# 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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2013

**FINANCIAL HIGHLIGHTS**

– Revenue amounted to HK$1,107.5 million (2012: HK$1,242.0 million)

– Gross profit was HK$146.9 million (2012: HK$165.3 million)

– Profit attributable to equity holders was HK$77.8 million (2012: HK$93.3 million)

– Basic earnings per share was HK28.59 cents (2012: HK34.26 cents)

– The Board proposes a final dividend of HK7.0 cents per share (2012: HK10.0 cents)

– Total dividends per share for the year amount to HK14.0 cents (2012: HK17.0 cents)

## ANNUAL RESULTS

The Board of Directors (the "Board") of Suga International Holdings Limited ("Company") would like to announce the consolidated results of the Company and its subsidiaries (together "SUGA" or the "Group") for the year ended 31 March 2013

## CONSOLIDATED INCOME STATEMENT

*FOR THE YEAR ENDED 31 MARCH 2013*

| | Note | **2013** *HK$'000* | 2012 *HK$'000* |
|---|---|---|---|
| Revenue | *2* | **1,107,488** | 1,241,997 |
| Cost of sales | *4* | **(960,599)** | (1,076,720) |
| Gross profit | | **146,889** | 165,277 |
| Other income | | **692** | 1,586 |
| Other gains, net | *3* | **17,595** | 4,034 |
| Distribution and selling expenses | *4* | **(17,116)** | (14,005) |
| General and administrative expenses | *4* | **(66,254)** | (56,930) |
| Operating profit | | **81,806** | 99,962 |
| Finance income | *5* | **4,301** | 3,224 |
| Finance costs | *5* | **(2,425)** | (1,343) |
| Finance income – net | *5* | **1,876** | 1,881 |
| Share of loss of associate | | **(865)** | – |
| Profit before income tax | | **82,817** | 101,843 |
| Income tax expense | *6* | **(5,364)** | (8,757) |
| Profit for the year | | **77,453** | 93,086 |
| Attributable to: | | | |
| Owners of the Company | | **77,841** | 93,252 |
| Non-controlling interests | | **(388)** | (166) |
| | | **77,453** | 93,086 |
| Earnings per share for profit attributable to the owners of the Company during the year | | | |
| – Basic (HK cents) | *7* | **28.59** | 34.26 |
| – Diluted (HK cents) | *7* | **28.54** | 34.18 |
| Dividends | *8* | **38,122** | 46,290 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 MARCH 2013*

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Profit for the year | | **77,453** | 93,086 |
| Other comprehensive income: | | | |
| Exchange differences arising on translation of foreign subsidiaries | | **2,527** | 4,995 |
| Exchange reserve released upon disposal of a foreign subsidiary | | **–** | (430) |
| Fair value gain / (loss) on an available-for-sale financial asset | | **1,644** | (275) |
| Other comprehensive income for the year, net of tax | | **4,171** | 4,290 |
| Total comprehensive income for the year | | **81,624** | 97,376 |
| Attributable to: | | | |
| Owners of the Company | | **82,012** | 97,542 |
| Non-controlling interests | | **(388)** | (166) |
| | | **81,624** | 97,376 |

## CONSOLIDATED BALANCE SHEET

*AS AT 31 MARCH 2013*

| | | Group | |
|---|---|---|---|
| | | **31 March** | 31 March |
| | | **2013** | 2012 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | **117,366** | 116,678 |
| Land use rights | | **60,798** | 4,159 |
| Intangible asset | | **21,046** | – |
| Goodwill | | **3,949** | 1,059 |
| Interests in associates | | **1,868** | 1,733 |
| Interest in a jointly controlled entity | | **–** | – |
| Amount due from an associate | | **267** | 267 |
| Long-term loan receivable | *9* | **16,575** | 16,250 |
| Available-for-sale financial asset | | **4,323** | 2,679 |
| Financial assets at fair value through profit or loss | | **1,279** | 6,993 |
| Bonds investments | | **7,711** | 9,109 |
| Deferred income tax assets | | **3,524** | 3,665 |
| Other non-current receivables | *9* | **3,875** | – |
| | | **242,581** | 162,592 |
| Current assets | | | |
| Inventories | | **132,252** | 160,230 |
| Trade and other receivables | *9* | **126,582** | 156,417 |
| Financial assets at fair value through profit or loss | | **6,553** | 7,762 |
| Bonds investments | | **1,428** | 5,165 |
| Tax recoverable | | **2,407** | 400 |
| Amount due from a jointly controlled entity | | **–** | 30,083 |
| Derivative financial instruments | | **696** | 853 |
| Cash and cash equivalents | | **243,625** | 143,959 |
| | | **513,543** | 504,869 |
| Total assets | | **756,124** | 667,461 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank borrowings | | **85,532** | 22,463 |
| Other non-current liabilities | *10* | **17,595** | – |
| Deferred income tax liabilities | | **5,759** | 2,807 |
| | | **108,886** | 25,270 |

