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 2017

FINANCIAL HIGHLIGHTS

– Revenue amounted to HK$1,414.1 million (2016: HK$1,368.1 million)

– Gross profit was HK$223.6 million (2016: HK$200.8 million)

– Profit attributable to equity holders was HK$61.7 million (2016: HK$80.0 million)

– Basic earnings per share was HK22.12 cents (2016: HK28.94 cents)

– The Board proposes a final dividend of HK8.0 cents per share (2016: HK8.0 cents)

– Total dividends per share for the year amount to HK15.0 cents (2016: HK15.0 cents)

ANNUAL RESULTS

The Board of Directors (the "Board") of Suga International Holdings Limited ("Company") would like to announce the audited consolidated results of the Company and its subsidiaries (together "SUGA" or the "Group") for the year ended 31 March 2017.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Revenue	*2*	**1,414,103**	1,368,100
Cost of sales	*4*	**(1,190,503)**	(1,167,281)
Gross profit		**223,600**	200,819
Distribution and selling expenses	*4*	**(42,237)**	(28,367)
General and administrative expenses	*4*	**(106,848)**	(102,643)
Other income		**665**	2,183
Other (losses)/gains, net	*3*	**(13,508)**	16,662
Operating profit		**61,672**	88,654
Finance income	*5*	**7,775**	3,561
Finance costs	*5*	**(4,579)**	(2,996)
Finance income – net	*5*	**3,196**	565
Share of losses of associates		**(1,253)**	(1,312)
Profit before income tax		**63,615**	87,907
Income tax expense	*6*	**(3,572)**	(8,596)
Profit for the year		**60,043**	79,311
Profit attributable to:			
Owners of the Company		**61,745**	80,038
Non-controlling interests		**(1,702)**	(727)
		60,043	79,311
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic (HK cents)	*7*	**22.12**	28.94
– Diluted (HK cents)	*7*	**22.04**	28.89

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**60,043**	79,311
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign subsidiaries	**(27,559)**	(18,216)
Release of exchange reserve upon deregistration of a subsidiary	**–**	(11,343)
Fair value (loss)/gain on available-for-sale financial assets	**(239)**	3,320
Other comprehensive loss for the year, net of tax	**(27,798)**	(26,239)
Total comprehensive income for the year	**32,245**	53,072
Attributable to:		
Owners of the Company	**33,947**	53,799
Non-controlling interests	**(1,702)**	(727)
	32,245	53,072

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2017

	Note	**31 March 2017** ***HK$'000***	31 March 2016 *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**50,484**	53,291
Property, plant and equipment		**276,081**	263,236
Investment property		**10,200**	10,000
Intangible assets		**986**	7,251
Goodwill		**3,949**	3,949
Interests in associates		**3,804**	3,876
Deferred income tax assets		**1,086**	323
Available-for-sale financial assets		**16,439**	16,678
Bond investment		**7,711**	7,711
Financial assets at fair value through profit or loss		**4,838**	-
Other non-current receivables	*9*	**-**	4,118
		375,578	370,433
Current assets			
Inventories		**196,149**	167,361
Trade and other receivables	*9*	**231,784**	201,177
Loan receivable	*9*	**6,496**	12,960
Income tax recoverable		**591**	3,859
Amount due from an associate		**3,250**	431
Cash and cash equivalents		**223,867**	225,027
		662,137	610,815
Total assets		**1,037,715**	981,248
LIABILITIES			
Non-current liabilities			
Bank borrowings		**6,678**	10,932
Deferred income tax liabilities		**453**	1,443
		7,131	12,375

	Note	31 March 2017 HK$'000	31 March 2016 HK$'000
Current liabilities			
Trade and other payables	*10*	**245,013**	185,468
Income tax payable		**6,762**	12,931
Bank borrowings		**108,337**	101,197
Derivative financial instruments		**-**	1,946
		360,112	301,542
Total liabilities		**367,243**	313,917
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**28,100**	27,712
Other reserves		**95,063**	113,246
Retained earnings		**547,050**	526,792
		670,213	667,750
Non-controlling interests		**259**	(419)
Total equity		**670,472**	667,331
Total equity and liabilities		**1,037,715**	981,248

Notes:

1. **BASIS OF PREPARATION**

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements 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, and investment property which are carried at fair value.

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 and amended standards and interpretations are mandatory for the Group's financial year beginning on or after 1 April 2016 and have been adopted in the preparation of the consolidated financial statements.

