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SUGA INTERNATIONAL HOLDINGS LIMITED

信佳國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 912)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$709.0 million (2015: HK\$703.8 million)
- Gross profit was HK\$110.9 million (2015: HK\$98.9 million)
- Profit attributable to Owners of the Company was HK\$40.1 million (2015: HK\$39.0 million)
- Basic earnings per share was HK14.47 cents (2015: HK14.16 cents)
- The Board proposed an interim dividend of HK7.0 cents per share (2015: interim dividend of HK7.0 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 2016:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	709,028	703,800
Cost of sales	5	<u>(598,145)</u>	<u>(604,906)</u>
Gross profit		110,883	98,894
Other income		733	1,105
Other (losses)/gains, net	4	(4,373)	2,967
Distribution and selling expenses	5	(17,002)	(13,083)
General and administrative expenses	5	<u>(51,096)</u>	<u>(46,411)</u>
Operating profit		<u>39,145</u>	<u>43,472</u>
Finance income	6	3,514	1,395
Finance costs	6	<u>(2,385)</u>	<u>(1,645)</u>
Finance income/(costs) – net		<u>1,129</u>	<u>(250)</u>
Share of loss of associates		<u>(324)</u>	<u>(666)</u>
Profit before income tax		39,950	42,556
Income tax expense	7	<u>(555)</u>	<u>(3,984)</u>
Profit for the period		<u>39,395</u>	<u>38,572</u>
Attributable to:			
Owners of the Company		40,111	39,035
Non-controlling interests		<u>(716)</u>	<u>(463)</u>
		<u>39,395</u>	<u>38,572</u>
Earnings per share for profit attributable to owners of the Company during the period			
– Basic (HK cents)	8	<u>14.47</u>	<u>14.16</u>
– Diluted (HK cents)	8	<u>14.45</u>	<u>14.13</u>
Dividends	9	<u>19,407</u>	<u>19,392</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Six months ended 30 September

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	39,395	38,572
Other comprehensive loss:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries	(11,135)	(10,846)
Fair value (loss)/gain on available-for-sale financial assets	<u>(1,874)</u>	<u>2,703</u>
Other comprehensive loss for the period, net of tax	<u>(13,009)</u>	<u>(8,143)</u>
Total comprehensive income for the period	<u>26,386</u>	<u>30,429</u>
Attributable to:		
Owners of the Company	27,102	30,892
Non-controlling interests	<u>(716)</u>	<u>(463)</u>
	<u>26,386</u>	<u>30,429</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2016

		As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		280,084	263,236
Investment property		10,000	10,000
Land use rights		52,114	53,291
Intangible assets		4,117	7,251
Goodwill		3,949	3,949
Interests in associates		3,552	3,876
Investment in a joint venture		-	-
Available-for-sale financial assets		14,804	16,678
Bond investment		7,711	7,711
Deferred income tax assets		36	323
Other non-current receivables	<i>10</i>	7,969	4,118
		384,336	370,433
Current assets			
Inventories		168,051	167,361
Trade and other receivables	<i>10</i>	244,857	200,773
Loan receivable	<i>10</i>	12,051	12,960
Tax recoverable		3,185	3,859
Amount due from a joint venture		404	404
Amount due from an associate		1,931	431
Cash and cash equivalents		230,164	225,027
		660,643	610,815
Total assets		1,044,979	981,248
LIABILITIES			
Non-current liabilities			
Bank borrowings		8,103	10,932
Deferred income tax liabilities		1,005	1,443
		9,108	12,375

		As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade and other payables	<i>11</i>	203,861	185,468
Income tax payable		10,281	12,931
Bank borrowings		145,870	101,197
Derivative financial instruments		487	1,946
		<u>360,499</u>	<u>301,542</u>
Total liabilities		<u>369,607</u>	<u>313,917</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		27,724	27,712
Other reserves		101,679	113,246
Retained earnings		544,724	526,792
		<u>674,127</u>	<u>667,750</u>
Non-controlling interests		<u>1,245</u>	<u>(419)</u>
Total equity		<u>675,372</u>	<u>667,331</u>
Total equity and liabilities		<u>1,044,979</u>	<u>981,248</u>

Notes:

1. BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information for the six months ended 30 September 2016 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 2016, 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 2016.

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 2016, 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 2016 and have been adopted in the preparation of this interim condensed consolidated financial information.

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 27 (Amendments)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception
HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferred accounts
Annual improvements project	Annual improvements 2012-2014 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.

- (b) The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2016 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 7 (Amendments)	Statement of cashflows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 9 (Amendments)	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

The chief operating decision-maker has been identified as the Executive Directors (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.

