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 2015

FINANCIAL HIGHLIGHTS

– Revenue amounted to HK$703.8 million (2014: HK$680.4 million)

– Gross profit was HK$98.9 million (2014: HK$88.2 million)

– Profit attributable to Owners of the Company was HK$39.0 million (2014: HK$149.2 million)

– Basic earnings per share was HK14.16 cents (2014: HK54.65 cents)

– The Board proposed an interim dividend of HK7.0 cents per share (2014: interim dividend of HK7.0 cents per share and a special dividend of HK5.0 cents per share)

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 2015:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		Six months ended 30 September	
		2015	2014
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**703,800**	680,381
Cost of sales	*5*	**(604,906)**	(592,147)
Gross profit		**98,894**	88,234
Other income		**1,105**	650
Other gains, net	*4*	**2,967**	121,193
Distribution and selling expenses	*5*	**(13,083)**	(10,816)
General and administrative expenses	*5*	**(46,411)**	(43,421)
Operating profit		**43,472**	155,840
Finance income	*6*	**1,395**	1,049
Finance costs	*6*	**(1,645)**	(1,978)
Finance costs – net		**(250)**	(929)
Share of loss of associates		**(666)**	(129)
Profit before income tax		**42,556**	154,782
Income tax expense	*7*	**(3,984)**	(5,911)
Profit for the period		**38,572**	148,871
Attributable to:			
Owners of the Company		**39,035**	149,156
Non-controlling interests		**(463)**	(285)
		38,572	148,871
Earnings per share for profit attributable to owners of the Company during the period			
– Basic (HK cents)	*8*	**14.16**	54.65
– Diluted (HK cents)	*8*	**14.13**	54.60
Dividends	*9*	**19,392**	32,778

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**38,572**	148,871
Other comprehensive (loss) / income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**(10,846)**	4,850
Fair value gain / (loss) on available-for-sale financial assets	**2,703**	(1,529)
Other comprehensive (loss) / income for the period, net of tax	**(8,143)**	3,321
Total comprehensive income for the period	**30,429**	152,192
Attributable to:		
Owners of the Company	**30,892**	152,477
Non-controlling interests	**(463)**	(285)
	30,429	152,192

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2015

	Note	**As at 30 September 2015** *HK$'000* **(Unaudited)**	As at 31 March 2015 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**251,770**	257,317
Investment property		**10,400**	10,100
Land use rights		**54,296**	55,528
Intangible assets		**10,384**	12,372
Goodwill		**3,949**	3,949
Investments in associates		**4,404**	-
Investment in a joint venture		**-**	-
Available-for-sale financial assets		**16,061**	13,358
Bond investment		**7,711**	7,711
Deferred income tax assets		**691**	762
Other non-current receivables	*10*	**-**	1,658
		359,666	362,755
Current assets			
Inventories		**185,179**	192,818
Trade and other receivables	*10*	**291,941**	198,857
Loan receivable	*10*	**13,176**	13,500
Tax recoverable		**5,002**	4,105
Amount due from a joint venture		**404**	404
Cash and cash equivalents		**148,348**	176,989
		644,050	586,673
Total assets		**1,003,716**	949,428
LIABILITIES			
Non-current liabilities			
Bank borrowings		**10,980**	12,405
Deferred income tax liabilities		**1,491**	2,105
		12,471	14,510

	Note	As at 30 September 2015 HK$'000 (Unaudited)	As at 31 March 2015 HK$'000 (Audited)
Current liabilities			
Trade and other payables	*11*	**206,158**	187,768
Income tax payable		**11,392**	9,370
Bank borrowings		**104,233**	88,383
Derivative financial instruments		**4,740**	4,181
		326,523	289,702
Total liabilities		**338,994**	304,212
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**27,703**	27,371
Other reserves		**132,793**	131,091
Retained earnings			
– Proposed dividend		**19,392**	22,031
– Others		**485,758**	466,247
		665,646	646,740
Non-controlling interests		**(924)**	(1,524)
Total equity		**664,722**	645,216
Total equity and liabilities		**1,003,716**	949,428
Net current assets		**317,527**	296,971
Total assets less current liabilities		**677,193**	659,726

Notes:

1. BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information for the six months ended 30 September 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". This interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, 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 interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty are the same as those that applied to the annual financial statements for the year ended 31 March 2015, 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 interim condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 March 2015, 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 and amended standards and interpretations are mandatory for the Group's financial year beginning on 1 April 2015 and have been adopted in the preparation of this interim condensed consolidated financial information.