| | | Group | |
|---|---|---|---|
| | | **31 March** | 31 March |
| | | **2013** | 2012 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Current liabilities | | | |
| Trade and other payables | *10* | **146,722** | 179,872 |
| Income tax payable | | **10,885** | 15,737 |
| Bank borrowings | | **16,927** | 9,376 |
| | | **174,534** | 204,985 |
| Total liabilities | | **283,420** | 230,255 |
| EQUITY | | | |
| Capital and reserves attributable to the owners of the Company | | | |
| Share capital | | **27,229** | 27,229 |
| Other reserves | | **119,834** | 115,499 |
| Retained earnings | | | |
| – Proposed dividend | | **19,061** | 27,229 |
| – Others | | **307,134** | 267,415 |
| | | **473,258** | 437,372 |
| Non-controlling interests | | **(554)** | (166) |
| Total equity | | **472,704** | 437,206 |
| Total equity and liabilities | | **756,124** | 667,461 |
| Net current assets | | **339,009** | 299,884 |
| Total assets less current liabilities | | **581,590** | 462,476 |

*Notes:*

## 1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the inclusion at fair value of available-for-sale financial assets and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) The following amendments to standards are mandatory for the Group's financial year beginning on 1 April 2012. The adoption of these amendments to standards has not had any significant impact to the results and financial position of the Group

| | |
|---|---|
| HKFRS 1 (Amendment) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| HKFRS 7 (Amendment) | Disclosures – Transfers of Financial Assets |
| HKAS 12 (Amendment) | Deferred Tax: Recovery of Underlying Assets |

(b) The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2012 and have not been early adopted by the Group:

| | | Effective for the accounting period beginning on or after |
|---|---|---|
| HKAS 1 (Amendment) | Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| HKAS 19 (2011) | Employee Benefits | 1 January 2013 |
| HKAS 27 (2011) | Separate Financial Statements | 1 January 2013 |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures | 1 January 2013 |
| HKAS 32 (Amendment) | Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| HKFRS 1 (Amendment) | Government Loans | 1 January 2013 |
| HKFRS 7 (Amendment) | Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| HKFRS 9 | Financial Instruments | 1 January 2015 |
| HKFRS 10 | Consolidated Financial Statements | 1 January 2013 |
| HKFRS 11 | Joint Arrangements | 1 January 2013 |
| HKFRS 12 | Disclosures of Interests in Other Entities | 1 January 2013 |
| HKFRS 13 | Fair Value Measurement | 1 January 2013 |
| HK (IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| HKFRSs (Amendment) | Annual Improvements 2009-2011 Cycle | 1 January 2013 |

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.

## 2. 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 plastics products.

The CODM assesses the performance of the operating segments based on a measure of the results of reportable segments. Finance income and costs, corporate income and expenses, fair value gain/(loss) of financial assets and share of loss of an associate are not included in the results for each operating segment that are reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

Revenue from external customers is shown after elimination of inter-segment revenue. Sales between segments are carried out at mutually agreed terms. The revenue from external parties reported to CODM is measured in a manner consistent with that in the consolidated income statement.

Assets of reportable segments exclude deferred income tax assets, tax recoverable, available-for-sale financial assets, bond investments, financial assets at fair value through profit or loss, long-term loan receivables, interests in associates and corporate assets, all of which are managed on a central basis. Liabilities of reportable segment 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 year ended 31 March 2013 and 2012 is as follows:

| | 2013 | | | |
|---|---|---|---|---|
| | **Electronic products** *HK$'000* | **Moulds and plastic products** *HK$'000* | **Elimination** *HK$'000* | **Total** *HK$'000* |
| **Revenue** | | | | |
| Revenue from external customers | **1,075,368** | **32,120** | **–** | **1,107,488** |
| Inter-segment revenue | **–** | **10,198** | **(10,198)** | **–** |
| | **1,075,368** | **42,318** | **(10,198)** | **1,107,488** |
| Results of reportable segments | **80,507** | **(1,924)** | **–** | **78,583** |