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

The adoption of above new and amended standards and interpretations has no material effect on the preparation of the Group's consolidated financial statements.

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

		Effective for accounting periods beginning on or after
HKAS 7 (Amendments)	Statement of cashflows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of the above new standards and amendments is expected to have a significant effect on the consolidated financial statements of the Group, except for the followings:

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.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets currently held by the Group include:

- debt instruments currently classified as loans and receivables which 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 which would likely continue to be measured on the same basis under HKFRS 9.

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

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 recognised 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.

HKFRS 9, "Financial instruments" (Continued)

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. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

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 contracts for goods and 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.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and 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.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised 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 recognised. 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 Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$4,626,000. 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.

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

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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.

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

An analysis of the Group's revenue from external customers by country of destination for the years ended 31 March 2017 and 2016 is as follows:

	2017	2016
	HK$'000	*HK$'000*
The United States of America	**625,647**	554,206
Japan	**253,955**	277,427
PRC (including Hong Kong)	**166,580**	149,832
United Kingdom	**94,899**	168,466
Taiwan	**79,858**	40,989
Australia	**70,708**	79,184
Germany	**34,535**	45,090
Others	**87,921**	52,906
	1,414,103	1,368,100

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**85,790**	90,847
Mainland China	**288,693**	279,242
Macao	**9**	21
	374,492	370,110

For the year ended 31 March 2017, external revenue of approximately HK$217,124,000 and HK$155,726,000 were generated from two customers, who individually accounted for more than 10% of the Group's revenue.

For the year ended 31 March 2016, external revenue of approximately HK$208,179,000, HK$164,499,000 and HK$141,779,000 were generated from three customers, who individually accounted for more than 10% of the Group's revenue.

3. OTHER (LOSSES)/GAINS, NET

	2017	2016
	HK$'000	*HK$'000*
Net foreign currency exchange (loss)/gain	**(35)**	1,969
Fair value gain on derivative financial instruments	**–**	2,235
Net realised (loss)/gain on derivative financial instruments	**(451)**	1,515
Fair value loss on financial assets at fair value through profit or loss	**(113)**	–
Fair value gain/(loss) on an investment property	**200**	(400)
Factory relocation costs *(Note a)*	**(5,585)**	–
Impairment of property, plant and equipment	**(7,524)**	–
Release of exchange reserve upon deregistration of a subsidiary *(Note b)*	**–**	11,343
	(13,508)	16,662

Note:

(a) During the year, the Group relocated certain of its manufacturing plants in Mainland China from Huizhou to Dongguan and incurred relocation costs of approximately HK$5,585,000 (2016: Nil).

(b) During the year ended 31 March 2016, a subsidiary was deregistered. The cumulative amount of the exchange reserve of this subsidiary of HK$11,343,000, previously recognised as other comprehensive income and accumulated in equity, was reclassified to the consolidated income statement upon the deregistration.

4. EXPENSES BY NATURE

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories	**1,040,978**	1,011,154
Depreciation of property, plant and equipment	**25,932**	25,554
Amortisation of land use rights	**1,113**	1,153
Amortisation of intangible assets	**6,265**	5,710
Gain on disposals of property, plant and equipment	**(159)**	(121)
Operating lease rental of premises	**3,165**	2,778
Employee benefit expense (including directors' emoluments)	**165,301**	170,489
Write-back on provision for inventory impairment	**(1,023)**	(825)
Auditor's remuneration		
– Audit services	**2,700**	2,470
– Non-audit services	**389**	555
Commission expense	**15,657**	10,436
Other expenses	**79,270**	68,938
Total cost of sales, distribution and selling expenses and general and administrative expenses	**1,339,588**	1,298,291

5. FINANCE INCOME AND FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest income from:		
– bank deposits	**1,815**	1,090
– bond investment	**430**	430
– overdue interest received from customers	**5,530**	2,041
Finance income	**7,775**	3,561
Interest expense on bank borrowings	**(4,832)**	(3,305)
Less: amount capitalised on qualifying assets	**253**	309
Finance costs	**(4,579)**	(2,996)
Finance income– net	**3,196**	**565**

6. INCOME TAX EXPENSE

(a) Bermuda and British Virgin Islands income tax

The Company is exempted from taxation in Bermuda until 2035. 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% (2016: 16.5%) on the estimated assessable profits for the year.

