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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 2017**

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to HK\$738.9 million (2016: HK\$709.0 million)
- Gross profit was HK\$116.8 million (2016: HK\$110.9 million)
- Profit attributable to owners of the Company was HK\$41.8 million (2016: HK\$40.1 million)
- Basic earnings per share was HK14.83 cents (2016: HK14.47 cents)
- The Board proposed an interim dividend of HK7.0 cents per share (2016: 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 2017:

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Note	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	738,943	709,028
Cost of sales	5	<u>(622,108)</u>	<u>(598,145)</u>
Gross profit		116,835	110,883
Other income		1,322	733
Other gains/(losses), net	4	47	(4,373)
Distribution and selling expenses	5	(18,988)	(17,002)
General and administrative expenses	5	<u>(51,412)</u>	<u>(51,096)</u>
Operating profit		<u>47,804</u>	<u>39,145</u>
Finance income	6	1,866	3,514
Finance costs	6	<u>(2,434)</u>	<u>(2,385)</u>
Finance (costs)/income – net		<u>(568)</u>	<u>1,129</u>
Share of loss of associates		<u>(975)</u>	<u>(324)</u>
Profit before income tax		46,261	39,950
Income tax expense	7	<u>(4,866)</u>	<u>(555)</u>
Profit for the period		<u>41,395</u>	<u>39,395</u>
Attributable to:			
Owners of the Company		41,793	40,111
Non-controlling interests		<u>(398)</u>	<u>(716)</u>
		<u>41,395</u>	<u>39,395</u>
Earnings per share for profit attributable to owners of the Company during the period			
– Basic (HK cents)	8	<u>14.83</u>	<u>14.47</u>
– Diluted (HK cents)	8	<u>14.72</u>	<u>14.45</u>
Dividends	9	<u>19,746</u>	<u>19,407</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017*

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period	<b>41,395</b>	39,395
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries	<b>22,820</b>	(11,135)
Fair value loss on available-for-sale financial assets	<b>(10,867)</b>	(1,874)
Other comprehensive income/(loss) for the period	<b>11,953</b>	(13,009)
Total comprehensive income for the period	<b>53,348</b>	26,386
Attributable to:		
Owners of the Company	<b>53,746</b>	27,102
Non-controlling interests	<b>(398)</b>	(716)
	<b>53,348</b>	26,386

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2017

		As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		282,784	276,081
Investment property		10,200	10,200
Land use rights		51,385	50,484
Intangible assets		–	986
Goodwill		3,949	3,949
Interest in associates		3,829	3,804
Available-for-sale financial assets		5,572	16,439
Bond investment		7,711	7,711
Deferred income tax assets		1,083	1,086
Financial assets at fair value through profit or loss		4,838	4,838
Other non-current receivables		867	–
		<u>372,218</u>	<u>375,578</u>
Current assets			
Inventories		245,277	196,149
Trade and other receivables	10	265,968	231,784
Loan receivable	10	2,142	6,496
Income tax recoverable		795	591
Amount due from an associate		3,250	3,250
Cash and cash equivalents		211,219	223,867
		<u>728,651</u>	<u>662,137</u>
Total assets		<u><b>1,100,869</b></u>	<u><b>1,037,715</b></u>
<b>LIABILITIES</b>			
Non-current liabilities			
Bank borrowings		5,222	6,678
Deferred income tax liabilities		607	453
		<u>5,829</u>	<u>7,131</u>

		As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade and other payables	<i>11</i>	295,349	245,013
Income tax payable		9,769	6,762
Bank borrowings		<u>86,067</u>	<u>108,337</u>
		<u>391,185</u>	<u>360,112</u>
Total liabilities		<u>397,014</u>	<u>367,243</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		28,209	28,100
Other reserves		107,728	95,063
Retained earnings		<u>566,276</u>	<u>547,050</u>
		702,213	670,213
Non-controlling interests		<u>1,642</u>	<u>259</u>
Total equity		<u>703,855</u>	<u>670,472</u>
Total equity and liabilities		<u>1,100,869</u>	<u>1,037,715</u>

Notes:

## 1. BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information for the six months ended 30 September 2017 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 2017, 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 2017.

## 2. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 March 2018.

(a) Amendments to HKFRSs effective for the financial year ending 31 March 2018 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

(i) *HKFRS 9, “Financial instruments”*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- Debt instruments currently classified as loans and receivables would likely continue to be measured at amortised cost;
- Equity instruments currently classified as available-for-sale financial assets for which a fair value through other comprehensive income (FVOCI) election is available; and
- Equity investments currently measured at fair value through profit or loss (FVPL) would likely continue to be measured on the same basis under HKFRS 9.