HKAS 19 (Amendment)	Defined benefit plans: Employee contributions
Annual improvements project	Annual improvements 2010-2012 cycle
Annual improvements project	Annual improvements 2011-2013 cycle

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

(b) The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2015 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
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)	Agriculture: Bearer plants	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKAS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception	1 January 2016
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 2018
Annual improvements project	Annual improvements 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	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of goods:		
– electronic products	**695,974**	667,626
– moulds and plastic products	**7,826**	12,755
	703,800	680,381

(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 gains of financial assets and share of loss of associates 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 interim condensed consolidated income statement.

Assets of reportable segments exclude deferred income tax assets, tax recoverable, available–for–sale financial assets, bond investment, loan receivable, interests in associates 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 2015 and 2014 is as follows:

	Six months ended 30 September 2015			
	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	**695,974**	**7,826**	**-**	**703,800**
Inter-segment revenue	**-**	**7,642**	**(7,642)**	**-**
	695,974	**15,468**	**(7,642)**	**703,800**
Results of reportable segments	**39,965**	**(565)**	**-**	**39,400**

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

Results of reportable segments	**39,400**
Other income	**1,105**
Other gains, net	**2,967**
Operating profit	**43,472**
Finance income	**1,395**
Finance costs	**(1,645)**
Share of loss of associates	**(666)**
Profit before income tax	**42,556**
Income tax expense	**(3,984)**
Profit for the period	**38,572**

	Six months ended 30 September 2015			
	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	**12,122**	**445**	**918**	**13,485**
Amortisation of land use rights	**581**	**-**	**-**	**581**
Amortisation of intangible asset	**2,577**	**-**	**-**	**2,577**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**13,986**	**-**	**-**	**13,986**
Income tax expense	**4,019**	**(3)**	**(32)**	**3,984**

	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

The segment assets and segment liabilities as at 30 September 2015 and 31 March 2015 and the reconciliation to the total assets and total liabilities are as follows:

	As at 30 September 2015		
	Electronic products *HK$'000* **(Unaudited)**	**Moulds and plastic products** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Segment assets	**880,756**	**21,994**	**902,750**
Deferred income tax assets			**691**
Tax recoverable			**5,002**
Unallocated:			
Property, plant and equipment			**40,357**
Investment property			**10,400**
Investments in associates			**4,404**
Loan receivable			**13,176**
Other investments			**23,772**
Other unallocated assets			**3,164**
Total assets per interim condensed consolidated balance sheet			**1,003,716**
Segment liabilities	**206,825**	**2,095**	**208,920**
Income tax payable			**11,392**
Deferred income tax liabilities			**1,491**
Unallocated:			
Bank borrowings			**115,213**
Other unallocated liabilities			**1,978**
Total liabilities per interim condensed consolidated balance sheet			**338,994**

	As at 31 March 2015		
	Electronic products *HK$'000* (Audited)	Moulds and plastic products *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment assets	832,245	21,874	854,119
Deferred income tax assets			762
Tax recoverable			4,105
Unallocated:			
Property, plant and equipment			40,765
Investment property			10,100
Loan receivable			13,500
Other investments			21,069
Other unallocated assets			5,008
Total assets per interim condensed consolidated balance sheet			949,428
Segment liabilities	186,221	3,235	189,456
Income tax payable			9,370
Deferred income tax liabilities			2,105
Unallocated:			
Bank borrowings			100,788
Other unallocated liabilities			2,493
Total liabilities per interim condensed consolidated balance sheet			304,212

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 2015 and 2014 is as follows:

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The United States of America	**304,592**	287,876
Japan	**136,271**	140,796
United Kingdom	**130,735**	149,418
Australia	**50,557**	24,637
PRC (including Hong Kong)	**42,099**	53,548
Others	**39,546**	24,106
	703,800	680,381

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
	2015	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**89,734**	89,262
Mainland China	**269,209**	272,691
Macao	**32**	40
	358,975	361,993

For the six months ended 30 September 2015, external revenue of approximately HK$347,162,000 (2014: HK$366,605,000) is generated from four (2014: 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	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Fair value (loss)/gain on derivative financial instruments	**(559)**	2,058
Net realised gain on derivative financial instruments	**1,300**	144
Gain on disposal of subsidiaries (Note 1)	**-**	149,427
Net foreign currency exchange gain	**2,218**	4,774
Fair value gain on an investment property	**8**	-
Provision for impairment of loan receivable	**-**	(2,805)
Relocation cost of factories (Note 2)	**-**	(32,405)
Total other gains, net	**2,967**	121,193