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

| | |
|---|---|
| Results of reportable segments | **78,583** |
| Unallocated expenses, net | **(875)** |
| Other income | **692** |
| Other gains, net | **3,406** |
| Operating profit | **81,806** |
| Finance income | **4,301** |
| Finance costs | **(2,425)** |
| Share of loss of associate | **(865)** |
| Profit before income tax | **82,817** |
| Income tax expense | **(5,364)** |
| Profit for the year | **77,453** |

| | **Electronic products** *HK$'000* | **Moulds and plastic products** *HK$'000* | **Unallocated** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| **Other segment information** | | | | |
| Depreciation on property, plant and equipment | **9,595** | **2,141** | **3,181** | **14,917** |
| Amoritisation of intangible assets | **4,724** | **–** | **–** | **4,724** |
| Amortisation of land use rights | **849** | **59** | **80** | **988** |
| Additions to non-current assets (other than interests in associates, financial assets and deferred tax assets) | **100,574** | **271** | **290** | **101,135** |
| Income tax expense | **6,090** | **(398)** | **(328)** | **5,364** |

| | 2012 | | | |
|---|---|---|---|---|
| | Electronic products *HK$'000* | Moulds and plastic products *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
| **Revenue** | | | | |
| Revenue from external customers | 1,193,273 | 48,724 | – | 1,241,997 |
| Inter-segment revenue | – | 8,496 | (8,496) | – |
| | 1,193,273 | 57,220 | (8,496) | 1,241,997 |
| Results of reportable segments | 93,853 | 3,701 | – | 97,554 |

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

| | |
|---|---|
| Results of reportable segments | 97,554 |
| Unallocated income, net | 138 |
| Other income | 1,586 |
| Other gains, net | 684 |
| Operating profit | 99,962 |
| Finance income | 3,224 |
| Finance costs | (1,343) |
| Profit before income tax | 101,843 |
| Income tax expense | (8,757) |
| Profit for the year | 93,086 |

| | Electronic products *HK$'000* | Moulds and plastic products *HK$'000* | Unallocated *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Other segment information** | | | | |
| Depreciation on property, plant and equipment | 8,478 | 2,162 | 3,113 | 13,753 |
| Amortisation of land use rights | – | 57 | 80 | 137 |
| Additions to non-current assets (other than interests in associates, financial assets and deferred tax assets) | 14,744 | 999 | 78 | 15,821 |
| Income tax expense | 7,462 | 737 | 558 | 8,757 |

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

| | **2013** | | |
|---|---|---|---|
| | **Electronic products** *HK$'000* | **Moulds and plastic products** *HK$'000* | **Total** *HK$'000* |
| Segment assets | **616,414** | **35,737** | **652,151** |
| Deferred income tax assets | | | **3,524** |
| Tax recoverable | | | **2,407** |
| Unallocated: | | | |
| Property, plant and equipment | | | **48,313** |
| Interests in associates | | | **1,868** |
| Long-term loan receivable | | | **16,575** |
| Other investments | | | **21,294** |
| Other unallocated assets | | | **9,992** |
| Total assets per consolidated balance sheet | | | **756,124** |
| Segment liabilities | **139,428** | **4,691** | **144,119** |
| Income tax payable | | | **10,885** |
| Deferred income tax liabilities | | | **5,759** |
| Unallocated: | | | |
| Bank borrowings | | | **102,459** |
| Other unallocated liabilities | | | **20,198** |
| Total liabilities per consolidated balance sheet | | | **283,420** |

| | 2012 | | |
|---|---|---|---|
| | Electronic products *HK$'000* | Moulds and plastic products *HK$'000* | Total *HK$'000* |
| Segment assets | 515,814 | 43,072 | 558,886 |
| Deferred income tax assets | | | 3,665 |
| Tax recoverable | | | 400 |
| Unallocated: | | | |
| Property, plant and equipment | | | 51,965 |
| Interests in associates | | | 1,733 |
| Long-term loan receivable | | | 16,250 |
| Other investments | | | 31,708 |
| Other unallocated assets | | | 2,854 |
| Total assets per consolidated balance sheet | | | 667,461 |
| Segment liabilities | 171,320 | 5,926 | 177,246 |
| Income tax payable | | | 15,737 |
| Deferred income tax liabilities | | | 2,807 |
| Unallocated: | | | |
| Bank borrowings | | | 31,839 |
| Other unallocated liabilities | | | 2,626 |
| Total liabilities per consolidated balance sheet | | | 230,255 |

The Company is domiciled in Bermuda. An analysis of the Group's revenue from external customers by country for the year ended 31 March 2013 and 2012 is as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The United States of America | **458,159** | 404,624 |
| United Kingdom | **194,017** | 301,611 |
| Japan | **233,575** | 256,426 |
| PRC (including Hong Kong) | **119,122** | 116,516 |
| Australia | **34,090** | 42,149 |
| Others | **68,525** | 120,671 |
| | **1,107,488** | 1,241,997 |