For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group considers that there will be no material adverse change in the credit risks in respect of the Company's future financial assets and the adoption of the new expected credit losses model under HKFRS 9 will not have significant impact on its financial performance and position.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

*(ii) HKFRS 15, "Revenue from contracts with customers"*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group has decided not to adopt HKFRS 15 until it becomes mandatory on 1 January 2018.

Management has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

The adoption of HKFRS 15 will have an impact on the Group's revenue recognition for revenue from services and the Group expects that it may have impact on the amounts and disclosures made in the Group's financial statements. At this stage, the Group is currently assessing the potential impact of applying HKFRS 15 on the Group's consolidated financial statements and is not yet in a position to provide quantified information. The Group will make more detailed assessments of the impact over the next six months.

*(iii) HKFRS 16, "Leases"*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$6,440,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for financial years within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.



### 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.

As substantial business operations of the Group relate to the manufacturing, selling and distribution of electronics products, the CODM makes decisions about resources allocation and performance assessment based on the entity-wide financial information. Accordingly, there is only one single reportable segment for the Group.

An analysis of the Group’s revenue from external customers by country of destination for the period ended 30 September 2017 and 2016 is as follows:

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
The United States of America	<b>321,749</b>	318,595
Japan	<b>126,216</b>	130,967
United Kingdom	<b>65,992</b>	97,717
People’s Republic of China (the “PRC”, including Hong Kong)	<b>63,401</b>	48,225
Australia	<b>57,209</b>	34,897
Taiwan	<b>50,887</b>	34,620
Others	<b>53,489</b>	44,007
	<b>738,943</b>	<b>709,028</b>

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

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2017 HK\$'000 (Audited)</b>
Hong Kong	97,988	85,790
Mainland China	273,143	288,693
Macao	4	9
	<u>371,135</u>	<u>374,492</u>

For the six months ended 30 September 2017, external revenue of approximately HK\$139,133,000 was generated from one customer, who accounted for more than 10% of the Group's revenue. No other customers individually accounted for more than 10% of the Group's revenue.

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.

#### 4. OTHER GAINS / (LOSSES), NET

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Fair value gain on derivative financial instruments	–	1,459
Net foreign currency exchange gain/(loss)	47	(247)
Factory removal cost ( <i>Note</i> )	–	(5,585)
	<u>47</u>	<u>(4,373)</u>
Total other gains/(losses), net	<u>47</u>	<u>(4,373)</u>

*Note:*

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

## 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	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories	538,349	523,377
Depreciation of property, plant and equipment	16,169	12,305
Amortisation of land use rights	547	542
Amortisation of intangible assets	986	3,134
Employee benefit expense (including directors' emoluments)	93,654	81,033
Other expenses	42,803	45,852
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses, and general and administrative expenses	692,508	666,243
	<hr/>	<hr/>

## 6. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income from:		
– bank deposits	921	843
– bonds investments	215	215
– others	730	2,456
	<hr/>	<hr/>
Finance income	1,866	3,514
Interest expenses on bank borrowings	(2,434)	(2,385)
	<hr/>	<hr/>
Finance (costs)/ income – net	(568)	1,129
	<hr/>	<hr/>

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	2,994	1,970
– Income tax outside Hong Kong	1,715	1,751
Over provision in prior years	–	(3,317)
Deferred income tax relating to the origination and reversal of temporary differences	157	151
	<u>4,866</u>	<u>555</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	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>41,793</u>	<u>40,111</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u>281,732</u>	<u>277,223</u>
Basic earnings per share ( <i>HK cents</i> )	<u>14.83</u>	<u>14.47</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.

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to owners of the Company ( <i>HK\$ '000</i> )	<u>41,793</u>	<u>40,111</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<b>281,732</b>	277,223
Adjustments for share options ( <i>'000</i> )	<u>2,180</u>	<u>370</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>'000</i> )	<u><b>283,912</b></u>	<u>277,593</u>
Diluted earnings per share ( <i>HK cents</i> )	<u><b>14.72</b></u>	<u>14.45</u>

**9. DIVIDENDS**

Dividend of HK\$22,567,000 that relates to the period to 31 March 2017 was paid on 25 August 2017 (2016: HK\$22,179,000).

On 27 November 2017, the board of directors has resolved to declare an interim dividend of HK7.0 cents per share (2016: HK7.0 cents per share), which is payable on or before 22 December 2017 to shareholders who are on the Register of Shareholders on 13 December 2017. This interim dividend, amounting to HK\$19,746,000 (2016: HK\$19,407,000), 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 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
0 to 30 days	220,883	199,313
31 to 60 days	13,901	1,253
61 to 90 days	3,217	3,388
91 to 180 days	792	1,954
Over 180 days	6,329	3,833
	<hr/>	<hr/>
	245,122	209,741
Less: Provision for impairment	(3,708)	(3,772)
	<hr/>	<hr/>
Trade receivables, net	241,414	205,969
Prepayment to vendors	6,586	11,838
Other prepayments	3,866	3,046
Value added tax receivables	3,294	1,533
Rental and other deposits	1,652	938
Others	10,023	8,460
	<hr/>	<hr/>
	266,835	231,784
	<hr/>	<hr/>
Trade and other receivables		
– Current portion	265,968	231,784
– Non-current portion	867	–
	<hr/>	<hr/>
	266,835	231,784
	<hr/>	<hr/>
Loan receivable	4,606	8,960
Less: Provision for impairment	(2,464)	(2,464)
	<hr/>	<hr/>
Loan receivable, net	2,142	6,496
	<hr/>	<hr/>
Total trade and other receivables	268,977	238,280

