# 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 2014

**FINANCIAL HIGHLIGHTS**

– Revenue amounted to HK$1,244.8 million (2013: HK$1,107.5 million)

– Gross profit was HK$174.7 million (2013: HK$146.9 million)

– Profit attributable to equity holders was HK$81.5 million (2013: HK$77.8 million)

– Basic earnings per share was HK29.93 cents (2013: HK28.59 cents)

– The Board proposes a final dividend of HK8.0 cents per share (2013: HK7.0 cents)

– Total dividends per share for the year amounted to HK14.0 cents (2013: HK14.0 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 2014:

## CONSOLIDATED INCOME STATEMENT

*FOR THE YEAR ENDED 31 MARCH 2014*

| | *Note* | **2014** **HK$'000** | 2013 *HK$'000* |
|---|---|---|---|
| Revenue | *2* | **1,244,828** | 1,107,488 |
| Cost of sales | *4* | **(1,070,160)** | (960,599) |
| **Gross profit** | | **174,668** | 146,889 |
| Other income | | **411** | 692 |
| Other gains, net | *3* | **3,848** | 17,595 |
| Distribution and selling expenses | *4* | **(17,351)** | (17,116) |
| General and administrative expenses | *4* | **(70,915)** | (66,254) |
| Operating profit | | **90,661** | 81,806 |
| Finance income | *5* | **4,049** | 4,301 |
| Finance costs | *5* | **(2,371)** | (2,425) |
| Finance income – net | *5* | **1,678** | 1,876 |
| Share of loss of an associate | | **(742)** | (865) |
| Profit before income tax | | **91,597** | 82,817 |
| Income tax expense | *6* | **(10,688)** | (5,364) |
| **Profit for the year** | | **80,909** | 77,453 |
| Attributable to: | | | |
| Owners of the Company | | **81,487** | 77,841 |
| Non-controlling interests | | **(578)** | (388) |
| | | **80,909** | 77,453 |
| Earnings per share for profit attributable to the owners of the Company during the year | | | |
| – Basic (HK cents) | *7* | **29.93** | 28.59 |
| – Diluted (HK cents) | *7* | **29.88** | 28.54 |
| Dividends | *8* | **38,189** | 38,122 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 MARCH 2014*

| | Note | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Profit for the year | | **80,909** | 77,453 |
| Other comprehensive (loss) / income: | | | |
| Items that may be reclassified to profit or loss: | | | |
| Exchange differences arising on translation of foreign subsidiaries | | **(4,348)** | 2,527 |
| Release of fair value gain upon redemption of available-for-sale financial asset | | **(2,958)** | – |
| Fair value gain on available-for-sale financial asset | | **7,099** | 1,644 |
| Other comprehensive (loss) / income for the year, net of tax | | **(207)** | 4,171 |
| Total comprehensive income for the year | | **80,702** | 81,624 |
| Attributable to: | | | |
| Owners of the Company | | **81,280** | 82,012 |
| Non-controlling interests | | **(578)** | (388) |
| | | **80,702** | 81,624 |

## CONSOLIDATED BALANCE SHEET

*AS AT 31 MARCH 2014*

| | Note | Group 31 March 2014 HK$'000 | 31 March 2013 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **200,943** | 117,366 |
| Land use rights | | **58,973** | 60,798 |
| Intangible asset | | **15,892** | 21,046 |
| Goodwill | | **3,949** | 3,949 |
| Interest in an associate | | **1,702** | 1,868 |
| Amount due from an associate | | **267** | 267 |
| Long-term loan receivable | *9* | **–** | 16,575 |
| Available-for-sale financial asset | | **7,547** | 4,323 |
| Financial assets at fair value through profit or loss | | **–** | 1,279 |
| Bonds investments | | **7,711** | 7,711 |
| Deferred income tax assets | | **2,811** | 3,524 |
| Other non-current receivables | *9* | **852** | 3,875 |
| | | **300,647** | 242,581 |
| **Current assets** | | | |
| Inventories | | **147,378** | 132,252 |
| Trade and other receivables | *9* | **206,103** | 126,582 |
| Financial assets at fair value through profit or loss | | **1,279** | 6,553 |
| Loan receivable | *9* | **16,250** | – |
| Bonds investments | | **–** | 1,428 |
| Tax recoverable | | **257** | 2,407 |
| Derivative financial instruments | | **145** | 696 |
| Cash and cash equivalents | | **169,404** | 243,625 |
| | | **540,816** | 513,543 |
| **Total assets** | | **841,463** | 756,124 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | | **47,731** | 85,532 |
| Other non-current liabilities | *10* | **–** | 17,595 |
| Deferred income tax liabilities | | **4,649** | 5,759 |
| | | **52,380** | 108,886 |