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **108,255** | 75,763 |
| Mainland China | **130,656** | 82,983 |
| Macao | **146** | 181 |
| | **239,057** | 158,927 |

## 3. OTHER GAINS, NET

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fair value gain / (loss) on financial assets at fair value through profit or loss | **686** | (718) |
| Impairment loss on an available-for-sale financial asset | **–** | (1,196) |
| Net foreign currency exchange gain | **5,281** | 3,350 |
| Fair value (loss) / gain on derivative financial instruments | **(157)** | 355 |
| Net realised gain on derivative financial instruments | **2,825** | 2,243 |
| Gain on remeasurerment of previously held equity interest in a jointly-controlled entity (Note 11) | **8,908** | – |
| Others | **52** | – |
| | **17,595** | 4,034 |

## 4. EXPENSES BY NATURE

Expenses included in cost of sales, distribution and selling expenses and general and administrative expenses are analysed as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories | **822,686** | 949,617 |
| Depreciation of property, plant and equipment – owned assets | **14,917** | 13,753 |
| Amortisation of land use rights | **988** | 137 |
| Amortisation of intangible asset | **4,724** | – |
| (Gain)/loss on disposals of property, plant and equipment | **(16)** | 4 |
| Operating lease rental of premises | **5,748** | 5,407 |
| Employee benefit expense (including directors' emoluments) | **133,578** | 127,350 |
| (Reversal of) / provision for impairment of trade receivables | **(128)** | 264 |
| Auditor's remuneration | **2,455** | 2,116 |
| Other expenses | **59,017** | 49,007 |
| Total cost of sales, distribution and selling expenses and general and administrative expenses | **1,043,969** | 1,147,655 |

## 5. FINANCE INCOME AND FINANCE COSTS

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income from: | | |
| – bank deposits | **1,681** | 2,171 |
| – bonds investments | **1,029** | 1,053 |
| – others | **1,591** | – |
| Finance income | **4,301** | 3,224 |
| Interest expense on: | | |
| – bank borrowings wholly repayable within five years | **(2,425)** | (1,343) |
| Finance income – net | **1,876** | 1,881 |

## 6. INCOME TAX EXPENSE

### (a) Bermuda and British Virgin Islands income tax

The Company is exempted from taxation in Bermuda until 2016. The Company's subsidiaries in the British Virgin Islands are incorporated under the International Business Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income taxes.

### (b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

### (c) Mainland Chinese corporate income tax

Suga Electronics (Shenzhen) Co., Ltd. ("SESL"), Suga Networks Equipment (Shenzhen) Co., Ltd. ("SNESL"), Pets & Supplies (Shenzhen) Co., Ltd ("PSSL") and Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Ltd. ("Nodic") are subsidiaries established in Mainland China. All the Group's subsidiaries in Mainland China are subject to corporate income tax at 25% effective from 1 January 2008.

### (d) Macao taxation

P&S Macao Commercial Offshore Limited is a subsidiary established in Macao and is exempted from Macao Complementary Tax.

The amount of income tax charged to the consolidated income statement represents:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current income tax: | | |
| – Hong Kong profits tax | **7,272** | 10,424 |
| – Income tax outside Hong Kong | **2,613** | 3,274 |
| – Over-provision in prior years | **(3,362)** | (3,696) |
| Deferred income tax | **(1,159)** | (1,245) |
| | **5,364** | 8,757 |

## 7. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | **2013** | 2012 |
|---|---|---|
| Profit attributable to owners of the Company (HK$'000) | **77,841** | 93,252 |
| Weighted average number of ordinary shares in issue ('000) | **272,294** | 272,164 |
| Basic earnings per share (HK cents) | **28.59** | 34.26 |

### (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.

| | **2013** | 2012 |
|---|---|---|
| Profit attributable to owners of the Company (HK$'000) | **77,841** | 93,252 |
| Weighted average number of ordinary shares in issue ('000) | **272,294** | 272,164 |
| Adjustments for share options (' 000) | **430** | 642 |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | **272,724** | 272,806 |
| Diluted earnings per share (HK cents) | **28.54** | 34.18 |

## 8. DIVIDENDS

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interim dividend, paid, of HK7.0 cents (2012: HK7.0 cents) per ordinary share | **19,061** | 19,061 |
| Final dividend, proposed, of HK7.0 cents (2012: HK10.0 cents) per ordinary share | **19,061** | 27,229 |
| | **38,122** | 46,290 |

## 9. TRADE AND OTHER RECEIVABLES

The ageing of trade receivables is as follows:

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0 to 30 days | **103,234** | 114,280 |
| 31 to 60 days | **6,334** | 10,773 |
| 61 to 90 days | **1,133** | 2,654 |
| 91 to 180 days | **53** | 1,494 |
| Over 180 days | **4,698** | 6,444 |
| | **115,452** | 135,645 |
| Less: Provision for impairment | **(3,823)** | (3,931) |
| Trade receivables, net | **111,629** | 131,714 |
| Prepayments | **2,162** | 875 |
| Rental and other deposits | **2,770** | 1,560 |
| Value added tax receivables | **8,593** | 8,960 |
| Others | **5,303** | 13,308 |
| | **130,457** | 156,417 |
| Trade and other receivables | | |
| – current portion | **126,582** | 156,417 |
| – non-current portion | **3,875** | – |
| | **130,457** | 156,417 |
| Long-term loan receivable | **16,575** | 16,250 |
| | **147,032** | 172,667 |

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

## 10. TRADE AND OTHER PAYABLES

The ageing of the trade payables is as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **114,644** | 144,174 |
| 31 to 60 days | **1,006** | 7,723 |
| 61 to 90 days | **608** | 1,159 |
| 91 to 180 days | **559** | 2,619 |
| Over 180 days | **5,121** | 3,440 |
| Trade payables | **121,938** | 159,115 |
| Salaries and staff welfare payable | **9,759** | 11,221 |
| Accrued expenses | **4,073** | 3,996 |
| Others | **10,952** | 5,540 |
| | **146,722** | 179,872 |
| Other non-current payables | **17,595** | – |
| | **164,317** | 179,872 |

## 11. ACQUISITION OF SUGA TECHNOLOGY LIMITED

In May 2012, the Group entered into a business combination to acquire the remaining 50% equity interest in Suga Technology Limited, a then jointly controlled entity, from the other shareholder of Suga Technology Limited. The consideration was satisfied by US$2,000,000 (equivalent to HK$15,500,000) in cash. A contingent consideration, subject to a maximum of US$500,000, was also agreed should certain performance results achieved by Suga Technology Limited during the 30-month period from the acquisition date. Upon acquisition, Suga Technology Limited became a wholly-owned subsidiary of the Group.

Based on a valuation performed by an independent valuer, the fair value of the 50% equity interest in Suga Technology Limited previously held by the Group on acquisition date was assessed to be HK$8,908,000. A gain on remeasurement of this previously held interest of HK$8,908,000 was recognised in "other gains, net" accordingly in the consolidated income statement (Note 3).

In accordance with HKFRS 3 (Revised), "Business Combination", the Group is required to recognise the identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Accordingly, the Group has undertaken a purchase price allocation allocating the purchase consideration to the identifiable assets and liabilities acquired at the acquisition date. Significant accounting estimates have been involved when performing the allocation.

The following table summarises the consideration payable for the acquisition and the amounts of the identifiable assets acquired and liabilities assumed at the acquisition date.

| | HK$'000 |
|---|---|
| Cash consideration | 15,500 |
| Fair value of previously held interest | 8,908 |
| Total consideration | 24,408 |
| Recognised amounts of identifiable assets acquired and liabilities assumed, at fair value: | |
| - intangible asset- customer relationship | 25,770 |
| - cash and cash equivalents | 18,802 |
| - trade and other receivables | 30,952 |
| - trade and other payables | (49,754) |
| - deferred tax liabilities | (4,252) |
| Total identifiable net assets | 21,518 |
| Goodwill | 2,890 |

The following table shows the net cash acquired at the acquisition date:

| | HK$'000 |
|---|---|
| Cash and cash equivalents acquired | 18,802 |
| Cash consideration paid | (15,500) |
| Net cash acquired | 3,302 |

No contingent consideration was recognised as at the acquisition date and as at 31 March 2013 as the directors consider the specified performance results are unlikely to be achieved.

Goodwill arising from acquisition of HK$2,890,000 is attributable to the existence of an assembled workforce and synergy expected to be achieved upon acquisition of Suga Technology Limited through efficiency and cost savings.

Acquisition-related costs of HK$136,000 have been charged to general and administrative expenses in the consolidated income statement for the year ended 31 March 2013.

Revenue included in the consolidated income statement since acquisition date contributed by Suga Technology Limited was HK$152,758,000. This acquired business contributed profit of HK$13,533,000 for the year ended 31 March 2013 from acquisition date.

Had the remaining 50% equity interest in Suga Technology Limited been consolidated from 1 April 2012, the consolidated income statement would show pro-forma revenue of HK$1,108,922,000 and pro-forma profit of HK$78,887,000.