During the period, the Executive Directors reviewed the qualitative factors such as business activities, economic and legal characteristics of the business and quantitative factors such as the financial performance of the two segments previously presented namely electronics products and moulds and plastic products and have determined that the moulds and plastic products business did not qualify as a reportable or operating segment, as such business contributed to less than 10% of all of the Group’s financial indicators. As a result, the Group has only one reporting segment under HKFRS 8.

An analysis of the Group’s revenue from external customers by country of destination for the period ended 30 September 2016 and 2015 is as follows:

	Six months ended 30 September	
	2016	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
The United States of America	318,595	304,592
Japan	130,967	136,271
United Kingdom	97,717	130,735
PRC (including Hong Kong)	48,225	42,099
Australia	34,897	50,557
Taiwan	34,620	18,129
Others	44,007	21,417
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	709,028	703,800
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An analysis of the Group's non-current assets, excluding deferred income tax assets, by geographical location is as follows:

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Hong Kong	92,257	90,847
Mainland China	292,030	279,242
Macao	13	21
	<u>384,300</u>	<u>370,110</u>

For the six months ended 30 September 2016, external revenue of approximately HK\$110,997,000, HK\$84,380,000 and HK\$72,705,000 were generated from three customers, who individually accounted for more than 10% of the Group's revenue.

For the six months ended 30 September 2015, external revenue of approximately HK\$109,247,000, HK\$85,495,000, HK\$84,198,000 and HK\$68,222,000 were generated from four customers, who individually accounted for more than 10% of the Group's revenue.

4. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Fair value gain/ (loss) on derivative financial instruments	1,459	(559)
Net realised gain on derivative financial instruments	-	1,300
Net foreign currency exchange (loss)/gain	(247)	2,218
Fair value gain on an investment property	-	8
Factory removal cost (Note)	(5,585)	-
	<u>(4,373)</u>	<u>2,967</u>
Total other (losses)/gains, net	<u>(4,373)</u>	<u>2,967</u>

Notes:

During the period ended 30 September 2016, the Group relocated one of its manufacturing plants to Dongguan, the PRC and incurred relocation cost of approximately HK\$5,585,000 (2015: Nil).

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	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories	523,377	523,827
Depreciation of property, machinery and equipment	12,305	13,485
Amortisation of land use rights	542	581
Amortisation of intangible asset	3,134	2,577
Employee benefit expense (including directors' emoluments)	81,033	84,720
Other expenses	45,852	39,210
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses, and general and administrative expenses	666,243	664,400

6. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from:		
– bank deposits	843	107
– bonds investments	215	219
– others	2,456	1,069
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Finance income	3,514	1,395
Interest on bank borrowings	(2,385)	(1,645)
	<hr/>	<hr/>
Finance income/(costs) – net	1,129	(250)

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	1,970	3,893
– Income tax outside Hong Kong	1,751	634
Over provision in prior years	(3,317)	-
Deferred income tax relating to the origination and reversal of temporary differences	151	(543)
	<u>555</u>	<u>3,984</u>

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	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>40,111</u>	<u>39,035</u>
Weighted average number of ordinary shares in issue ('000)	<u>277,223</u>	<u>275,768</u>
Basic earnings per share (HK cents)	<u>14.47</u>	<u>14.16</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is the share options granted to employees. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>40,111</u>	<u>39,035</u>
Weighted average number of ordinary shares in issue ('000)	277,223	275,768
Adjustments for share options ('000)	<u>370</u>	<u>539</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>277,593</u>	<u>276,307</u>
Diluted earnings per share (HK cents)	<u>14.45</u>	<u>14.13</u>

9. DIVIDENDS

A dividend of HK\$22,179,000 that relates to the period to 31 March 2016 was paid in August 2016 (2015: HK\$22,163,000).

On 24 November 2016, the board of directors has resolved to declare an interim dividend of HK7.0 cents per share (2015: interim dividend of HK7.0 cents per share), which is payable on or before 19 December 2016 to shareholders whose names are on the Register of Shareholders at 12 December 2016. This interim dividend amounting to HK\$19,407,000 (2015: HK\$19,392,000), 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 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
0 to 30 days	199,185	175,791
31 to 60 days	13,617	2,192
61 to 90 days	8,596	2,771
91 to 180 days	301	4,151
Over 180 days	4,179	4,277
	<u>225,878</u>	<u>189,192</u>
Less: Provision for impairment	(3,812)	(3,836)
Trade receivables, net	222,066	185,346
Prepayment to vendors	7,763	5,068
Other prepayments	11,843	6,115
Rental and other deposits	1,293	1,692
Value added tax receivables	2,843	2,310
Others	7,018	4,360
	<u>252,826</u>	<u>204,891</u>
Trade and other receivables		
– Current portion	244,857	200,773
– Non-current portion	7,969	4,118
	<u>252,826</u>	<u>204,891</u>
Loan receivable	14,625	15,600
Less: Provision for impairment	(2,574)	(2,640)
Loan receivable, net	<u>12,051</u>	<u>12,960</u>
Total trade and other receivables	<u>264,877</u>	<u>217,851</u>

