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 2018

FINANCIAL HIGHLIGHTS

– Revenue amounted to HK$1,510.5 million (2017: HK$1,414.1 million)

– Gross profit was HK$231.1 million (2017: HK$223.6 million)

– Profit attributable to equity holders was HK$74.1 million (2017: HK$61.7 million)

– Basic earnings per share was HK26.29 cents (2017: HK22.12 cents)

– The Board proposes a final dividend of HK8.0 cents per share (2017: HK8.0 cents)

– Total dividends per share for the year amount to HK15.0 cents (2017: 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 2018.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	2	**1,510,504**	1,414,103
Cost of sales	4	**(1,279,356)**	(1,190,503)
Gross profit		**231,148**	223,600
Distribution and selling expenses	4	**(46,690)**	(42,237)
General and administrative expenses	4	**(106,188)**	(106,848)
Other income		**1,798**	665
Other gains/(losses), net	3	**2,866**	(13,508)
Operating profit		**82,934**	61,672
Finance income	5	**4,204**	7,775
Finance costs	5	**(5,179)**	(4,579)
Finance (costs)/income – net	5	**(975)**	3,196
Share of losses of associates		**(2,375)**	(1,253)
Profit before income tax		**79,584**	63,615
Income tax expense	6	**(6,047)**	(3,572)
Profit for the year		**73,537**	60,043
Profit/(loss) attributable to:			
Owners of the Company		**74,111**	61,745
Non-controlling interests		**(574)**	(1,702)
		73,537	60,043
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic (HK cents)	7	**26.29**	22.12
– Diluted (HK cents)	7	**26.11**	22.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**73,537**	60,043
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign subsidiaries	**37,401**	(27,559)
Fair value loss on available-for-sale financial assets	**(10,197)**	(239)
Other comprehensive income/(loss) for the year	**27,204**	(27,798)
Total comprehensive income for the year	**100,741**	32,245
Profit/(loss) attributable to:		
Owners of the Company	**101,315**	33,947
Non-controlling interests	**(574)**	(1,702)
	100,741	32,245

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2018

	Note	**31 March 2018** **HK$'000**	31 March 2017 *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**51,994**	50,484
Property, plant and equipment		**297,178**	276,081
Investment property		–	10,200
Intangible assets		**3,319**	986
Goodwill		**3,949**	3,949
Interests in associates		**3,623**	3,804
Deferred income tax assets		**1,782**	1,086
Available-for-sale financial assets		**6,242**	16,439
Bond investment		–	7,711
Financial assets at fair value through profit or loss		**3,757**	4,838
Other non-current prepayments	*9*	**3,074**	–
		374,918	375,578
Current assets			
Inventories		**268,742**	196,149
Trade and other receivables	*9*	**233,201**	231,784
Loan receivable		**2,500**	6,496
Tax recoverable		**1,097**	591
Amounts due from associates		**4,149**	3,250
Time deposits over three months		**15,500**	–
Cash and cash equivalents		**165,105**	223,867
		690,294	662,137
Total assets		**1,065,212**	1,037,715
LIABILITIES			
Non-current liabilities			
Bank borrowings		**3,759**	6,678
Deferred income tax liabilities		**504**	453
		4,263	7,131

	Note	31 March 2018 HK$'000	31 March 2017 HK$'000
Current liabilities			
Trade and other payables	*10*	**258,093**	245,013
Income tax payable		**6,096**	6,762
Bank borrowings		**65,155**	108,337
		329,344	360,112
Total liabilities		**333,607**	367,243
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**28,214**	28,100
Other reserves		**122,940**	95,063
Retained earnings		**578,986**	547,050
		730,140	670,213
Non-controlling interests		**1,465**	259
Total equity		**731,605**	670,472
Total equity and liabilities		**1,065,212**	1,037,715

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, financial assets at fair value through profit or loss, and investment property which is 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) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for the Group's financial year beginning on or after 1 April 2017 and have been adopted in the preparation of the consolidated financial statements.