| | | Group | |
|---|---|---|---|
| | | **31 March** | 31 March |
| | | **2014** | 2013 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Current liabilities | | | |
| Trade and other payables | *10* | **217,488** | 146,722 |
| Income tax payable | | **12,870** | 10,885 |
| Bank borrowings | | **37,798** | 16,927 |
| Derivative financial instruments | | **2,398** | – |
| | | **270,554** | 174,534 |
| Total liabilities | | **322,934** | 283,420 |
| EQUITY | | | |
| Capital and reserves attributable to the owners of the Company | | | |
| Share capital | | **27,229** | 27,229 |
| Other reserves | | **120,148** | 119,834 |
| Retained earnings | | | |
| – Proposed dividend | | **21,852** | 19,061 |
| – Others | | **350,432** | 307,134 |
| | | **519,661** | 473,258 |
| Non-controlling interests | | **(1,132)** | (554) |
| Total equity | | **518,529** | 472,704 |
| Total equity and liabilities | | **841,463** | 756,124 |
| Net current assets | | **270,262** | 339,009 |
| Total assets less current liabilities | | **570,909** | 581,590 |

*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 new standards, amendments to standards and interpretations are mandatory for the Group's financial year beginning on or after 1 April 2013 and have been adopted in the preparation of these consolidated financial statements.

| | |
|---|---|
| HKAS 1 (Amendment) | Presentation of Items of Other Comprehensive Income |
| HKAS 19 (Amendment) | Employee Benefits |
| HKAS 27 (2011) | Separate Financial Statements |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures |
| HKFRS 1 (Amendment) | Government Loans |
| HKFRS 7 (Amendment) | Disclosures - Offsetting Financial Assets and Financial Liabilities |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosures of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| HK (IFRIC) - Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

HKFRS 10 Consolidated Financial Statements provides additional guidance on the determination of control. Under HKFRS 10, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has applied HKFRS 10 retrospectively in accordance with the standard which had no significant impact on the results and financial position of the Group.

The adoption of the above new standards, amendments to standards and interpretation has had no material effect on the preparation of these consolidated financial statements, except for certain revised disclosures in respect of HKAS 1(Amendment) and HKFRS 13.

(b) The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 April 2013 and have not been early adopted by the Group:

| | | Effective for the accounting period beginning on or after |
|---|---|---|
| HKAS 19 (Amendment) | Defined Benefit Plans: Employee Contribution | 1 July 2014 |
| HKAS 32 (Amendment) | Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| HKAS 36 (Amendment) | Recoverable Amount Disclosures for Non-Financial Assets | 1 January 2014 |
| HKAS 39 (Amendment) | Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 |
| HKFRS 9 | Financial Instruments | Not yet determined |
| Additions to HKFRS 9 | Financial Instruments – Financial Liabilities | Not yet determined |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures | 1 January 2015 |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment Entities | 1 January 2014 |
| HKFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| HK (IFRIC) - Int 21 | Levies | 1 January 2014 |
| HKFRSs (amendment) | Annual Improvements to HKFRSs 2010–2012 Cycle | 1 July 2014 |
| HKFRSs (amendment) | Improvements to HKFRSs 2011–2013 Cycle | 1 July 2014 |

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, loan receivables, interests in associates and corporate assets, all of which are managed on a central basis. Liabilities of reportable segments exclude current and deferred income tax liabilities and corporate liabilities. These are part of the reconciliation to total balance sheet assets and liabilities.

The segment information provided to the CODM for the reportable segments for the years ended 31 March 2014 and 2013 is as follows:

| | 2014 | | | |
|---|---|---|---|---|
| | **Electronic products** *HK$'000* | **Moulds and plastic products** *HK$'000* | **Elimination** *HK$'000* | **Total** *HK$'000* |
| **Revenue** | | | | |
| Revenue from external customers | **1,216,396** | **28,432** | **–** | **1,244,828** |
| Inter-segment revenue | **–** | **12,300** | **(12,300)** | **–** |
| | **1,216,396** | **40,732** | **(12,300)** | **1,244,828** |
| Results of reportable segments | **94,806** | **(2,583)** | **–** | **92,223** |