(c) PRC corporate income tax

The Group's subsidiaries in Mainland China are subject to corporate income tax at 25% (2016: 25%) effective from 1 January 2008.

(d) Macao taxation

Suga Macao Commercial Offshore Limited is a subsidiary established in Macao and is exempted from Macao Complementary Tax.

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

	2017	2016
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**7,854**	7,807
– Income tax outside Hong Kong	**8**	1,752
– Over-provision in prior years	**(2,537)**	(740)
Deferred income tax credit	**(1,753)**	(223)
	3,572	8,596

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.

	2017	2016
Profit attributable to owners of the Company (HK$'000)	**61,745**	80,038
Weighted average number of ordinary shares in issue ('000)	**279,084**	276,576
Basic earnings per share (HK cents)	**22.12**	28.94

(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.

	2017	2016
Profit attributable to owners of the Company (HK$'000)	**61,745**	80,038
Weighted average number of ordinary shares in issue ('000)	**279,084**	276,576
Adjustments for share options ('000)	**1,063**	471
Weighted average number of ordinary shares for diluted earnings per share ('000)	**280,147**	277,047
Diluted earnings per share (HK cents)	**22.04**	28.89

8. DIVIDENDS

Dividends paid during the year ended 31 March 2017 were HK$19,407,000 (HK7.0 cents per share) and HK$22,179,000 (HK8.0 cents per share), respectively. A dividend in respect of the year ended 31 March 2017 of HK8.0 cents per share, totalling HK$22,511,000, is to be proposed at the annual general meeting on 14 August 2017. These financial statements do not reflect this dividend payable.

	2017	2016
	HK$'000	*HK$'000*
Interim dividend, paid, of HK7.0 cents (2016: HK7.0 cents) per ordinary share	**19,407**	19,392
Final dividend, proposed, of HK8.0 cents (2016: HK8.0 cents) per ordinary share	**22,511**	22,177
	41,918	41,569

9. TRADE AND OTHER RECEIVABLES

The ageing of trade receivables based on invoice date were as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**199,313**	175,791
31 to 60 days	**1,253**	2,192
61 to 90 days	**3,388**	2,771
91 to 180 days	**1,954**	4,151
Over 180 days	**3,833**	4,277
	209,741	189,182
Less: Provision for impairment	**(3,772)**	(3,836)
Trade receivables, net	**205,969**	185,346
Prepayment to vendors	**11,838**	5,068
Other prepayments	**3,046**	6,115
Rental and other deposits	**938**	1,692
Value added tax receivables	**1,533**	2,310
Others	**8,460**	4,764
	231,784	205,295
Trade and other receivables		
– current portion	**231,784**	201,177
– non-current portion	**-**	4,118
	231,784	205,295
Loan receivable	**8,960**	15,600
Less: Provision for impairment	**(2,464)**	(2,640)
	6,496	12,960
	238,280	218,255

All trade receivables are either repayable within one year or on demand.

10. TRADE AND OTHER PAYABLES

The ageing of trade payables based on invoice date were as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**178,997**	135,102
31 to 60 days	**3,081**	6,767
61 to 90 days	**3,711**	473
91 to 180 days	**6,281**	2,658
Over 180 days	**1,384**	4,764
Trade payables	**193,454**	149,764
Salaries and staff welfare payable	**10,721**	13,547
Accrued expenses	**4,610**	6,036
Others	**36,228**	16,121
	245,013	185,468

CHAIRMAN'S MESSAGE

SUGA recorded turnover of approximately HK$1,414.1 million during the year under review, representing a year-on-year growth of about 3.4% (FY2015/16: HK$1,368.1 million) attributable mainly to the increase in orders for some of the Group's specialised electronic products. Gross profit rose by 11.3% to HK$223.6 million (FY2015/16: HK$200.8 million) and gross profit margin climbed to 15.8% (FY2015/16: 14.7%). The improved gross profit margin was owed mainly to the increase in orders for products of higher gross profit margin and the success of the Group in consolidating production facilities at its High-tech Industrial Park in Dongguan during the year, which helped enhance overall operational efficiency.

