater variety to consumers.

In respect of manufacturing facilities, the high-tech industrial park in Dongguan has started full operation. This new factory combines two production facilities that were previously located in Shenzhen, and its new capacity has been boosted by around 30% with the installation of automated equipment. The completion of property disposal in Buji, Shenzhen has generated additional gains for the Group, enabling us to explore new potential projects. Phase II of the high-tech industrial park in Dongguan will begin construction at the end of this year and the third production building will be completed in early 2016. At that time, the move from the Huizhou factory to the Park in Dongguan will be completed, which will further improve our production efficiency. Besides, the Group will carefully evaluate the redevelopment of the land parcel at the Huizhou factory.

Capitalizing on our well-defined strategy and solid business foundation, the management has utmost confidence in SUGA’s future prospects and will continue seeking to create long-term value for our shareholders.

## DISPOSAL OF UNIVERSAL GAIN

On 19 December 2012, Suga International Limited (the "Vendor"), and Mr. Wong Chun Leung (the "Purchaser") entered into a sale and purchase agreement (the "Agreement") pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the entire issued capital of Universal Gain Assets Limited ("Universal Gain") for a cash consideration of RMB138,000,000 (the "Consideration"). Universal Gain holds 100% of the entire issued share capital of Typhoon International Limited ("Typhoon International") which owns the land and buildings of the Buji factory at Li Lang, Buji, Shenzhen City, Guangdong Province, the PRC (the "Buji Property"). The Vendor had received from the Purchaser RMB13,800,000 being 10% of the Consideration within 5 days from the date of the Agreement. On 19 August 2014 the Vendor gave a written notice to the Purchaser that the Buji Property was vacant and could be delivered to the Purchaser. Completion of the transaction took place on 23 September 2014. Upon completion, the Group ceased to hold any interest in Universal Gain and the Group recorded a gain of HK$149.4 million on disposal of Universal Gain.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2014, the Group had current assets of HK$600.2 million and current liabilities of HK$299.9 million. The current ratio was 2.00 (31 March 2014: 2.00).

Bank borrowings were HK$81.4 million as at 30 September 2014 (31 March 2014: HK$85.5 million). Gearing ratio (calculated by dividing total bank borrowings by total equity) was 12.5% (31 March 2014: 16.5%). The Group maintained a net cash balance of HK$84.0 million as at 30 September 2014 (31 March 2014: HK$83.9 million).

As at 30 September 2014, the Group had aggregate facilities of approximately HK$574.1 million (31 March 2014: HK$587.5 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$473.0 million (31 March 2014: HK$474.4 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 2014.

During the six months ended 30 September 2014, 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 the derivative instruments recognised during the period was HK$2.2 million.

## PLEDGE OF ASSETS

As at 30 September 2014, 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$16.6 million (31 March 2014: HK$18.0 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 2014, the Group had no capital commitment (31 March 2014: HK$75.1 million).

On 6 December 2012, Suga Technology (Dongguan) Co., Ltd., 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 Dongguan Land for Suga Technology (Dongguan) Co., Ltd. For RMB78.2 million. As at 30 September 2014, the Group had no capital commitment for the above construction contract (31 March 2014: HK$30.0 million). For the year ended 31 March 2014, the Group had also entered into various renovation contracts with the Contractor, under which the Contractor has agreed to carry out the installation of power distribution system, air conditioning system, low voltage electrical system and other renovation work for factory at the contract price of RMB43.5 million. As at 30 September 2014, the Group had no capital commitment for the above renovation contracts (31 March 2014: HK$38.1 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2014 amounted to HK$101.1 million (31 March 2014: HK$113.1 million).

During the period ended 30 September 2014, the Group has a pending litigation case with a PRC company which is the landlord of Xixiang manufacturing plant. The landlord claimed the Group for compensation of damages of the plant. The directors believe that the Group has significant grounds for their position and are of the opinion that it is not probable that the above pending litigation case would have any material impact to the results on the financial position of the Group. Accordingly, no provision was made in the condensed consolidated interim financial information. Except for above, the Group did not have any significant contingent liabilities.

## HUMAN RESOURCES

As at 30 September 2014 the Group employed 2,206 employees, of which 59 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 had 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 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 2014.

## 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 2014.

## INTERIM DIVIDEND AND SEPCIAL DIVIDEND

The Board has resolved to declare an interim dividend of HK7.0 cents per share (2013: HK6.0 cents) and a special dividend of HK5.0 cents per share (2013: nil) for the six months ended 30 September 2014 payable to shareholders whose names appear on the Register of Shareholders of the Company on 12 December 2014. The interim dividend and special dividend will be paid on or before 19 December 2014.

## CLOSURE OF REGISTER

For the purpose of ascertaining the entitlement of the shareholders to receive the interim dividend and special dividend, the Register of Shareholders of the Company will be closed on 12 December 2014 during which date no transfer of shares in the Company will be registered. In order to qualify for the interim dividend and special 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, 11 December 2014 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 2014

*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, Mr. Chan Kit Wang and Dr. Cheung Nim Kwan as independent non-executive directors.*