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 (appropriately HK$174,050,000). 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. 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 ended 30 September 2014, 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	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories	**523,827**	510,451
Depreciation of property, machinery and equipment	**13,485**	10,935
Amortisation of land use rights	**581**	635
Amoritisation of intangible asset	**2,577**	2,577
Employee benefit expense (including directors' emoluments)	**84,720**	83,080
Other expenses	**39,210**	38,706
Total cost of sales, distribution and selling expenses, and general and administrative expenses	**664,400**	646,384

6. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income from:		
– bank deposits	**107**	786
– bonds investments	**219**	263
– others	**1,069**	-
Finance income	**1,395**	1,049
Interest on bank borrowings	**(1,645)**	(1,978)
Finance costs – net	**(250)**	(929)

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	**3,893**	6,243
– Income tax outside Hong Kong	**634**	–
	4,527	6,243
Deferred income tax relating to the origination and reversal of temporary differences	**(543)**	(332)
	3,984	5,911

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	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**39,035**	149,156
Weighted average number of ordinary shares in issue ('000)	**275,768**	272,913
Basic earnings per share (HK cents)	**14.16**	54.65

(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	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**39,035**	149,156
Weighted average number of ordinary shares in issue ('000)	**275,768**	272,913
Adjustments for share options ('000)	**539**	248
Weighted average number of ordinary shares for diluted earnings per share ('000)	**276,307**	273,161
Diluted earnings per share (HK cents)	**14.13**	54.60

9. DIVIDENDS

A dividend of HK$22,163,000 that relates to the period to 31 March 2015 was paid in August 2015 (2014: HK$21,852,000).

On 26 November 2015, the board of directors has resolved to declare an interim dividend of HK7.0 cents per share (2014: interim dividend of HK7.0 cents per share and a special dividend of HK5.0 cents per share), which is payable on or before 18 December 2015 to shareholders whose names are on the register at 11 December 2015. This interim dividend amounting to HK$19,392,000 (2014: HK$32,778,000), 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 2015 *HK$'000* **(Unaudited)**	As at 31 March 2015 *HK$'000* (Audited)
0 to 30 days	**226,091**	161,906
31 to 60 days	**18,969**	4,935
61 to 90 days	**9,025**	7,788
91 to 180 days	**20,908**	1,256
Over 180 days	**4,188**	4,639
	279,181	180,524
Less: Provision for impairment	**(3,853)**	(3,878)
Trade receivables, net	**275,328**	176,646
Prepayment to vendors	**4,071**	9,768
Other prepayments	**2,055**	2,647
Rental and other deposits	**1,858**	1,803
Value added tax receivables	**5,284**	5,983
Others	**3,345**	3,668
	291,941	200,515
Trade and other receivables		
– Current portion	**291,941**	198,857
– Non-current portion	**-**	1,658
	291,941	200,515
Loan receivable	**15,860**	16,250
Less: Provision for impairment	**(2,684)**	(2,750)
Loan receivable, net	**13,176**	13,500
Total trade and other receivables	**305,117**	214,015

The carrying values of the Group's trade and other receivables approximate their fair values.

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 2015 *HK$'000* **(Unaudited)**	As at 31 March 2015 *HK$'000* (Audited)
0 to 30 days	**161,678**	134,542
31 to 60 days	**2,850**	3,881
61 to 90 days	**1,232**	690
91 to 180 days	**504**	3,318
Over 180 days	**3,743**	6,499
Trade payables	**170,007**	148,930
Salaries and staff welfare payable	**11,991**	14,401
Accrued expenses	**4,519**	4,662
Others	**19,641**	19,775
Total trade and other payables	**206,158**	187,768

CHAIRMAN'S MESSAGE

SUGA recorded a turnover of approximately HK$703.8 million during the period under review, up 3.4% from HK$680.4 million for the corresponding period last year. The growth was a result of the increase in orders of some of the Group's specialized electronic products. Gross profit increased by 12.1% to HK$98.9 million (1H2014/15: HK$88.2 million), and gross profit margin increased to 14.1% (1H2014/15: 13.0%). The improvement in gross profit margin has reflected the success in integrating the production facilities of SUGA's High-Tech Industrial Park in Dongguan, which has in turn helped enhance the Group's overall operational efficiency.