Amendments to HKAS 12	Recognition of deferred income tax assets for unrealised losses
Amendments to HKAS 7	Disclosure initiative
Amendments to HKFRS 12	Disclosure of interest in other entities

The adoption of these amendments to existing standards has no material effect on the preparation of the Group's consolidated financial statements.

(b) New and amended standards and interpretations not yet adopted

The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to Annual Improvements Projects HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle	1 January 2018
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendment to HKFRS 15	Clarification to HKFRS15	1 January 2018
Amendments to HKAS 28	Investments in associates and joint ventures	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced by HKICPA

The Group's assessment of the impact of these new standards and interpretations is set out below:

HKFRS 9, "Financial Instruments"

Nature of change

HKFRS 9 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.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018:

The financial assets currently held by the Group include:

- debt instruments currently classified as loans and receivables which would continue to be measured at amortised cost and hence there will be no change to the accounting for these assets;
- equity instruments currently classified as available-for-sale ("AFS") for which a fair value through other comprehensive income ("FVOCI") election is available;
- equity investments currently measured at fair value through profit or loss ("FVPL") which will continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the available-for-sale financial assets fair value reserve to retained earnings. During the year ended 31 March 2018, no gains or losses were recognised in profit or loss in relation to disposal of available-for-sale financial assets.

There will be no impact on the Group's financial liabilities, as the new requirements only affect the account for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken up to date, the Group does not expect the new model to have any material impact on the recognition of the Group's 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.

Date of adoption by the Group

The new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

HKFRS 15, "Revenue from Contracts with Customers"

Nature of change

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 and the related literature.

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.

Impact

Management has assessed the effects of applying the new standard on the Group's consolidated 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.

Based on the assessments undertaken up to date, the Group does not expect the new standard to have any material impact on the Group's consolidated financial statements.

Date of adoption by Group

The new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

HKFRS 16, "Leases"

Nature of change

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.

Impact

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$7,831,000. 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.

Management is in the process of quantifying the potential effects of this new standard in its consolidated financial statements.

HKFRS 16, "Leases" (Continued)

Date of adoption by Group

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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 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, relocation costs, fair value gains or losses of financial assets and share of losses of associates 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 consolidated financial statements.

During the year, the Group underwent a group restructuring whereby all entities engaged in pet-related business were re-organised under an intermediate holding company. As a result of such change in group structure, the CODM's review on the Group's segment performance and resource allocation has changed over that in prior years. The comparative segment information for the year ended 31 March 2017 has been reclassified to align with the presentation of the latest segment information disclosure as a result of such change.

Revenue from external customers is shown after elimination of inter-segment revenue. Sales between segments, which mainly consist of sale of electronic components and products among subsidiaries, are carried out at mutually agreed terms. Revenue from external parties 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 investment, loan receivable, 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 2018 and 2017 is as follows:

	2018			
	Electronic products	**Pet related products**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue				
Revenue from external customers	**1,180,154**	**330,350**	**–**	**1,510,504**
Inter-segment revenue	**210,050**	**154,152**	**(364,202)**	**–**
	1,390,204	**484,502**	**(364,202)**	**1,510,504**
Segment results	**70,657**	**32,191**		**102,848**
A reconciliation of segment results to profit for the year is as follows:				
Segment results				**102,848**
Unallocated expenses, net				**(24,578)**
Other income				**1,798**
Other gains, net				**2,866**
Operating profit				**82,934**
Finance income				**4,204**
Finance costs				**(5,179)**
Share of losses of associates				**(2,375)**
Profit before income tax				**79,584**
Income tax expense				**(6,047)**
Profit for the year				**73,537**

	2018			
	Electronic products	**Pet related products**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Other segment information				
Depreciation on property, plant and equipment	**30,720**	**432**	**1,929**	**33,081**
Amortisation of intangible assets	**430**	**556**	**–**	**986**
Amortisation of land use rights	**1,098**	**–**	**57**	**1,155**
Additions to non-current assets (other than interests in associates, financial assets and deferred tax assets)	**14,571**	**3,794**	**2,194**	**20,559**