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 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
0 to 30 days	159,394	135,102
31 to 60 days	4,009	6,767
61 to 90 days	684	473
91 to 180 days	293	2,658
Over 180 days	805	4,764
	<hr/>	<hr/>
Trade payables	165,185	149,764
Salaries and staff welfare payable	11,369	13,547
Accrued expenses	6,078	6,036
Customer deposits	3,506	3,341
Others	17,723	12,780
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Total trade and other payables	203,861	185,468

CHAIRMAN'S MESSAGE

SUGA recorded a turnover of HK\$709.0 million (1H2015/16: HK\$703.8 million) in the period under review. Gross profit rose by 12.1% to HK\$110.9 million (1H2015/16: HK\$98.9 million). Gross profit margin climbed to 15.6% (1H2015/16: 14.1%), a reflection of the success of the Group's ongoing effort to integrate production facilities at its High-tech Industrial Park in Dongguan, which has enhanced its overall operational efficiency.

After payment of relocation expenses of HK\$5.6 million for relocation of our Huizhou plant to Dongguan during the review period, profit attributable to shareholders was HK\$40.1 million (1H2015/16: HK\$39.0 million). Net profit margin was 5.6% (1H2015/16: 5.5%). Basic earnings per share were HK14.47 cents (1H2015/16: HK14.16 cents).

Business Review

The electronics products segment has generated stable revenue and strong cash flow for the Group. Most of the Group's core products maintained steady growth, and among them, the professional audio equipment and telephone for the hearing impaired stood out. Thanks to our capable R&D team, the Group succeeded in applying "Internet of things" ("IoT") technology in its professional audio equipment products, enabling it to expand the corresponding customer base and boost business performance. In addition, the telephone for the hearing impaired produced for a US business partner, which matches the needs of users in the US market, has maintained satisfactory growth momentum. The Group plans to cooperate with the business partner in exploring other possible functions to add to its telephone products, in the hope to enhance the quality of living of the elderly and also to open up more business opportunities.

As mentioned in last year's annual report, the Group has been prudent in operating its business in the interactive educational product market. Performance of this business segment has remained weak during the period under review, which was mainly attributable to a change in the development direction of a customer after it was acquired last year by a new buyer who decided to focus on the software market. However, the drop in sales of the segment was offset by the sales growth of other products, evidence that having a diverse product mix can reduce risks and help it maintain a stable performance.

Furthermore, Phase II of the Group's High-tech Industrial Park in Dongguan commenced operation during the review period and facilities of the Huizhou plant were relocated to the industrial park in July. By centralising its production facilities, the Group can improve overall production efficiency.

The Group has more than two decades of experience in production and R&D of pet training devices. A few years ago the Group decided to tap into the pet product market in China and Hong Kong. During the period the Group has been putting more effort into promoting its own pet food brand “Brabanconne 爸媽寵”, preparing to enter the pet product market in China . It hopes to see sales of related products increase quickly when they are officially launched in December this year. Though currently in the investment phase, it believes the business has tremendous growth potential in China. Thus, the Group is striving to seize business opportunities that can help it claim an important position in the pet product market in China.

Corporate social responsibility

The Group has consistently strived to fulfil its corporate social responsibility and give back to society in the past 25 years. 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, it has also participated in a number of charity and environmental protection activities. In terms of charity events, SUGA was involved in “Mooncakes for Charity” fundraising campaign of The Community Chest, the "From Darkness to Sunrise" City Orienteering Competition 2016 organised by The Samaritan Befrienders Hong Kong and the AVS Charity Walk and Run for Volunteering 2016 organised by the Agency For Volunteer Service. As for environmental protection activities, the Group participated in the Community Chest GREEN DAY and two other events namely “Hong Kong Green Day” and “International Coastal Cleanup 2016 Hong Kong” organised by the Green Council. Furthermore, the Group has started to install solar power systems at the Dongguan Suga High-tech Industrial Park to reduce energy consumption.

Prospects

This year SUGA celebrates its 25th anniversary. Over the past 25 years, it has grown from a small company with seven employees into an enterprise with a staff of about 2,000 today. It has evolved and developed into an electronics total solutions provider with its own professional R&D team.