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 grants credit terms of 30 days to its customers.

## 11. TRADE AND OTHER PAYABLES

The ageing of the trade payables is as follows:

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2017 HK\$'000 (Audited)</b>
0 to 30 days	237,823	178,997
31 to 60 days	4,319	3,081
61 to 90 days	2,377	3,711
91 to 180 days	1,506	6,281
Over 180 days	2,946	1,384
Trade payables	248,971	193,454
Salaries and staff welfare payable	13,882	11,603
Accrued expenses	3,824	4,710
Customer deposits	13,998	21,738
Others	14,674	13,508
Total trade and other payables	<b>295,349</b>	<b>245,013</b>

## **CHAIRMAN'S MESSAGE**

During the period under review, SUGA's turnover grew by 4.2% against the last corresponding period to HK\$738.9 million (1H2016/17: HK\$709.0 million), mainly attributable to the increase in orders for some specialised electronic products of the Group. Gross profit increased by 5.4% to HK\$116.8 million (1H2016/17: HK\$110.9 million) and gross profit margin was stable at 15.8% (1H2016/17: 15.6%). Profit attributable to shareholders was HK\$41.8 million (1H2016/17: HK\$40.1 million), representing an increase of 4.2% when compared with the same period last year. Net profit margin was 5.6% (1H2016/17: 5.6%). Basic earnings per share were HK14.83 cents (1H2016/17: HK14.47 cents).

## ***BUSINESS REVIEW***

Electronic products, the Group's core business, continued to generate stable revenue and strong cash flow for the Group during the review period. Among our major products, pet training devices, smart card and NFC products performed relatively well, achieving satisfactory revenue growth during the period under review. Other major products, including professional audio equipment and telephones for hearing-impaired elderly developed steadily during the period. In the period under review, interactive educational products only accounted for a small part of our total revenue, and no breakthrough is expected in the near future. Hence, the Group has allocated resources into projects with stronger development potential. As a whole, the Group's total turnover sustained stable growth, which reflected that SUGA's diverse product mix has been effective in helping the Group disperse risks, as well as generating stable revenue and strong cash flow for the Group.

SUGA spares no effort in developing new products. Its effort to stay abreast of latest market trends and upgrade product functions based on market needs in recent years has been effective. Spotting early the potential of Internet of Things (IoT), SUGA has incorporated IoT elements into its products, enabling them to be connected with the Internet. The market has responded well to it, which indicated that the Group has been heading in the right direction. One of the successful examples is professional audio equipment, which has brought new customers to the Group and boosted the strength of the business. In addition, professional audio products are getting more widely used, from stage performance mainly in the past to use by individuals. E-sports has become very popular in recent years, with contests usually held in large venues hence command the support of quality audio and visual equipment. Affording professional audio equipment that can meet that need, the Group hopes to benefit from this market development.

In addition to the audio equipment mentioned above, the Group has worked with a major customer in Japan for many years and gained its trust. During the period, the two parties agreed to cooperate in launching a new IoT smart environment monitoring system business. The Group will seize every opportunity to strengthen long-term cooperation and explore more business opportunities with this partner. Moreover, the Group also produced IoT educational products for a customer during the period, enabling children to learn about IoT and spark their creativity. The core competitiveness of the Group is its capability in R&D of IoT technology. Hence, in the future, it will continue to explore other possible applications of this technology and expand related product types, thereby unearth new opportunities for its core electronic product business.



As for the pet product market, “Brabanconne”, SUGA’s own pet food brand tailored to meet nutritional needs of pets in Asia, which was launched in Hong Kong and mainland China in March 2017, has started to generate revenue for the Group. During the period, the Group strived to establish both on- and offline sales networks in first-tier cities in mainland China, such as Beijing, Shanghai, Shenzhen, Guangzhou and Chengdu, and the market responded well. Meanwhile, the Group also took part in pet exhibitions in major mainland cities every month during the period. The largest among the exhibitions was “Pet Fair Asia” held in Shanghai in August, which attracted nearly 1,000 manufacturers and over 110,000 pet lovers. The Group actively promoted its “Brabanconne” pet food, smart pet feeder PETBLE® SmartBowl and wearable gauging device PETBLE® SmartTag, to lay a foundation for long-term development of the business.