Profit attributable to shareholders was HK$39.0 million (1H2014/15: HK$149.2 million). After excluding the one-off net gain of approximately HK$117.0 million from the disposal of an industrial land parcel in Buji, Shenzhen, China and the relocation expenses incurred in the same period last year, profit attributable to shareholders increased by 21.1%. Net profit margin reached 5.5% (1H2014/15: 21.9%) and basic earnings per share were HK14.16 cents (1H2014/15: HK54.65 cents).

Business Overview

The electronic products segment has generated stable revenue and a strong cash flow for the Group with sales of HK$696.0 million, up 4.3% from HK$667.6 million recorded for the same period last year. The segment accounted for 98.9% of the Group's total sales.

A majority of the Group's core products have maintained stable sales growth. Pet electronic devices have recorded satisfactory growth thanks to the smooth operation of the SUGA High-Tech Industrial Park, which has delivered greater satisfaction to the Group's pet electronic devices business partners and thus more orders. The sales revenues of the professional audio equipment and general consumer electronic products were similar to last year, while the orders in the smart card and NFC products have increased as the Group's business partner in this segment has secured some new projects in Europe. The Group expects the outstanding performance of the smart card and NFC business to continue in the second half of the year.

The number of orders received for interactive educational products was lower in the past two years. This was mainly attributable to a product upgrade transition and the ongoing negotiation between our customer and a large Hong Kong listed company over an acquisition which affected the order volume. Nevertheless, the Group was pleased to see that the acquisition was confirmed during the period and the new buyer is optimistic about the prospects of the global education market and recognizes the Group's excellent technological and R&D capabilities. Thus, the Group believes the demand for interactive educational products should rebound in the near future. During the period under review, SUGA has completed the preparation work for the launch of its self-developed interactive flat panel display. The new product is applicable to various industries including the education market. It boasts thinner, lighter, ultra HD, multi-point touch and 178 degree wide viewing angle features over the traditional electronic white board. Based on these features, the Group believes the new version as well as the traditional interactive educational products can meet the needs of different market segments and it hopes to tap the huge interactive educational products market with its new customers.

SUGA has continuously strived to develop the innovative electronic products market. The Group has become aware of the huge potential of products dedicated to the elderly market in recent years. SUGA believes by adopting the latest technology in electronic products, these products can improve the life quality of the elderly. One of the successful examples is a telephone for the hearing impaired, as the sales for the product during the period have grown notably. The Group hopes related support services for the hearing impaired in the United States will be provided by more social welfare organizations, so more users in need may communicate with the outside world in a more convenient way. We will continue to develop other unique electronic products in order to offer more diverse and high value-added electronic solutions for customers.

Awards

During the period, SUGA's subsidiary SGI Venture Limited ("SGI") has won the "Silver Award for Youth Square – The Most Creative Award" and the "Advertising and Marketing Certificate of Merit" at the Asia Smartphone Apps Competition 2015 with its creative smartphone app "PetNfans". The contest was organized by the Hong Kong Wireless Technology Industries Association and sponsored by Create Hong Kong (CreateHK) under the Government of the HKSAR.

Corporate Social Responsibility

The Group believes in giving back to the community where its members live and work, and organizes volunteers to fulfill what it sees as its corporate social responsibility. Other than the regular donation to the Education Foundation of the Hong Kong Electronic Industries Association as well as sponsorship of scholarships at the Chinese University of Hong Kong and the Institute of Vocational Education, our volunteers have participated in a number of social activities, including the Green Council's "Hong Kong Green Day" and "International Coastal Cleanup 2015 Hong Kong", the Agency for Volunteer Service's "AVS Walk & Run for Volunteering 2015", as well as Federation of Hong Kong Industries' "Blood Donation Day".

Prospects

Looking ahead, the global economy continues to be affected by lingering uncertainties. The unsatisfactory performance of economies has affected the atmosphere of the global market, while the slowdown of growth in emerging economies has eroded consumer confidence. The Group expects its business partners to maintain prudent strategies. SUGA will keep abreast of their needs and strives to seize more business opportunities by creating value for its customers by developing more flexible electronic solutions.

The core electronic products have remained stable and continued to generate a strong cash flow for the Group. Recently, the Group's client of interactive educational product has been acquired by a large company in China. The buyer is a leading developer and operator of an online game and mobile platform in China and hopes to enter the global educational market through the acquisition. Capitalizing on SUGA's expertise and reputation, the buyer has indicated that it will retain SUGA as the supplier of the existing interactive education products and also placed order for the new model products. With new models set to hit the market, the Group has confidence in the prospects of these products and its business.

