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SUGA INTERNATIONAL HOLDINGS LIMITED

信佳國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 912)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR
THE YEAR ENDED 31 MARCH 2016**

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$1,368.1 million (2015: HK\$1,341.9 million)
- Gross profit was HK\$200.8 million (2015: HK\$180.1 million)
- Profit attributable to equity holders was HK\$80.0 million (2015: HK\$170.4 million)
- Basic earnings per share was HK28.94 cents (2015: HK62.55 cents)
- The Board proposes a final dividend of HK8.0 cents per share (2015: HK8.0 cents)
- Total dividends per share for the year amount to HK15.0 cents (2015: HK20.0 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 2016.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	2	1,368,100	1,341,924
Cost of sales	4	<u>(1,167,281)</u>	<u>(1,161,859)</u>
Gross profit		200,819	180,065
Other income		2,183	647
Other gains, net	3	16,662	123,316
Distribution and selling expenses	4	(28,367)	(25,986)
General and administrative expenses	4	<u>(102,643)</u>	<u>(99,898)</u>
Operating profit		<u>88,654</u>	<u>178,144</u>
Finance income	5	3,561	1,572
Finance costs	5	<u>(2,996)</u>	<u>(3,364)</u>
Finance income / (costs) – net	5	<u>565</u>	<u>(1,792)</u>
Share of losses of associates		<u>(1,312)</u>	<u>(640)</u>
Profit before income tax		87,907	175,712
Income tax expense	6	<u>(8,596)</u>	<u>(5,698)</u>
Profit for the year		<u>79,311</u>	<u>170,014</u>
Profit attributable to:			
Owners of the Company		80,038	170,406
Non-controlling interests		<u>(727)</u>	<u>(392)</u>
		<u>79,311</u>	<u>170,014</u>
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic (HK cents)	7	<u>28.94</u>	<u>62.55</u>
– Diluted (HK cents)	7	<u>28.89</u>	<u>62.41</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	<u>79,311</u>	<u>170,014</u>
Other comprehensive (loss) / income:		
Item that will not be reclassified subsequently to profit or loss:		
Fair value gain on land and buildings upon transfer to investment property	–	6,790
Items that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign subsidiaries	(18,216)	(2,350)
Release of exchange reserve upon deregistration of a subsidiary	(11,343)	–
Fair value gains on available-for-sale financial assets	<u>3,320</u>	<u>1,936</u>
Other comprehensive (loss) / income for the year, net of tax	<u>(26,239)</u>	<u>6,376</u>
Total comprehensive income for the year	<u>53,072</u>	<u>176,390</u>
Attributable to:		
Owners of the Company	53,799	176,782
Non-controlling interests	<u>(727)</u>	<u>(392)</u>
	<u>53,072</u>	<u>176,390</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2016

		31 March 2016	31 March 2015
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		263,236	257,317
Investment property		10,000	10,100
Land use rights		53,291	55,528
Intangible assets		7,251	12,372
Goodwill		3,949	3,949
Investment in a joint venture		–	–
Interests in associates		3,876	–
Available-for-sale financial assets		16,678	13,358
Bond investment		7,711	7,711
Deferred income tax assets		323	762
Other non-current receivables	9	4,118	1,658
		370,433	362,755
Current assets			
Inventories		167,361	192,818
Trade and other receivables	9	200,773	198,857
Loan receivable	9	12,960	13,500
Tax recoverable		3,859	4,105
Amount due from a joint venture		404	404
Amount due from an associate		431	–
Cash and cash equivalents		225,027	176,989
		610,815	586,673
Total assets		981,248	949,428
LIABILITIES			
Non-current liabilities			
Bank borrowings		10,932	12,405
Deferred income tax liabilities		1,443	2,105
		12,375	14,510

		31 March	31 March
		2016	2015
	<i>Note</i>	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	10	185,468	187,768
Income tax payable		12,931	9,370
Bank borrowings		101,197	88,383
Derivative financial instruments		1,946	4,181
		<u>301,542</u>	<u>289,702</u>
Total liabilities		<u>313,917</u>	<u>304,212</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		27,712	27,371
Other reserves		113,246	131,091
Retained earnings		526,792	488,278
		667,750	646,740
Non-controlling interests		(419)	(1,524)
Total equity		<u>667,331</u>	<u>645,216</u>
Total equity and liabilities		<u>981,248</u>	<u>949,428</u>

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 amendments to existing standards are mandatory for the accounting year beginning on or after 1 April 2015 and have been adopted in the preparation of the consolidated financial statements.