	2017 (Restated)			
	Electronic products	Pet related products	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Revenue from external customers	1,186,036	228,067	–	1,414,103
Inter-segment revenue	178,427	126,920	(305,347)	–
	1,364,463	354,987	(305,347)	1,414,103
Segment results	80,603	16,365		96,968

A reconciliation of segment results to profit for the year is as follows:	
Segment results	96,968
Unallocated expenses, net	(22,453)
Other income	665
Other losses, net	(13,508)
Operating profit	61,672
Finance income	7,775
Finance costs	(4,579)
Share of losses of associates	(1,253)
Profit before income tax	63,615
Income tax expense	(3,572)
Profit for the year	60,043

	2017 (Restated)			
	Electronic products	Pet related products	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information				
Depreciation on property, plant and equipment	23,958	326	1,648	25,932
Amortisation of intangible assets	5,154	1,111	–	6,265
Amortisation of land use rights	1,113	–	–	1,113
Impairment of property, plant and equipment	7,524	–	–	7,524
Factory relocation costs	5,585	–	–	5,585
Additions to non-current assets (other than interests in associates, financial assets and deferred tax assets)	59,528	1,203	372	61,103

The segment assets and segment liabilities as at 31 March 2018 and 2017 and the reconciliation to the total assets and total liabilities are as follows:

	2018		
	Electronic products	**Pet related products**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	**850,490**	**53,650**	**904,140**
Unallocated:			
Property, plant and equipment			**49,934**
Interests in associates			**3,623**
Deferred income tax assets			**1,782**
Amounts due from associates			**4,149**
Loan receivable			**2,500**
Tax recoverable			**1,097**
Other investments			**9,999**
Cash and cash equivalents			**79,312**
Other unallocated assets			**8,676**
Total assets per consolidated balance sheet			**1,065,212**
Segment liabilities	**192,158**	**4,437**	**196,595**
Unallocated:			
Bank borrowings			**68,914**
Deferred income tax liabilities			**504**
Trade payables			**54,449**
Income tax payable			**6,096**
Other unallocated liabilities			**7,049**
Total liabilities per consolidated balance sheet			**333,607**

	2017 (Restated)		
	Electronic products	Pet related products	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	862,538	33,073	895,611
Unallocated:			
Property, plant and equipment			38,560
Investment property			10,200
Interests in associates			3,804
Deferred income tax assets			1,086
Amount due from an associate			3,250
Loan receivable			6,496
Tax recoverable			591
Other investments			28,988
Cash and cash equivalents			41,577
Other unallocated assets			7,552
Total assets per consolidated balance sheet			1,037,715
Segment liabilities	192,909	3,694	196,603
Unallocated:			
Bank borrowings			115,015
Deferred income tax liabilities			453
Trade payables			41,113
Income tax payable			6,762
Other unallocated liabilities			7,297
Total liabilities per consolidated balance sheet			367,243

An analysis of the Group's revenue from external customers by country of destination for the years ended 31 March 2018 and 2017 is as follows:

	2018	2017
	HK$'000	*HK$'000*
The United States of America	**670,865**	625,647
Japan	**279,015**	253,955
The People's Republic of China (the "PRC", including Hong Kong)	**189,524**	166,580
Taiwan	**97,538**	79,858
Australia	**77,454**	70,708
Germany	**40,274**	34,535
United Kingdom	**38,625**	94,899
Others	**117,209**	87,921
	1,510,504	1,414,103

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**68,247**	85,790
Mainland China	**304,888**	288,693
Others	**1**	9
	373,136	374,492

For the year ended 31 March 2018, external revenue of approximately HK$311,704,000 was generated from a customer, who accounted for more than 10% of the Group's revenue.

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.

No other customer individually accounted for more than 10% of the Group's revenue for the years ended 31 March 2017 and 2018.