## ***PROSPECTS***

Looking ahead, the global economy is slowly recovering. Compared with the past few years, most customers are more optimistic about the future. However, uncertainty still looms over the global economy in 2018, hence the management will keep working closely with business partners to strive for win-win.

The Group expects the electronic products segment to maintain solid development and continue to bring stable revenue and cash flow. On top of existing products, we will also speed up integrating IoT application with our products. The professional audio equipment and IoT educational products, mentioned in the review section, are good examples of the Group’s efforts to expand into the IoT market. We believe the integration of electronic products with IoT technology will become the next big trend as the market comes to understand more and more about IoT. The Group will adhere to its proven strategy, and select and cooperate with unique business partners, with the aim of grasping market potential in the new economic era.

Apart from the electronic products segment, the pet product business has also provided the Group with new growth momentum. Although SUGA’s own pet food brand Brabanconne has been available to the mainland China market for just a few months, the market has responded positively. During the period under review, the Group kicked off marketing for its pet products in northern China via its branch offices in Beijing and Tianjin. It will extend promotion coverage to markets in southern China in the next few months, and to help quickly boost brand awareness in the new markets, it has already set up branch offices in Guangzhou and Shenzhen. Currently, SUGA is focusing on expanding into first-tier cities in mainland China as it believes consumers in those areas have stronger spending power and prefer quality pet food produced outside mainland China and tailored for pets in Asia.

Good progress has also been made by PETBLE<sup>®</sup>, the Group's smart pet product brand. With overseas markets more receptive of smart products, SUGA has adjusted the development strategy for PETBLE<sup>®</sup>. At present, the smart pet feeder PETBLE<sup>®</sup> SmartBowl and the wearable gauging device PETBLE<sup>®</sup> SmartTag are ready for launch on a well-known US online sales platform and are expected to officially open for sale by end of this year. In the mainland China market, the Group has adjusted its strategies based on the buying patterns of consumers, leaning towards selling products in different packages to let consumers choose which best suit their needs. We believe the two products can bring convenience to pet owners, enabling them to better understand the status of their pets and enhance interaction with their pets. The Group aims to create a comprehensive pet product business ecosystem that covers online and offline operations.

Regarding the land where our former Huizhou plant stood, the application to change its purpose to commercial and residential use is still in progress. We will inform shareholders in due course should there be any new development. SUGA will strive to create maximum value for shareholders and handle the land parcel most appropriately. The Group is in a net cash position now with ample capital sufficient to support developments already planned. The management has full confidence in the Group's long-term business prospect.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2017, the Group has current assets of HK\$728.7 million and current liabilities of HK\$391.2 million. The current ratio was 1.86 (31 March 2017: 1.84).

Bank borrowings were HK\$91.3 million as at 30 September 2017 (31 March 2017: HK\$115.0 million). Gearing ratio (calculated by dividing total bank borrowings by total equity) was 13.0% (31 March 2017: 17.2%). The Group maintained a net cash balance of HK\$119.9 million as at 30 September 2017 (31 March 2017: HK\$108.9 million).

As at 30 September 2017, the Group had aggregate facilities of approximately HK\$686.5 million (31 March 2017: Same) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$573.3 million (31 March 2017: HK\$566.1 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 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 2017.

During the six months ended 30 September 2017, 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. No material gain or loss was realised for the period ended 30 September 2017.

## **PLEDGE OF ASSETS**

As at 30 September 2017, 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\$8.1 million (31 March 2017: HK\$9.6 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 2017, the Group had a capital commitment of HK\$1.3 million for the construction contract and property, plant and equipment (31 March 2017: HK\$3.1 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2017 amounted to HK\$91.3 million (31 March 2017: HK\$115.0 million) and the Group did not have any significant contingent liability.

## **HUMAN RESOURCES**

As at 30 September 2017 the Group employed 1,984 employees, of which 80 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 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 2017.

## **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 risk management and internal control systems and financial reporting matters, including the review of the unaudited interim financial information for the six months ended 30 September 2017.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK7.0 cents per share for the six months ended 30 September 2017 (2016: HK7.0 cents) payable to shareholders whose names appear on the Register of Shareholders of the Company on 13 December 2017. The interim dividend will be paid on or before 22 December 2017.

## **CLOSURE OF REGISTER**

For the purpose of ascertaining the entitlement of the shareholders to receive the interim dividend, the Register of Shareholders of the Company will be closed on 13 December 2017 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 Tuesday, 12 December 2017.

## **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](http://www.hkexnews.hk)) and the Company's website at ([www.suga.com.hk](http://www.suga.com.hk)). The Interim report will be dispatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**NG Chi Ho**  
*Chairman*

Hong Kong, 27 November 2017

*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.*