Profit attributable to shareholders was approximately HK$61.7 million (FY2015/16: HK$80.0 million). Net profit margin was 4.4% (FY2015/16: 5.9%) and basic earnings per share were HK22.12 cents (FY2015/16: HK28.94 cents). If excluding other gains in FY2015/16 of approximately HK$11.3 million from the release of exchange reserve upon deregistration of a subsidiary [1], and the payment of relocation costs of approximately HK$5.6 million incurred from moving the Huizhou plant into the High-tech Industrial Park in Dongguan and the non-cash impairment of the Huizhou factory building of approximately HK$7.5 million due to change of land use of the Huizhou plant site during the year under review, profit attributable to shareholders would be up by 9.0% year-on-year, reflecting the continued growth of the Group's core businesses.

BUSINESS OVERVIEW

Electronic products, the Group's core business, continued to generate stable revenue and strong cash flow for the Group during the review year. In recent years, SUGA has married "Internet of things" (IoT) technology with its electronic products, and the professional audio equipment product market responded especially well and that translated into satisfactory income growth during the year under review. Our business partners are mainly in professional stage audio equipment business and their demand for upgraded products has increased notably. The key markets include the US, UK and Germany. We hope to embed IoT technology in products for more customers and continue to enhance the functions and quality of our products, thereby give our income bigger room to grow in the future.

Moreover, SUGA's telephones for hearing-impaired elderly managed steady growth during the year under review. They boasted a better gross profit margin, which helped drive growth of the Group's overall turnover and gross profit margin. We will cooperate with our business partner in exploring new functions to add to the products, in order to enhance the quality of life for the elderly and reinforce SUGA's position in the specialised product market. In addition, pet training devices, one of the Group's core products, also maintained stable growth during the period.

Other products continued to develop on steady pace during the year, with that of the smart card and NFC products and interactive educational products slightly lagging behind the rest. Smart card and NFC products sales declined as a result of conclusion of projects in Europe of some customers during the period. We will continue to maintain good relationship with these customers so that we can capture future business opportunities. As for interactive educational products, as mentioned in our interim report for the financial year, a customer which was acquired last year by another company and the new owner decided to focus on the software market, thus the segment's performance was still weak during the year under review. In the future, the Group will remain cautious in the market. The drop in sales of the above two products was however offset by the growth in sales of other products, a reflection of the effectiveness of our strategy of maintaining a diverse product mix that has helped disperse risks and brace steady growth of our business.

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[1] *During the year ended 31 March 2016, a subsidiary was deregistered. In this connection, the cumulative amount of the exchange reserve of this subsidiary of HK$11.3 million, previously recognised in other comprehensive income and accumulated in equity, was reclassified to the consolidated income statement upon the deregistration of this subsidiary.*

We have been looking for opportunities to diversify our business and create added value to the Group. While electronic products are SUGA's cornerstone business, the Group places much importance also on developing new markets. We have been actively developing business in the growing pet care market in mainland China and Hong Kong in recent years and an innovative ecosystem has been created for the business. During the year under review, the Group made encouraging progress with the business boasting a number of breakthroughs. SUGA's own pet food brand "Brabanconne" was granted an import licence by the Ministry of Agriculture of the People's Republic of China during the period under review and was officially launched to market in mainland China and Hong Kong in March 2017 and received good response. The product has its formula tailored for pets in Asia by a veterinarian graduated from the University of Cambridge in the UK and is manufactured in Europe by the Group's Belgian partner. It meets the nutritional needs of pets in Asia.

PROSPECTS

In the first half of 2017, the global economy finally saw light at the end of the tunnel and started on the recovery path. At the same time, the market continues to keep a close watch on the pace of US interest rate hikes, and changes of administration in some European countries add uncertainty to economic development in the second half year. Nevertheless, SUGA, which is dedicated to serving the specialised electronic product market, has managed to maintain steady development, regardless of macroeconomic fluctuation. The Group's core electronics business has kept generating stable revenue and strong cash flow for the Group, allowing it to constantly innovate and improve products building on its well-established foundation, and also maintain development momentum in the long run. In recent years, we have endeavoured to empower our major products with IoT technology, cooperating with customers and business partners to develop new products and upgrade existing products with enhanced functions, which has helped customers expand their business base and, at the same time, allows partners to share the fruit of growth with us and achieve win-win outcomes.

As mentioned, on top of focusing on its core electronics business, the Group is optimistic about the growth potential of the pet care market in mainland China and Hong Kong, and is dedicated to developing a comprehensive pet ecosystem comprising online-to-offline operations. With a higher gross profit margin than electronic products, the pet product business is expected to give SUGA a stronger impetus to grow. The Group's own pet food brand "Brabanconne" has started generating revenue since its debut in March 2017. We expect this product to bring good contribution to the Group's annual sales in the financial year of 2017/18. This year, Brabanconne products will be sold mainly in 11 first-tier cities in mainland China via a sales network comprising more than 100 physical stores. At the same time, the products are also available at various popular online stores. The online plus offline pet products sales network of the Group is gradually taking shape, giving the Group a strong foundation for development in the future.