3. OTHER GAINS/(LOSSES), NET

	2018	2017
	HK$'000	*HK$'000*
Net foreign currency exchange gain/(loss)	**2,724**	(35)
Fair value gain on an investment property	**900**	200
Gain on disposal of bond investment	**323**	–
Fair value loss on financial assets at fair value through profit or loss	**(1,081)**	(113)
Net realised loss on derivative financial instruments	**–**	(451)
Impairment of property, plant and equipment	**–**	(7,524)
Factory relocation costs *(Note)*	**–**	(5,585)
	2,866	(13,508)

Note:

During the year ended 31 March 2017, 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.

4. EXPENSES BY NATURE

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories	**1,108,971**	1,040,978
Depreciation of property, plant and equipment	**33,081**	25,932
Amortisation of land use rights	**1,155**	1,113
Amortisation of intangible assets	**986**	6,265
Gain on disposals of property, plant and equipment	**(8)**	(159)
Operating lease rental of premises	**4,820**	3,165
Employee benefit expense (including directors' emoluments)	**197,184**	165,301
Write-back of provision for inventory impairment	**–**	(1,023)
Provision for impairment of trade receivables	**50**	–
Reversal of provision for impairment of loan receivable	**(2,464)**	–
Auditor's remuneration		
– Audit services	**2,800**	2,700
– Non-audit services	**263**	389
Commission expense	**12,108**	15,657
Other expenses	**73,288**	79,270
Total cost of sales, distribution and selling expenses and general and administrative expenses	**1,432,234**	1,339,588

5. FINANCE (COSTS)/INCOME – NET

	2018	2017
	HK$'000	*HK$'000*
Interest income from:		
– bank deposits	**2,153**	1,815
– bond investment	**459**	430
– overdue interests received from customers	**1,524**	5,530
– others	**68**	–
Finance income	**4,204**	7,775
Interest expense on bank borrowings	**(5,179)**	(4,832)
Less: amount capitalised on qualifying assets	**–**	253
Finance costs	**(5,179)**	(4,579)
Finance (costs)/income – net	**(975)**	3,196

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% (2017: 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% (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**5,119**	7,854
– Income tax outside Hong Kong	**2,051**	8
– Over-provision in prior years	**(478)**	(2,537)
Deferred income tax credit	**(645)**	(1,753)
	6,047	3,572

(f) The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate in Hong Kong as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax	**79,584**	63,615
Calculated at a taxation rate of 16.5% (2017: 16.5%)	**13,131**	10,496
Effect of different income tax rates on income arising outside Hong Kong	**(3,499)**	(3,383)
Tax loss not recognised	**5,643**	7,230
Expenses not deductible for income tax purpose	**842**	1,168
Income not subject to income tax	**(8,714)**	(8,693)
Tax concession	**(120)**	–
Over-provision in prior years	**(478)**	(2,537)
Utilisation of previously unrecognised tax losses	**(758)**	(709)
Income tax expense	**6,047**	3,572

There is no tax charge relating to components of other comprehensive income.

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.

	2018	2017
Profit attributable to owners of the Company (HK$'000)	**74,111**	61,745
Weighted average number of ordinary shares in issue ('000)	**281,942**	279,084
Basic earnings per share (HK cents)	**26.29**	22.12

(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.

	2018	2017
Profit attributable to owners of the Company (HK$'000)	**74,111**	61,745
Weighted average number of ordinary shares in issue ('000)	**281,942**	279,084
Adjustments for share options ('000)	**1,932**	1,063
Weighted average number of ordinary shares for diluted earnings per share ('000)	**283,874**	280,147
Diluted earnings per share (HK cents)	**26.11**	22.04

8. DIVIDENDS

Dividends paid during the year ended 31 March 2018 were HK$19,750,000 (HK7.0 cents per share) and HK$22,567,000 (HK8.0 cents per share), respectively. A dividend in respect of the year ended 31 March 2018 of HK8.0 cents per share, totalling HK$22,615,000, is to be proposed at the annual general meeting on 8 August 2018. These financial statements do not reflect this dividend payable.