HKAS 19 (amendment)	Defined Benefit Plans: Employee Contribution
HKFRSs (amendment)	Annual Improvements to HKFRSs 2012 Cycle
HKFRSs (amendment)	Annual Improvements to HKFRSs 2013 Cycle

The adoption of above amendments to standards has had no material effect on the preparation of the consolidated financial statements.

- (b) In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) became effective during the year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.
- (c) The following new standards, amendments to standards and interpretation have been issued but are not effective for the year ended 31 March 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016

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 plastic 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, disposal gain of subsidiaries, relocation costs, fair value gains 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 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 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 2016 and 2015 is as follows:

	2016			
	Electronic products <i>HK\$'000</i>	Moulds and plastic products <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
Revenue from external customers	1,354,320	13,780	–	1,368,100
Inter-segment revenue	–	18,326	(18,326)	–
	1,354,320	32,106	(18,326)	1,368,100
Results of reportable segments	71,325	208	–	71,533
A reconciliation of results of reportable segments to profit for the year is as follows:				
Results of reportable segments				71,533
Unallocated income, net				245
Other income				2,183
Other gains, net				14,693
Operating profit				88,654
Finance income				3,561
Finance costs				(2,996)
Share of losses of associates				(1,312)
Profit before income tax				87,907
Income tax expense				(8,596)
Profit for the year				79,311

	2016			
	Electronic products <i>HK\$'000</i>	Moulds and plastic products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information				
Depreciation on property, plant and equipment	22,953	806	1,795	25,554
Amortisation of intangible assets	5,710	–	–	5,710
Amortisation of land use rights	1,016	57	80	1,153
Additions to non-current assets (other than interest in an associate, financial assets and deferred tax assets)	39,842	–	1,147	40,989
Income tax expense	8,592	90	(86)	8,596

	2015			
	Electronic products <i>HK\$'000</i>	Moulds and plastic products <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
Revenue from external customers	1,317,435	24,489	–	1,341,924
Inter-segment revenue	–	15,880	(15,880)	–
	<u>1,317,435</u>	<u>40,369</u>	<u>(15,880)</u>	<u>1,341,924</u>
Results of reportable segments	<u>66,487</u>	<u>(2,528)</u>	<u>–</u>	<u>63,959</u>

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

Results of reportable segments	63,959
Unallocated income, net	126
Other income	647
Other gains, net	<u>117,914</u>
Operating profit	182,646
Finance income	1,572
Finance costs	(3,364)
Provision for impairment of loan receivable	(2,750)
Provision for impairment of interest in an associate and amount due from an associate	(1,752)
Share of loss of an associate	<u>(640)</u>
Profit before income tax	175,712
Income tax expense	<u>(5,698)</u>
Profit for the year	<u>170,014</u>

	2015			
	Electronic products <i>HK\$'000</i>	Moulds and plastic products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information				
Depreciation on property, plant and equipment	21,854	1,131	2,310	25,295
Amortisation of intangible asset	5,154	–	–	5,154
Amortisation of land use rights	1,080	58	80	1,218
Additions to non-current assets (other than interest in an associate, financial assets and deferred tax assets)	109,659	14	1,808	111,481
Income tax expense	<u>5,620</u>	<u>164</u>	<u>(86)</u>	<u>5,698</u>

The segment assets and segment liabilities as at 31 March 2015 and 2016 and the reconciliation to the total assets and total liabilities are as follows:

	2016		
	Electronic products HK\$'000	Moulds and plastic products HK\$'000	Total HK\$'000
Segment assets	854,345	29,969	884,314
Deferred income tax assets			323
Tax recoverable			3,859
Unallocated:			
Property, plant and equipment			39,817
Investment property			10,000
Interests in associates			3,876
Loan receivable			12,960
Other investments			24,389
Other unallocated assets			<u>1,710</u>
Total assets per consolidated balance sheet			<u>981,248</u>
Segment liabilities	180,582	3,947	184,529
Income tax payable			12,931
Deferred income tax liabilities			1,443
Unallocated:			
Bank borrowings			112,129
Other unallocated liabilities			<u>2,885</u>
Total liabilities per consolidated balance sheet			<u>313,917</u>

	2015		
	Electronic products <i>HK\$'000</i>	Moulds and plastic products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	832,245	21,874	854,119
Deferred income tax assets			762
Tax recoverable			4,105
Unallocated:			
Property, plant and equipment			40,765
Investment property			10,100
Loan receivable			13,500
Other investments			21,069
Other unallocated assets			5,008
Total assets per consolidated balance sheet			<u>949,428</u>
Segment liabilities	186,221	3,235	189,456
Income tax payable			9,370
Deferred income tax liabilities			2,105
Unallocated:			
Bank borrowings			100,788
Other unallocated liabilities			2,493
Total liabilities per consolidated balance sheet			<u>304,212</u>