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

| | |
|---|---|
| Results of reportable segments | **92,223** |
| Unallocated expenses, net | **(2,595)** |
| Other income | **411** |
| Other gains, net | **622** |
| Operating profit | **90,661** |
| Finance income | **4,049** |
| Finance costs | **(2,371)** |
| Share of loss of an associate | **(742)** |
| Profit before income tax | **91,597** |
| Income tax expense | **(10,688)** |
| Profit for the year | **80,909** |

| | 2014 | | | |
|---|---|---|---|---|
| | **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 | **9,130** | **1,769** | **3,169** | **14,068** |
| Amortisation of intangible asset | **5,154** | **–** | **–** | **5,154** |
| Amortisation of land use rights | **1,121** | **57** | **80** | **1,258** |
| Additions to non-current assets (other than interests in an associate, financial assets and deferred tax assets) | **98,353** | **66** | **124** | **98,543** |
| Income tax expense | **10,739** | **(14)** | **(37)** | **10,688** |

| | 2013 | | | |
|---|---|---|---|---|
| | Electronic products | Moulds and plastic products | Elimination | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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 an associate | (865) |
| Profit before income tax | 82,817 |
| Income tax expense | (5,364) |
| Profit for the year | 77,453 |

| | 2013 | | | |
|---|---|---|---|---|
| | Electronic products | Moulds and plastic products | Unallocated | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Other segment information | | | | |
| Depreciation on property, plant and equipment | 9,595 | 2,141 | 3,181 | 14,917 |
| Amortisation of intangible asset | 4,724 | - | - | 4,724 |
| Amortisation of land use rights | 849 | 59 | 80 | 988 |
| Additions to non-current assets (other than interests in an associate, financial assets and deferred tax assets) | 100,574 | 271 | 290 | 101,135 |
| Income tax expense | 6,090 | (398) | (328) | 5,364 |

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

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

| | 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 an associate | | | 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 |

The Company is domiciled in Bermuda. An analysis of the Group's revenue from external customers by country for the year ended 31 March 2014 and 2013 is as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The United States of America | **523,527** | 458,159 |
| United Kingdom | **177,372** | 194,017 |
| Japan | **276,167** | 233,575 |
| PRC (including Hong Kong) | **126,135** | 119,122 |
| Australia | **61,140** | 34,090 |
| Others | **80,487** | 68,525 |
| | **1,244,828** | 1,107,488 |

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **88,962** | 108,255 |
| Mainland China | **208,808** | 130,656 |
| Macao | **66** | 146 |
| | **297,836** | 239,057 |

## 3. OTHER GAINS, NET

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fair value gain on financial assets at fair value through profit or loss | **–** | 686 |
| Loss on disposal on financial assets at fair value through profit or loss | **(178)** | – |
| Net foreign currency exchange gain | **3,226** | 5,281 |
| Fair value loss on derivative financial instruments | **(2,949)** | (157) |
| Net realised gain on derivative financial instruments | **791** | 2,825 |
| Realised gain on redemption of available-for sale financial asset | **2,958** | – |
| Gain on remeasurerment of previously held equity interest in a joint venture | **–** | 8,908 |
| Others | – | 52 |
| | **3,848** | 17,595 |

## 4. EXPENSES BY NATURE

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories | **930,573** | 822,686 |
| Depreciation of property, plant and equipment – owned assets | **14,068** | 14,917 |
| Amortisation of land use rights | **1,258** | 988 |
| Amortisation of intangible asset | **5,154** | 4,724 |
| Gain on disposals of property, plant and equipment | **(439)** | (16) |
| Operating lease rental of premises | **6,731** | 5,748 |
| Employee benefit expense (including directors' emoluments) | **141,087** | 133,578 |
| Provision for / (reversal of) impairment of trade receivables | **75** | (128) |
| Auditor's remuneration | **2,476** | 2,455 |
| Other expenses | **57,443** | 59,017 |
| Total cost of sales, distribution and selling expenses and general and administrative expenses | **1,158,426** | 1,043,969 |

## 5. FINANCE INCOME AND FINANCE COSTS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income from: | | |
| – bank deposits | **2,339** | 1,681 |
| – bonds investments | **969** | 1,029 |
| – others | **741** | 1,591 |
| Finance income | **4,049** | 4,301 |
| Interest expense on: | | |
| – bank borrowings wholly repayable within five years | **(2,371)** | (2,425) |
| Finance income – net | **1,678** | 1,876 |