	2018	2017
	HK$'000	*HK$'000*
Interim dividend, paid, of HK7.0 cents (2017: HK7.0 cents) per ordinary share	**19,750**	19,407
Final dividend, proposed, of HK8.0 cents (2017: HK8.0 cents) per ordinary share	**22,615**	22,567
	42,365	41,974

9. TRADE AND OTHER RECEIVABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**195,924**	199,313
31 to 60 days	**5,828**	1,253
61 to 90 days	**1,937**	3,388
91 to 180 days	**1,280**	1,954
Over 180 days	**3,795**	3,833
	208,764	209,741
Less: Provision for impairment	**(3,748)**	(3,772)
Trade receivables, net	**205,016**	205,969
Prepayments to vendors	**11,157**	11,838
Prepayments for plant and equipment	**3,074**	–
Other prepayments	**3,663**	3,046
Rental and other deposits	**1,367**	938
Value added tax receivables	**2,631**	1,533
Others	**9,367**	8,460
	236,275	231,784
Less: Non-current prepayments for plant and equipment	**(3,074)**	–
Current portion of trade and other receivables	**233,201**	231,784

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

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

10. TRADE AND OTHER PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**183,447**	178,997
31 to 60 days	**4,029**	3,081
61 to 90 days	**788**	3,711
91 to 180 days	**5,285**	6,281
Over 180 days	**6,279**	1,384
Trade payables	**199,828**	193,454
Salaries and staff welfare payable	**13,374**	10,721
Accrued expenses	**4,862**	4,610
Others	**40,029**	36,228
Total trade and other payables	**258,093**	245,013

CHAIRMAN'S MESSAGE

SUGA recorded turnover of approximately HK$1,510.5 million during the year under review, representing a year-on-year growth of about 6.82% (FY2016/17: HK$1,414.1 million) attributable mainly to the increase in orders for some of the Group's specialized electronic products. Gross profit rose by 3.38% to approximately HK$231.1 million (FY2016/17: HK$223.6 million) and gross profit margin was 15.3%, which was similar to that in the previous year (FY2016/17: 15.8%), the slight decrease was mainly from appreciation of the RMB pushing up some costs during the year.

Profit attributable to shareholders was approximately HK$74.1 million (FY2016/17: HK$61.7 million), representing an increase of 20.03% against the previous year. Net profit margin was 4.9% (FY2016/17: 4.2%) and basic earnings per share were HK26.29 cents (FY2016/17: HK22.12 cents).

BUSINESS OVERVIEW

During the year under review, the Group started to restructure its business segments. In the past few years, the Group has been actively developing new businesses. To better reflect its business direction, from this financial year onward, the pet-related business is taken as an independent business segment in the calculation of turnover of the Group. The move can reflect more clearly the performance of the segment.

Electronic Products

This business segment generated stable revenue and strong cash flow for the Group. Segmental revenue for the year amounted to HK$1,180.2 million, slightly down by 0.5% from HK$1,186.0 million in the previous year, making up 78.13% of the Group's total revenue.

The business performance of most core products remained stable, with telephones for the hearing impaired elderly and communication products from Japanese clients affording relatively more satisfactory results. During the year, the Group stepped up intellectualization of its electronic products by combining Internet of Things (IoT) technology with its products. Customers of professional audio equipment responded particularly well to the move and more customers wanted to upgrade their products to meet consumers' need. SUGA has developed and turned professional audio equipment into one of its core products in recent years and built a solid customer base. We look forward to attracting more potential customers and generating yet more satisfactory revenue for the Group.

In addition, the Group together with a Japanese customer launched the new IoT smart environment monitoring system business and produced IoT educational products for another customer during the year under review. The income brought in by those businesses constituted only a small portion of the Group's total, but the SUGA team was able to gain more knowledge about IoT products in the R&D and production processes, thus laid the foundation vital for it to apply related technologies in other types of product.