The Company is domiciled in Bermuda. An analysis of the Group's revenue from external customers by country for the year ended 31 March 2016 and 2015 is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The United States of America	554,206	560,669
Japan	277,427	311,398
United Kingdom	168,466	180,847
PRC (including Hong Kong)	149,832	164,547
Australia	79,184	53,718
Germany	45,090	–
Taiwan	40,989	5,471
Others	52,906	65,274
	<u>1,368,100</u>	<u>1,341,924</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	90,847	89,262
Mainland China	279,242	272,691
Macao	21	40
	<u>370,110</u>	<u>361,993</u>

For the year ended 31 March 2016, there were three customers each accounted for 10% or more of the Group's external revenue, with the sales of HK\$208,179,000, HK\$164,499,000 and HK\$141,779,000 respectively. The revenue from these three customers is attributable to the segment of electronic products.

For the year ended 31 March 2015, there were four customers each accounted for 10% or more of the Group's external revenue with the sales of HK\$218,336,000, HK\$178,167,000, HK\$169,667,000 and HK\$165,149,000 respectively. The revenue from these four customers is attributable to the segment of electronic products.

3. OTHER GAINS, NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net foreign currency exchange gain	1,969	5,402
Fair value gain/(loss) on derivative financial instruments	2,235	(1,928)
Net realised gain on derivative financial instruments	1,515	2,820
Fair value loss on an investment property	(400)	–
Gain on disposal of subsidiaries (<i>Note a</i>)	–	149,427
Factory relocation costs (<i>Note b</i>)	–	(32,405)
Release of exchange reserve upon deregistration of a subsidiary (<i>Note c</i>)	11,343	–
	<u>16,662</u>	<u>123,316</u>

Note:

- (a) On 19 December 2012, the Group entered into a sale and purchase agreement, pursuant to which the purchaser conditionally agreed to purchase, and the Group conditionally agreed to sell, 100% equity interests in Universal Gain Assets Limited (“UGL”) at cash consideration of RMB138,000,000 (approximately HK\$174,050,000). UGL is a wholly-owned subsidiary of the Group which has interests in a piece of land in the PRC. In addition, the purchaser conditionally agreed to grant the Group the right to repurchase certain of the re-developed properties in future upon the completion of the re-development. The Group received a deposit of HK\$17,595,000 during the year ended 31 March 2013, which was included in trade and other payables as at 31 March 2013. On 23 September 2014, the Group completed the disposal of UGL and recognised a disposal gain of approximately HK\$149,427,000.

The following table summarises the consideration received for the disposal of subsidiaries and the amounts of the identifiable assets and liabilities disposed at the disposal date.

	<i>HK\$'000</i>
Cash consideration	174,050
Net asset value of subsidiaries	<u>(24,623)</u>
Gain on disposal of subsidiaries	<u>149,427</u>
Assets and liabilities disposed:	
– property, plant and equipment	23,909
– land use right	2,227
– deferred tax liabilities	<u>(1,513)</u>
Net asset value	<u>24,623</u>

Proceeds from disposal of subsidiaries comprise:

	<i>HK\$'000</i>
Cash consideration received	156,455
Deposit received	<u>17,595</u>
	<u>174,050</u>

- (b) During the year ended 31 March 2015, the Group relocated certain of its manufacturing plants to Dongguan and had incurred relocation costs of approximately HK\$32,405,000.
- (c) 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\$11,343,000, previously recognised in other comprehensive income and accumulated in equity, was reclassified to the consolidated income statement upon the deregistration of this subsidiary.