# CHAIRMAN'S MESSAGE

The overall business environment has remained challenging owing to weakened consumer confidence. Nevertheless, SUGA sustained profitability, leveraging a balanced yet diversified product portfolio, as well as benefiting from close cooperation with its longstanding business partners.

The Group recorded revenue of HK$1,107.5 million, representing a decrease of 10.8% from HK$1,242.0 million last year. Gross profit was HK$146.9 million (FY2011/12: HK$165.3 million). The Group was able to maintain its gross profit margin at 13.3% (FY2011/12: 13.3%) through stringent control of internal costs. Profit attributable to shareholders dipped by 16.5% to HK$77.8 million (FY2011/12: HK$93.3 million). Net profit margin was 7.0% (FY2011/12: 7.5%). Basic earnings per share was HK28.59 cents (FY2011/12: HK34.26 cents).

## *BUSINESS OVERVIEW*

### *Electronic products*

The electronic products segment generated sales of HK$1,075.4 million (FY2011/12: HK$1,193.3 million), accounting for 97.1% of the Group's total sales.

While the lackluster economic conditions did affect some of our clients, we were able to leverage our balanced product portfolio to sustain the growth of some of our major products, thus mitigating the impact of lower demand for other products. In respect of pet training devices, we saw satisfactory sales growth as the pet market in the U.S. gradually picked up. As for the professional audio equipment segment, it performed in a stable manner, providing a steady source of income to the Group. However, sales from general consumer electronic products tapered slightly, as a renowned Japanese client took a more conservative approach towards placing orders, a clear indication of the sluggish economic climate. The underperformance of the interactive educational products business was more prominent than expected in the second half year as our partner, which principally operates in Europe, continued to be impacted by the economic crisis and weak consumption sentiment.

SUGA was able to capture more opportunities with longstanding partners by enhancing its value-added services. Case in point, our pet training devices and interactive education products partners have sought for our greater involvement in product development, seeking to leverage the Group's R&D expertise and cost advantage.

Apart from protecting the wellbeing of our existing businesses, we have sought to enter new product segments. The PETNFANS pet tracking product is a clear example. Introduced at the Hong Kong Electronics Fair (Spring Edition) in April 2013, PETNFANS, which employs Bluetooth 4.0 low-energy technology, received a warm reception from the market.

*Moulds and plastic products*

Sales from the moulds and plastic segment recorded revenue of HK$32.1 million (FY11/12: HK$48.7 million), accounting for 2.9% of SUGA's total sales. With most of the products from this segment used to satisfy the Group's internal needs, such accessibility again highlights the importance of the business in playing a vertical integration role. Despite the ancillary position of this business, the management remains committed to ensuring that a reasonable margin level is sustained.

***CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES AND GREEN ACHIEVEMENTS***

The Group is committed to being a responsible corporate citizen. This commitment includes environmental protection as demonstrated by the "Supply Chain Sustainability" method employed by Suga Electronics Limited, which went on to garner the Green Achievement Award – Certificate of Merit, part of HSBC Living Business Awards 2012. To directly give back to the community, we have been involved in a number of social activities, including Green Council's International Coastal Cleanup 2012 Hong Kong; The Hong Kong Electronic Industries Association's fund raising walkathon; and Green Power's Green Power Hike 2013, all of which not only raised money for worthwhile causes but also attracted staff members' participation.

***PROSPECTS***

Despite economic conditions in Europe remaining shaky, there are signs of an economic recovery in the United States, which, as the world's largest economy, will help moderate volatility in the global economy. What is more, the generally positive sentiment from customers about the coming financial year offers optimism for the Group. As opportunities emerge in tandem with greater consumer confidence, SUGA will be prepared to grasp such opportunities.

For interactive educational products and pet training devices, new models will be launched in FY2013/14. We expect that sales from these new models together with recovering demand for existing models will help drive up revenue for the two product segments.

We are also proactively strengthening ties with customers by offering value-added services, with the ultimate goal of enhancing our profit margins. For the past several years, SUGA's R&D capability has been gaining recognition from its partners, resulting in a gradual rise in collaborative work. In view of our cost advantage and ability to deliver reliable technologies, we were selected to develop a new interactive educational product and pet training device. Aside from these products, we are working with a U.S. partner on a telecommunications device for the hearing impaired. The management is optimistic about the potential of this niche product as it will be particularly relevant to the elderly, and given that many parts of the world have aging populations. We will seek to secure still more R&D opportunities with existing and new customers going forward.

Yet another product in the works is PETNFANS, a pet tracking product that employs Bluetooth 4.0 technology and directed towards smart phone users. It will be introduced on the market in July 2013. We will be exploring even more applications for Bluetooth 4.0 as we seek to tap a larger variety of electronic devices.