Pet Business

The pet business recorded revenue of HK$330.4 million, accounting for 21.87% of the Group's total revenue.

SUGA has kept looking for opportunities to diversify its business, so as to create value for its shareholders. Building on the solid foundation of its electronic business, the Group has strived to enter the potential-rich pet product market in Hong Kong and mainland China in recent years. By integrating IoT technology into this business, the Group has developed an innovative ecosystem for pet health.

The Group has been producing and embarking on R&D of pet training devices for over 20 years and the products were grouped all along under the electronic product segment. However, with the Group having decided a few years ago to tap the pet product markets in Hong Kong and mainland China, the management considered it the right time for the pet business to stand independent, so as to make it easier for shareholders to understand its development. At the same time, the Group has already put all pet-related business under a wholly owned subsidiary called "WePet International Holdings Limited".

During the year under review, pet training devices, which were the major income source of the pet business segment, performed satisfactorily. The Group's own "Brabanconne" pet food brand was officially launched in Hong Kong and mainland China in March 2017 and started to bring in income for the Group. During the year, the Group focused on building online and offline sales network in first-tier cities in mainland China and actively participated in pet shows in major Chinese cities. It will continue to enhance marketing and promotion of "Brabanconne", with the hope of reaching more potential pet owners and let them understand the benefits that the products can bring to their pets.

PROSPECTS

In 2018, the global market remains cautiously optimistic about its outlook in general. However, uncertainties loom in the macroeconomic environment, including tightening liquidity in financial markets worldwide, the rise of protectionism, growing geo-political tension, etc. SUGA will continue to work closely with business partners, speed up intellectualization of products so as to strengthen its competitiveness for driving business development.

The Group expects its core electronic product business to maintain steady development. New features are going to be added to the new generation telephones for the hearing impaired developed by SUGA and a business partner to give yet greater convenience to their users. We hope to bring better quality of living to the elderly. Furthermore, SUGA has kept enhancing the capability of its R&D team in recent years, and spotting the potential of IoT, has incorporated related elements into its products, enabling them to connect with the internet. With IoT having wide applications, SUGA has been exploring relevant opportunities to cooperate with potential customers. We expect to secure more new customers in the area in the near future and see the product portfolio of the Group's core electronic product business expand.

Regarding the pet business, it has pet training devices as a good foundation to build on, and SUGA's own brand "Brabanconne" pet food was launched in Hong Kong and mainland China. The Group has established online and offline sales networks in first-tier mainland cities such as Beijing, Shanghai, Shenzhen and Guangzhou, supported by more than 150 distributors. We will continue to allocate resources to increase promotion. Apart from participating in the pet exhibitions in major mainland cities, we will also take part in the large international exhibitions. Our "Brabanconne" products have already captured the eyes of overseas companies, recognising the brand's philosophy of tailoring products to meet the nutritional needs of pets in Asia. SUGA had also set up a branch office with business partner in Japan in the year under review to help take "Brabanconne" and PETBLE®, SUGA's proprietary smart pet products, to the Japan market.

SUGA has worked hard to establish a comprehensive pet health ecosystem encompassing both online and offline operations. Apart from tailoring food healthy for pets and smart pet products, the Group is also collaborating with renowned education institutions to launch pet health programs. SUGA is working with the Huazhong Agricultural University Veterinary Teaching Hospital on research, with "Brabanconne" and PETBLE® products as base, to monitor the health of different types of pets. The study will provide scientific data to SUGA and bring positive impact on the entire pet health ecosystem.

Regarding the land where our former Huizhou plant stood, the application to change its purpose to commercial and residential use is still in progress. Huizhou is one of the nine cities in Guangdong Province within the Guangdong-Hong Kong-Macao Greater Bay Area. The cities in Greater Bay Area are all within about an hour's travelling time among one another, meaning residents in those cities can have closer exchange – be it in work, employment and living in the future. As such, the Group believes the parcel of land it has in Huizhou has great value and it will handle it in the best way. The Group is in a net cash position now with capital sufficient to support future developments. The management thus has full confidence in the Group's long-term business prospect.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the current assets and current liabilities of the Group were approximately HK$690.3 million (31 March 2017: HK$662.1 million) and approximately HK$329.3 million (31 March 2017: HK$360.1 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was 2.10 times as at 31 March 2018, as compared to that of 1.84 times as at 31 March 2017.