## 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% (2013: 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"), Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Ltd. ("Nodic"), Chummily Trading (Shenzhen) Co., Ltd. ("CTL"), Suga Electronics (Dongguan) Co., Ltd. ("SEDG") and Suga Technology (Dongguan) Co., Ltd. ("STDG") 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**

Suga Macao Commercial Offshore Limited (formerly known as "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:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current income tax: | | |
| - Hong Kong profits tax | **9,929** | 7,272 |
| - Income tax outside Hong Kong | **2,084** | 2,613 |
| - Over-provision in prior years | **(910)** | (3,362) |
| Deferred income tax | **(415)** | (1,159) |
| | **10,688** | 5,364 |

## 7. 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 year.

| | **2014** | 2013 |
|---|---|---|
| Profit attributable to owners of the Company (HK$'000) | **81,487** | 77,841 |
| Weighted average number of ordinary shares in issue ('000) | **272,294** | 272,294 |
| Basic earnings per share (HK cents) | **29.93** | 28.59 |

**(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.

| | **2014** | 2013 |
|---|---|---|
| Profit attributable to owners of the Company (HK$'000) | **81,487** | 77,841 |
| Weighted average number of ordinary shares in issue ('000) | **272,294** | 272,294 |
| Adjustments for share options ('000) | **448** | 430 |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | **272,742** | 272,724 |
| Diluted earnings per share (HK cents) | **29.88** | 28.54 |

## 8. DIVIDENDS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend, paid, of HK6.0 cents (2013: HK7.0 cents) per ordinary share | **16,337** | 19,061 |
| Final dividend, proposed, of HK8.0 cents (2013: HK7.0 cents) per ordinary share | **21,852** | 19,061 |
| | **38,189** | 38,122 |

## 9. TRADE AND OTHER RECEIVABLES

The ageing of trade receivables is as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **177,663** | 103,234 |
| 31 to 60 days | **8,431** | 6,334 |
| 61 to 90 days | **279** | 1,133 |
| 91 to 180 days | **120** | 53 |
| Over 180 days | **4,852** | 4,698 |
| | **191,345** | 115,452 |
| *Less:* Provision for impairment | **(3,898)** | (3,823) |
| Trade receivables, net | **187,447** | 111,629 |
| Prepayments | **3,316** | 2,162 |
| Rental and other deposits | **2,668** | 2,770 |
| Value added tax receivables | **4,960** | 8,593 |
| Others | **8,564** | 5,303 |
| | **206,955** | 130,457 |
| Trade and other receivables | | |
| – current portion | **206,103** | 126,582 |
| – non-current portion | **852** | 3,875 |
| | **206,955** | 130,457 |
| Loan receivable | **16,250** | 16,575 |
| | **223,205** | 147,032 |

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:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **145,566** | 114,644 |
| 31 to 60 days | **16,560** | 1,006 |
| 61 to 90 days | **1,379** | 608 |
| 91 to 180 days | **1,568** | 559 |
| Over 180 days | **6,676** | 5,121 |
| Trade payables | **171,749** | 121,938 |
| Salaries and staff welfare payable | **9,584** | 9,759 |
| Accrued expenses | **4,390** | 4,073 |
| Deposit received | **17,595** | – |
| Others | **14,170** | 10,952 |
| | **217,488** | 146,722 |
| Other non-current payables | **–** | 17,595 |
| | **217,488** | 164,317 |

## CHAIRMAN'S MESSAGE

During the latest financial year, consumption sentiment began to improve in many of the markets that SUGA operates in, suggesting a more positive outlook held by the general public towards the global economy. Correspondingly, the Group saw its business maintain growth momentum, having continuously improved since the second half of FY2012/13. For FY2013/14, the Group recorded revenue of HK$1,244.8 million, representing a year-on-year rise of 12.4% (FY2012/13: HK$1,107.5 million). Gross profit increased by 18.9% from HK$146.9 million to HK$174.7 million, while gross profit margin rose to 14.0% (FY2012/13: 13.3%); reflecting the Group's successful efforts in raising production efficiency. Profit attributable to shareholders was HK$81.5 million (FY2012/13: HK$77.8 million). Net profit margin was 6.5% (FY2012/13: 7.0%) and basic earnings per share was HK29.93 cents (FY 2012/13: HK28.59 cents). If the one-time special gain of HK$8.9 million on the remeasurement of previously held equity interest in a joint venture was excluded in the FY2012/13 figure, net profit for the year under review would be 18.2% higher than that recorded in the preceding year.