Market research indicates that the online market for pet products in the PRC is immense. We are therefore exploring the possibility of cooperating with partners experienced in online retailing with the goal of introducing a dedicated platform for our pet products. This online store will create a direct link with physical stores to improve brand recognition and sales.

Complementing on product development efforts will be the consolidation of our production activities. The activities that have been conducted at our Buji and Xi Xiang factories will be brought to the Dongguan facility in 2014. This will lead to centralized production and allow us to capitalize on lower labor costs. Having commenced construction at the end of 2012, the Dongguan factory is expected to be completed in the first quarter of 2014.

Following the decision to shift production to Dongguan, the Group entered into a Sale and Purchase Agreement in December 2012 regarding the Buji Shenzhen property, which is where one of the factories is currently located. A cash consideration of RMB138,000,000 has been agreed upon with the purchaser, and the transaction will be completed in 2014.

Though the global economic recovery remains slow, we will leverage our solid foundation to explore new business opportunities, so as to deliver satisfactory returns to our shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group has current assets of HK$513.5 million and current liabilities of HK$174.5 million. The current ratio was 2.94 (31 March 2012: 2.46).

Bank borrowings were HK$102.5 million as at 31 March 2013 (31 March 2012: HK$31.8 million). The increase in total bank borrowings was mainly due to the drawdown of two new long-term bank loans during the year. Gearing ratio (calculated by dividing total bank borrowings by total equity) was 21.7% (31 March 2012: 7.3%) The Group maintained a net cash balance of HK$141.2 million as at the balance sheet date (31 March 2012: HK$112.1 million).

As at 31 March 2013, the Group had aggregate banking facilities of approximately HK$437.7 million (31 March 2012: HK$349.8 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$312.6 million (31 March 2012: HK$299.3 million).

The Group generally finances its operations by internally generated resources and banking facilities provided by its principal bankers in Hong Kong. Banking facilities used by the Group include revolving loans, trust receipt loans, overdrafts, leasing and term loans, which are primarily on floating interest rates basis.

## ACQUISITION OF THE ENTIRE EQUITY INTEREST IN BENEFIT HOLDING CO.,LTD.

On 7 May 2012, Suga International Limited ("Suga International"), a wholly owned subsidiary of the Company, and Mr. Ni Cheng-Tao (the "Vendor") entered into an agreement pursuant to which Suga International agreed to purchase, and the Vendor agreed to sell, the entire equity interest of Benefit Holding Co., Ltd. ("Benefit Holding") a company incorporated in Samoa, at a consideration of RMB43.9 million (the "Purchase Consideration"). The principal business activity of Benefit Holding is investment holding and the sole non-current asset of Benefit Holding is its 100% equity interest in Dongguan Benefit Mechanicals Co., Ltd. ("Dongguan Benefit"). Dongguan Benefit owns the land use rights of a parcel of land with site area of approximately 53,361 square metres located at Sanzhong Village, Qingxi Town, Dongguan City, Guangdong Province, PRC (the "Dongguan Land"). The Group proposes to expand its production facilities in the PRC with the Dongguan Land. The transaction was completed and the Purchase Consideration fully paid in December 2012.

## DISPOSAL OF UNIVERSAL GAIN

On 19 December 2012, Suga International Limited ("Suga International"), and Mr. Wong Chun Leung (the "Purchaser") entered into a sale and purchase agreement (the "Agreement") pursuant to which the Purchaser conditionally agreed to purchase, and Suga International conditionally agreed to sell, the entire issued capital of Universal Gain Assets Limited ("Universal Gain") for a cash consideration of RMB138,000,000 (the "Consideration"). Universal Gain holds 100% of the entire issued share capital of Typhoon International Limited ("Typhoon International") which owns two factory blocks, three staff quarters, one electricity room and one canteen with a total gross floor area of 48,300 square meters erected on Li Lang, Buji, Shenzhen City, Guangdong Province, the PRC (the "Buji Property"). Suga International had received from the Purchaser RMB13,800,000, being 10% of the Consideration, within five days from the date of the Agreement. The balance of the Consideration shall be paid by the Purchaser to Suga International after the delivery of the Buji Property by the Group to the Purchaser. The Group expects the transaction will be completed in mid-2014 (the "Completion"). Upon Completion, the Group expects to recognize an unaudited accounting gain of approximately HK$149.8 million, being the difference between the Consideration of RMB138,000,000 and the estimated unaudited consolidated net asset value of Universal Gain as at 31 March 2013. The actual gain or loss as a result of the disposal of Universal Gain to be recorded by the Group is subject to audit and will be determined as at the date of Completion.