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. As at 31 March 2018, the Group maintained cash and bank balances at approximately HK$165.1 million (31 March 2017: 223.9 million), the decrease in cash and bank balances was mainly due to repayment of long-term bank loans and operating cash outflow for expanding pet related business. The Group's bank borrowings were HK$68.9 million as at 31 March 2018 (31 March 2017: HK$115.0 million). Gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 9.4% (31 March 2017: 17.2%) The decrease in gearing ratio was mainly due to repayment of long-term bank loans during the year. The Group was able to maintain a net cash balance, which is calculated by total cash and bank balances less total bank borrowings, of HK$96.2 million as at 31 March 2018 (31 March 2017: HK$108.9 million).

The Group's total assets and total liabilities as at 31 March 2018 amounted to approximately HK$1,065.2 million (31 March 2017: HK$1,037.7 million) and HK$333.6 million (31 March 2017: HK$367.2 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.31 times as at 31 March 2018, as compared to that of approximately 0.35 times as at 31 March 2017.

The net asset value of the Group increased from HK$670.5 million as at 31 March 2017 to HK$731.6 million as at 31 March 2018.

As at 31 March 2018, the Group had aggregate banking facilities of approximately HK$681.5 million (31 March 2017: HK$686.5 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK$547.5 million (31 March 2017: HK$566.1 million).

FOREIGN EXCHANGE EXPOSURE

The Group is not subject to material foreign currency exposure since its operations are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. The Group considers there is no significant exposure to foreign exchange fluctuations for United States dollars as long as the Hong Kong-United States dollar exchange rate remains pegged.

During the year, the Group entered into several foreign exchange contracts to manage the currency translation risk of Renminbi against United States dollars. All these foreign exchange contracts were for managing purpose and it is the policy of the Group not to enter into any derivative contracts purely for speculative activities.

PLEDGE OF ASSETS

As at 31 March 2018, 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$6.7 million (31 March 2017: HK$9.6 million) for financing the acquisition of the office premise and car parking spaces. Other than the said mortgage loan, the Group 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 2018, the Group had a capital commitment of HK$1.8 million for the construction contract and property, plant and equipment (31 March 2017: 3.1 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2018 amounted to HK$68.9 million (31 March 2017: HK$115.0 million) and the Group did not have any significant contingent liability.

HUMAN RESOURCES

As at 31 March 2018 the Group has approximately 2,057 employees, of which 78 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 Directors (the "Board") and the management of Suga International Holdings Limited (the "Company") are committed to attain and uphold a high standard of corporate governance that properly protect and promote the interests of its shareholders and other stakeholders including customers, suppliers, employees and the general public.

Throughout the financial year ended 31 March 2018, the Company has complied with the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for CG Code A.2.1.

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 as the above-mentioned deviation, none of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not in compliance with the CG Code for the year under review.

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 2017/18.

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 2018.

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 2018 (FY2016/17: HK8.0 cents) to the shareholders whose names appears on the Register of Shareholders of the Company on 14 August 2018. Subject to approval by shareholders at the 2018 Annual General Meeting, the proposed final dividend will be paid on or before 23 August 2018.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from 3 August 2018 to 8 August 2018 (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 2018 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 2 August 2018.

The Register of Shareholders of the Company will be closed on 14 August 2018 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 2018 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 14 August 2018. 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 13 August 2018.

ANNUAL GENERAL MEETING

The 2018 Annual General Meeting will be held at 2401–02, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 8 August 2018 at 3:00 p.m.. For details of the 2018 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 10 July 2018.

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, 27 June 2018

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.