### *BUSINESS OVERVIEW*

Electronic products represent the Group's core business segment, generating HK$1,216.4 million in revenue (FY2012/13: HK$1,075.4 million) and accounting for 97.7% of SUGA's total sales in the latest financial year. The electronic products segment consists of specialized electronic products such as pet training devices, professional audio equipment, auto-fare collection systems, interactive educational products, general consumer electronic products and other electronic products.

During the year under review, the Group's major products recorded sales gains when compared with the preceding year. In particular, pet training devices recorded satisfactory growth due to increasing demand from the US market. Capitalizing on our partner's leading position in the US pet training devices market, SUGA will benefit from rising pet ownership and the desire for related training devices. The Group expects this business to continue providing a stable stream of income and will remain a key pillar among its businesses.

In respect of the professional audio equipment business, this segment achieved moderate sales growth over the previous financial year, and has continued to perform steadily. At the same time, the Group's general consumer electronic products experienced a rise in sales, largely due to increased orders from our Japanese customers, as well as a change in procurement strategy adopted by our clients to streamline suppliers. SUGA was able to capture more opportunities owing to its consistency in delivering quality products.

As a result of contributions from our new auto-fare collection system client and increased orders from an existing client, the auto-fare collection systems business achieved notable growth during the review year. We also enjoyed a rise in orders for our Wifi modules, thus supporting our belief that still greater demand for Wifi modules can be expected since they can be integrated into a large number of electronic devices.

On the interactive educational products front, despite a decrease in sales compared with FY2012/13, the Group experienced a healthy recovery, moving on from soft demand encountered in the latter half of FY2012/13. A newly launched model has been well-received, and we look forward to seeing more new markets adopting interactive educational products to complement their education system.

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

At SUGA, we consider corporate citizenship as an integral part of our corporate culture. As such, we believe in championing a number of worthy causes, including environmental protection. Correspondingly, Suga Electronics Limited employs a "Supply Chain Sustainability" method that received recognition at HSBC Living Business Awards 2013, earning a Green Achievement Award. Also, with regards to community involvement, we have participated in a variety of activities, including Green Council's Hong Kong Green Day and International Coastal Cleanup 2013 Hong Kong; and Green Power's Green Power Hike 2014. While the money raised from such activities help fund a number of worthwhile causes, just as importantly, the events attract staff participation, resulting in greater camaraderie.

***PROSPECTS***

As consumer confidence continues to rise in the key markets of the US and Europe, sentiment from our customers will likewise improve, thus creating the necessary tailwind for the sustained growth of the Group's various businesses. Thus, in view of such a scenario, and given the sound line-up of products within our business portfolio, we are cautiously optimistic about our ability to make further strides forward in the coming year.

Already, the Company has laid a solid foundation for growth, with its key businesses continuing to deliver steady streams of income. Far from complacent, SUGA will leverage its sound fundamentals to proactively explore new opportunities. One direction that we will explore is the provision of more value-added solutions to our customers. In view of the increasing popularity of Wifi-related devices, the Group has discussed with its clients the possibility of integrating Wifi technology in their products. We have received positive feedback from our partners, and aim to commence new projects in this area in the coming year.

With increasing disposable income and rising pet ownership in China, such trends have helped boost revenue for players in the pet-related products market. The Group thus considers China as one of the key pet markets to tap in the coming years. Taking into account consumption patterns and the popularity of online shopping in the country, we believe that the online pet products market in China holds particularly rich opportunities. Consequently, we have been operating a dedicated online retail platform for our pet products since November 2013. This strategy has proven to be a success as sales from the online platform has surpassed that of its physical store. We will nonetheless maintain a physical store, which will serve as a flagship and to showcase our star products, as well as provide personalized customer support. Moreover, the benefits of operating a physical store include gaining up-to-date knowledge of the retail pet market, which allows us to quickly react to the latest trends. We will continue to proactively introduce more quality products from overseas as well, so as to strengthen our presence in China, which is set to further grow in affluence.

Our R&D capabilities will also be leveraged as we seek to explore fresh opportunities that ultimately bolster our product portfolio. We have a strong track record of successfully establishing niche product lines, and aims to build on this record, leading to new revenue stream for the Group in the future.