Electronic products have given SUGA a strong business foundation and have also been a source of satisfactory returns for the Group over the years. The product category is expected to maintain a stable performance in the second half of the financial year. At the same time, the Group is stepping up cooperation with business partners and continuing to innovate based on the firm foundation it has already attained. Taking reference of its successful performance in professional audio equipment, the Group plans to explore IoT applications in different products, and upgrade and transform existing products to help it secure more prominent customers. Even though the revenue from interactive educational products has been declining, the Group, which has years of relevant experience, is discussing with potential partners about transferring its manufacturing expertise to related products.

At the same time, SUGA has been looking for opportunities to diversify its business and generate added value and the pet product business will present it with new opportunities. Using IoT technology, the Group is to develop a creative ecosystem for its pet product business. On the offline business front, in addition to distributing pet food and products in Hong Kong, the Group has also established subsidiaries in the free trade zones in Tianjin and Nansha to serve markets in Northern and Southern China respectively. SUGA plans to also launch its own pet food brand “Brabanconne 爸媽寵”, a product series tailored for pets in Asia by veterinarians graduated from the University of Cambridge in the UK and manufactured in Europe by the Group's Belgian partner. The Group is pleased to announce that it has received approval from The Ministry of Agriculture of the People's Republic of China to grant the import license to import the 19 series of Brabanconne pet food to China. Products of the brand are expected to be officially launched by the end of this year and start contributing revenue to the Group in the fourth quarter of this financial year.

As for online business, the Group's self-developed applications, namely Chongmi and PetNfans, offer pet owners in China and Hong Kong an online advisory and exchange platform. In fact, PetNfans has won for the Group a number of top technology awards, testimony to the widespread market recognition it enjoys. In the media market, the Group's Beijing arm uses digital media for broadcasting, including micro films to promote its brands and the market has responded very well to them. Applying its proven edge in electronics technology, the Group has developed a series of smart electronic pet products including the smart pet feeder PETBLE® SmartBowl and the wearable gauging device PETBLE® SmartTag to help improve pets' lives and health, and at the same time enable it to collect and build relevant Big Data. Looking ahead, SUGA sees the pet product business becoming one of its core pursuits and, as such, it is determined to stand out as a market leader in China and Hong Kong.

With a solid foundation thus laid by its long-standing electronic product business and new opportunities brought by the pet product business, the Group now boasts unparalleled advantages. The Group has decided to use the land previously occupied by its Huizhou plant for investment purposes. The management is initiating in-depth evaluation of related plans and options with the aim of maximising returns for shareholders. At this significant juncture in our history, the management is looking forward to opening for the Group a new chapter over the next 25 years and filling it with new achievements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the Group has current assets of HK\$660.6 million and current liabilities of HK\$360.5 million. The current ratio was 1.83 (31 March 2016: 2.03).

Bank borrowings were HK\$154.0 million as at 30 September 2016 (31 March 2016: HK\$112.1 million). The increase in total bank borrowings was mainly due to the drawdown of several new bank loans during the period under review. Gearing ratio (calculated by dividing total bank borrowings by total equity) was 22.8% (31 March 2016: 16.8%). The Group maintained a net cash balance of HK\$76.2 million as at 30 September 2016 (31 March 2016: HK\$112.9 million).

As at 30 September 2016, the Group had aggregate facilities of approximately HK\$540.0 million (31 March 2016: HK\$663.3 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$386.0 million (31 March 2016: HK\$555.1 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 denominated 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 2016.

During the six months ended 30 September 2016, 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 realized and unrealized gain on derivative instruments as at 30 September 2016 was HK\$1.5 million.

PLEDGE OF ASSETS

As at 30 September 2016, 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\$11.0 million (31 March 2016: HK\$12.4 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 2016, the Group had a capital commitment of HK\$3.1 million for the construction contract and property, plant and equipment (31 March 2016: HK\$5.4 million).

As at 30 September 2016, the Company had provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK\$540.0 million (31 March 2016: HK\$663.3 million). The facilities utilised by the subsidiaries as at 30 September 2016 amounted to HK\$154.0 million (31 March 2016: HK\$112.1 million). The Group did not have any significant contingent liability.

HUMAN RESOURCES

As at 30 September 2016 the Group employed 1,771 employees, of which 75 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 2016.

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 risk management and financial reporting matters, including the review of the unaudited interim financial information for the six months ended 30 September 2016.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK7.0 cents per share (2015: HK7.0 cents per share) for the six months ended 30 September 2016 payable to shareholders whose names appear on the Register of Shareholders of the Company on 12 December 2016. The interim dividend will be paid on or before 19 December 2016.

CLOSURE OF REGISTER

For the purpose of ascertaining the entitlement of the shareholders to receive the interim dividend, the Register of Shareholders of the Company will be closed on 12 December 2016 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 branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 December 2016.

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, 24 November 2016

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.