The Group's self-developed smart pet feeder PETBLE® SmartBowl and the wearable gauging device PETBLE® SmartTag started taking orders at the Pet Show held in the first quarter of the year and the market responded positively. PETBLE® SmartTag can detect activities of a pet and PETBLE® SmartBowl can record food intake by a pet, allowing pet owners to closely track the habits of their pets, so as to improve their pets' health. Meanwhile, the PETBLE® App, which is capable of gathering and building big data, can help the Group constantly improve the quality and functions of its products, and through analysing the data gathered understand in depth the eating habits of pets and how they relate to a pet's health, thereby contribute to the development of scientific research in related fields. The Group's PETBLE® pet care solution won the "Outstanding Solution/ Product Award" at the Asian Electronics Forum last year, speaking volume to the industry recognition it enjoys. Mass production of PETBLE® smart pet products will begin in the coming few years. Furthermore, the Group's self-developed pet social media apps "Chongmi (寵米)" and "PetNfans" have accumulatively over 100,000 and 10,000 users respectively in mainland China and Hong Kong, which can potentially be translated into huge consumption demand for pet products.

SUGA's High-tech Industrial Park in Dongguan completed consolidation of production facilities in July 2016 and has since been in full operation, boosting the Group's production capacity markedly. The Group is applying to change the purpose of the land on which its former Huizhou plant stood to commercial and residential use. The slots surrounding the land parcel have already been changed to commercial and residential lands and development has gone well. We will consider development plans which promise to generate maximum value for the Group and its shareholders and will announce the status of development in due course.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group has current assets of HK$662.1 million and current liabilities of HK$360.1 million. The current ratio was 1.84 (31 March 2016: 2.03).

Bank borrowings were HK$115.0 million as at 31 March 2017 (31 March 2016: HK$112.1 million). Gearing ratio (calculated by dividing total bank borrowings by total equity) was 17.2% (31 March 2016: 16.8%) The Group maintained a net cash balance of HK$108.9 million as at the balance sheet date (31 March 2016: HK$112.9 million).

As at 31 March 2017, the Group had aggregate banking facilities of approximately HK$686.5 million (31 March 2016: HK$663.3 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$566.1 million (31 March 2016: HK$555.1 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.

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 year ended 31 March 2017.

During the year, the Group held several foreign exchange contracts to manage the currency translation risk of Renminbi against United States dollars. All these foreign exchange contracts were for managing purpose and it is the policy of the Group not to enter into any derivative contracts purely for speculative activities. The net realized loss related to these derivative instruments for the year ended 31 March 2017 was HK$ 0.5 million.

PLEDGE OF ASSETS

As at 31 March 2017, the Group 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$9.6 million (31 March 2016: HK$12.4 million) for financing the acquisition of the office premise and car parking spaces. Other than the said mortgage loan, the Group did not pledge any of its assets as securities for the banking facilities granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2017, the Group had a capital commitment of HK$3.1 million for the construction contract and property, plant and equipment (31 March 2016: 5.4 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2017 amounted to HK$115.0 million (31 March 2016: HK$112.1 million) and the Group did not have any significant contingent liability.

HUMAN RESOURCES

As at 31 March 2017 the Group has approximately 1,875 employees, of which 71 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 announcement, 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 2016/17.

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 system and risk management, and financial reporting matters including the financial statements of the Group for the year ended 31 March 2017.

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 2017 (FY2015/16: HK8.0 cents) to the shareholders whose names appears on the Register of Shareholders of the Company on 18 August 2017. Subject to approval by shareholders at the 2017 Annual General Meeting, the proposed final dividend will be paid on or before 25 August 2017.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from 8 August 2017 to 14 August 2017 (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 2017 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, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 7 August 2017.

The Register of Shareholders of the Company will be closed on 18 August 2017 during which day 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 2017 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 18 August 2017. 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, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 17 August 2017.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting will be held at 2401-02, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Monday, 14 August 2017 at 3:00 p.m.. For details of the 2017 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 12 July 2017.

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, 29 June 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.