## FOREIGN EXCHANGE EXPOSURE

The Group's transaction and monetary assets are principally dominated in Reminbi, Hong Kong dollars and United States dollars. The Group did not experience any difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the year ended 31 March 2013.

During the year, the Group entered into several foreign exchange contracts to manage the currency translation risk of Reminbi against United States dollars. All these foreign exchange contracts were for managing risk and it is the policy of the Group not to enter into any derivative contracts purely for speculative activities. The net realized and unrealized profit on derivative instruments as of the balance sheet date was HK$2.7 million.

## PLEDGE OF ASSETS

As at 31 March 2013, the Group had pledged its office premise located at 22nd floor, tower B, Billion Centre, Kowloon Bay together with 4 car parking spaces to secure a bank mortgage loan of HK$20.8 million (31 March 2012: HK$23.5 million) for financing the acquisition of the office premise and car parking spaces. Other than the said mortgage loan, the Group had not pledged any of its assets as securities for the banking facilities granted to the Group.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

On 6 December 2012, Dongguan Benefit, an indirect wholly-owned subsidiary of the Company, entered into a construction contract with Guangdong Hongda Construction Engineering Co., Ltd. (the "Contractor"), under which the Contractor has agreed to construct two factory buildings and three dormitories with gross construction floor area of approximately 72,723 square metres on the Dongguan Land for Dongguan Benefit for RMB78.2 million. The construction work will take about 365 days to complete.

As at 31 March 2013, the Group had a capital commitment of HK$92.5 million for the above construction contract (31 March 2012: nil). Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2013 amounted to HK$125.1 million (31 March 2012: HK$50.6 million) and the Group did not have any significant contingent liability.

## HUMAN RESOURCES

As at 31 March 2013 the Group has 2,178 employees, of which 51 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. A new share option scheme was adopted on 6 August 2012 which is valid and effective for a period of 10 years from the adoption date.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its shares during the year. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year.

## CORPORATE GOVERNANCE

The Board of the Company is committed to maintain a high standard of corporate governance practices as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the Board, the Company has applied the principles and complied with the CG Code except for CG Code A.2.1 in respect of the roles of Chairman and Chief Executive Officer.

CG Code A2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not performed by the same individual. Up to the date of this report, the Group 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.

Save the abovementioned deviation, none of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for the year under review, in compliance with the code provisions set out in the CG Code.

A detailed Corporate Governance Report setting out the Group's framework of governance and explanation about how the provisions of the CG Code have been applied will be included in the Company's Annual Report 2012/13.

## AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors of the Company. The audit committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed, among other things, the internal control and financial reporting matters including the financial statements of the Group for the year ended 31 March 2013.

## FINAL DIVIDEND

The Directors have proposed the payment of a final dividend of HK7.0 cents per ordinary share for the financial year ended 31 March 2013 (FY2011/12: HK10.0 cents) to the shareholders whose names appears on the Register of Shareholders of the Company on 15 August 2013. Subject to approval by shareholders at the 2013 Annual General Meeting, the proposed final dividend will be paid on or before 22 August 2013.

## CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of shareholders of the Company will be closed from 6 August 2013 to 8 August 2013 (both days inclusive), during which period no transfer of shares in the Company will be registered, for the purpose of determining the identity of the shareholders entitled to attend and vote at 2013 Annual General Meeting. In order to qualify to attend and vote at the meeting, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 5 August 2013.

The Register of Shareholders of the Company will be closed from 14 August 2013 to 15 August 2013 (both days inclusive) during which period no transfer of shares in the Company will be registered, for the purpose of determining the entitlement of the shareholders to receive the proposed final dividend. Subject to approval of the shareholders at the 2013 Annual General Meeting, the proposed final dividend will be payable to the shareholders whose names appear on the Register of Shareholders of the Company on 15 August 2013. In order to qualify for the proposed final 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 August 2013.

## ANNUAL GENERAL MEETING

The 2013 Annual General Meeting will be held at Unit A, 29/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 8 August 2013 at 3:00 p.m.. For details of the 2013 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 9 July 2013.

## PUBLICATION OF FINAL 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 annual report will be dispatched to the shareholders and will be available on the website of the Stock Exchange and the website of the Company in due course.

On behalf of the board of directors
**NG Chi Ho**
*Chairman*

Hong Kong, 25 June 2013

*The Directors of the Company as at the date of this announcement are Dr. Ng Chi Ho and Mr. Ma Fung On as executive directors; Mr. Lee Kam Hung as non-executive director; Professor Wong Sook Leung, Joshua, Mr. Leung Yu Ming, Steven and Mr. Chan Kit Wang as independent non-executive directors.*