As we build on past achievements and seek new opportunities, we will be able to rely on greater production strength, as our new factory in Dongguan will be fully operational in August 2014. Although the relocation process that will run from May to July will disrupt certain production schedules during the first half of the coming financial year, the management believes that with greater capacity available, the Group will be in a stronger position to achieve long-term growth. Given that the Group will also complete the disposal of its Buji Shenzhen property following the relocation process, additional proceeds will be generated, providing capital for further business development.

Under the leadership of our experienced management team, we have confidence in the long-term prospects of SUGA, and the Group's capacity to generate better returns for its shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the Group has current assets of HK$540.8 million and current liabilities of HK$270.6 million. The current ratio was 2.00 (31 March 2013: 2.94).

Bank borrowings were HK$85.5million as at 31 March 2014 (31 March 2013: HK$102.5 million). The decrease in total bank borrowings was mainly due to the repayments of long-term bank loans during the year. Gearing ratio (calculated by dividing total bank borrowings by total equity) was 16.5% (31 March 2013: 21.7%) The Group maintained a net cash balance of HK$83.9 million as at the balance sheet date (31 March 2013: HK$141.2 million).

As at 31 March 2014, the Group had aggregate banking facilities of approximately HK$587.5 million (31 March 2013: HK$437.7 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$474.4 million (31 March 2013: HK$312.6 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.

## RELOCATION OF MANUFACTURING PLANTS

The construction works of our new manufacturing plants in Dongguan has been completed in the second quarter of 2014 and our existing Xi Xiang and Buji plants are to be relocated to these new manufacturing plants in Dongguan by phases from May to July 2014. The total Gross Floor Area ("GFA") of the new manufacturing plants is about 782,784 sq. ft. which is larger than the total GFA of Buji and Xi Xiang plants by 22%. The relocation process will unavoidably disrupt the production schedule during the relocation period and incur relocation costs. The Company has already taken measures to minimize the disruption.

## 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 2014.

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 loss on derivative instruments for the year was HK$2.2 million.

## PLEDGE OF ASSETS

As at 31 March 2014, the Group had pledged its office premise located at 22nd Floor, Tower B, Billion Centre, Kowloon Bay together with 4 car parking spaces to secure a bank mortgage loan of HK$18.0 million (31 March 2013: HK$20.8 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 31 March 2014, the Group had a total capital commitment of HK$75.0 million (31 March 2013: HK$92.5 million) for the construction of new manufacturing plants in Dongguan. On 6 December 2012 Suga Technology (Dongguan) Co., Ltd, an indirect wholly-owned subsidiary of the Company, entered into a construction contract with Guangdong Hongda Construction Engineering Co., Ltd. (the "Contractor"), under which the Contractor has agreed to construct two factory buildings and three dormitories with gross construction floor area of approximately 72,723 square metres on the Dongguan Land for Suga Technology (Dongguan) Co., Ltd for RMB78.2 million. As at 31 March 2014, the Group had a capital commitment of HK$30.0 million for the above construction contract (31 March 2013: HK$92.5 million). During the year, the Group also entered into various renovation contracts with the Contractor, under which the Contractor has agreed to carry out the installation of power distribution system, air conditioning system, low voltage electrical system and other renovation work for the factory at the contract price of RMB43.5 million. As at 31 March 2014, the Group had a capital commitment of HK$38.1 million for the above renovation contracts.

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2014 amounted to HK$113.1 million (31 March 2013: HK$125.1 million) and the Group did not have any significant contingent liability.

## HUMAN RESOURCES

As at 31 March 2014 the Group has 2,091 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 A.2.1 stipulates that 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 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 2013/14.

## 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 2014.

## FINAL DIVIDEND

The Directors have proposed the payment of a final dividend of HK8.0 cents per ordinary share for the financial year ended 31 March 2014 (FY2012/13: HK7.0 cents) to the shareholders whose names appears on the Register of Shareholders of the Company on 20 August 2014. Subject to approval by shareholders at the 2014 Annual General Meeting, the proposed final dividend will be paid on or before 27 August 2014.

## CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of shareholders of the Company will be closed from 11 August 2014 to 13 August 2014 (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 2014 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 8 August 2014.

The Register of Shareholders of the Company will be closed from 19 August 2014 to 20 August 2014 (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 2014 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 20 August 2014. 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 18 August 2014.

## ANNUAL GENERAL MEETING

The 2014 Annual General Meeting will be held at Unit A, 29/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 13 August 2014 at 3:00 p.m.. For details of the 2014 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 8 July 2014.

## 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 2014

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