Previously, SUGA's strategy has mainly focused on creating niche electronic products. In the future, we intend to allocate more resources to the educational and pet markets with huge growth potential by leveraging more advanced electronics solutions to enhance features of a wider range of products and bring greater convenience to users. At the Hong Kong Electronics Fair held in October, the Group has unveiled a series of soon-to-be-launched innovative products, including a 70-inch interactive flat panel display and a new generation electronics Petble feeder. The large interactive flat panel display is an upgraded version of the traditional interactive educational white board and equipped with the Android operating system, therefore it can incorporate more applications to add new elements to education and boost the participation and learning interest of the students. The electronic Petble feeder enables pet owners to more clearly understand the living habits of their pets and better monitor their health through a smart phone. We will closely monitor the market's interest in related products and proactively allocate resources to develop those products with potential.

We have made our initial foray into the pet market in China, setting up our companies in the free trade zone in Nansha and Tianjin during this year. The two companies are expected to provide online and offline services for the pet markets in Northern and Southern China. Moreover, SUGA has entered into an agreement with a Belgian pet food partner which will produce quality pet food overseas under our own SUGA brand. We believe that own branded product formula can better suit the China and Hong Kong markets leveraging our understanding of the China and Hong Kong pet markets accumulated over several years. Our application for import of the products is being processed and the products are expected to be sold to consumers in the first half of next year. China's existing pet food market is still highly fragmented and the choice of imported products is relatively scarce. As pet owners are more and more concerned about the health of their pets, SUGA believes that quality pet food has tremendous market potential. We will capitalize on an O2O platform to enhance sales of pet food and capture market share in the two geographies.

Construction of Phase II of the High-tech Industrial Park in Dongguan is progressing smoothly while works on the third building are progressing as scheduled and are expected to be completed in the middle of next year. We are looking forward to the transfer of the operations of our Huizhou plants to the High-Tech Industrial Park in Dongguan, further consolidating the Group's production facilities and improving overall production efficiency. The management will then seek the best way to utilize the land in Huizhou after the plants are relocated. Overall, the management has the utmost confidence in the long term development of SUGA's overall business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2015, the Group had current assets of HK$644.1 million and current liabilities of HK$326.5 million. The current ratio was 1.97 (31 March 2015: 2.03).

Bank borrowings were HK$115.2 million as at 30 September 2015 (31 March 2015: HK$100.8 million). Gearing ratio (calculated by dividing total bank borrowings by total equity) was 17.3% (31 March 2015: 15.6%). The Group maintained a net cash balance of HK$33.1 million as at 30 September 2015 (31 March 2015: HK$76.2 million).

As at 30 September 2015, the Group had aggregate facilities of approximately HK$610.2 million (31 March 2015: HK$610.2 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$495.0 million (31 March 2015: HK$509.4 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 2015.

During the six months ended 30 September 2015, 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 foreign currency exchange risk 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$741,000.

PLEDGE OF ASSETS

As at 30 September 2015, 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$13.8 million (31 March 2015: HK$15.2 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 2015, the Group had a capital commitment of HK$29.8 million for the construction contract and property, plant and equipment (31 March 2015: HK$27.2 million).

At at 30 September 2015, the Company had provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$610.2 million (31 March 2015: HK$610.2 million). The facilities utilized by the subsidiaries as at 30 September 2015 amounted to HK$115.2 million (31 March 2015: HK$100.8 million). The Group did not have any significant contingent liability.

HUMAN RESOURCES

As at 30 September 2015 the Group employed 2,065 employees, of which 67 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 PRACTICES

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 announcement, 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 2015.

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 2015.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK7.0 cents per share (2014: interim dividend of HK7.0 cents per share and a special dividend of HK5.0 cents per share) for the six months ended 30 September 2015 payable to shareholders whose names appear on the Register of Shareholders of the Company on 11 December 2015. The interim dividend will be paid on or before 18 December 2015.

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 11 December 2015 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 10 December 2015 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 2015

The Directors of the Company as at the date of this announcement are Dr. Ng Chi Ho, Mr. Ma Fung On and Dr. Ng Man Cheuk as executive directors; Mr. Lee Kam Hung as non-executive director; Mr. Leung Yu Ming, Steven, Mr. Chan Kit Wang and Dr. Cheung Nim Kwan as independent non-executive directors.