4. EXPENSES BY NATURE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories	1,011,154	992,393
Depreciation of property, plant and equipment	25,554	25,295
Amortisation of land use rights	1,153	1,218
Amortisation of intangible assets	5,710	5,154
Gain on disposals of property, plant and equipment	(121)	(31)
Operating lease rental of premises	2,778	3,941
Employee benefit expense (including directors' emoluments)	170,489	178,887
Provision for impairment of loan receivable	–	2,750
Provision for impairment of interest in an associate and amount due from an associate	–	1,752
Write-back on provision for inventory impairment	(825)	(2,480)
Auditor's remuneration		
– Audit services	2,470	2,370
– Non-audit services	555	773
Commission expense	10,436	9,191
Other expenses	68,938	66,530
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses and general and administrative expenses	1,298,291	1,287,743
	<hr/>	<hr/>

5. FINANCE INCOME AND FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income from:		
– bank deposits	1,090	733
– bond investment	430	526
– Overdue interest received from customers	<u>2,041</u>	<u>313</u>
Finance income	<u>3,561</u>	<u>1,572</u>
Interest expense on:		
– bank borrowings	(3,305)	(3,335)
– discounting of interest on other receivable	<u>–</u>	<u>(1,173)</u>
	<u>(3,305)</u>	<u>(4,508)</u>
Less amount capitalised on qualifying assets	<u>309</u>	<u>1,144</u>
Finance costs	<u>(2,996)</u>	<u>(3,364)</u>
Finance income/(costs) – net	<u>565</u>	<u>(1,792)</u>

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% (2015: 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% (2015: 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:**

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	7,807	4,163
– Income tax outside Hong Kong	1,752	1,567
– Over-provision in prior years	(740)	(1,034)
Deferred income tax (credit)/expense	(223)	1,002
	8,596	5,698

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.

	2016	2015
Profit attributable to owners of the Company (HK\$'000)	80,038	170,406
Weighted average number of ordinary shares in issue ('000)	276,576	272,442
Basic earnings per share (HK cents)	28.94	62.55

(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.

	2016	2015
Profit attributable to owners of the Company (HK\$'000)	80,038	170,406
Weighted average number of ordinary shares in issue ('000)	276,576	272,442
Adjustments for share options ('000)	471	622
Weighted average number of ordinary shares for diluted earnings per share ('000)	277,047	273,064
Diluted earnings per share (HK cents)	28.89	62.41

8. DIVIDENDS

The dividends paid during the year ended 31 March 2016 were HK\$19,392,000 (HK7.0 cents per share) and HK\$22,169,000 (HK8.0 cents per share) respectively. A dividend in respect of the year ended 31 March 2016 of HK8.0 cents per share, amounting to a total dividend of HK\$22,177,000, is to be proposed at the annual general meeting on 8 August 2016. These financial statements do not reflect this dividend payable.

	2016	2015
	HK\$'000	HK\$'000
Interim dividend, paid, of HK7.0 cents (2015: HK7.0 cents and special dividend HK5.0 cents) per ordinary share	19,392	32,781
Final dividend, proposed, of HK8.0 cents (2015: HK8.0 cents) per ordinary share	22,177	22,169
	41,569	54,950

9. TRADE AND OTHER RECEIVABLES

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	175,791	161,906
31 to 60 days	2,192	4,935
61 to 90 days	2,771	7,788
91 to 180 days	4,151	1,256
Over 180 days	4,277	4,639
	189,182	180,524
Less: Provision for impairment	(3,836)	(3,878)
Trade receivables, net	185,346	176,646
Prepayment to vendors	5,068	9,768
Other prepayments	6,115	2,647
Rental and other deposits	1,692	1,803
Value added tax receivables	2,310	5,983
Others	4,360	3,668
	204,891	200,515
Trade and other receivables		
– current portion	200,773	198,857
– non-current portion	4,118	1,658
	204,891	200,515
Loan receivable	15,600	16,250
Less: Provision for impairment	(2,640)	(2,750)
	12,960	13,500
	217,851	214,015

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

10. TRADE AND OTHER PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 30 days	135,102	134,542
31 to 60 days	6,767	3,881
61 to 90 days	473	690
91 to 180 days	2,658	3,318
Over 180 days	<u>4,764</u>	<u>6,499</u>
Trade payables	149,764	148,930
Salaries and staff welfare payable	13,547	14,401
Accrued expenses	6,036	4,662
Others	<u>16,121</u>	<u>19,775</u>
	<u>185,468</u>	<u>187,768</u>

CHAIRMAN'S MESSAGE

SUGA recorded turnover of approximately HK\$1,368.1 million during the year under review, representing a year-on-year growth of about 2.0% (FY2014/15: HK\$1,341.9 million). The growth was the result of increase in orders of some of the Group's specialized electronic products. Gross profit increased by 11.5% to HK\$200.8 million (FY2014/15: HK\$180.1 million), and gross profit margin increased to 14.7% (FY2014/15: 13.4%). The improvement in gross profit margin was due to the Group's introduction of new products with higher profit margins and reflected the integration of the production facilities of its High-Tech Industrial Park in Dongguan, which has helped enhance its overall operational efficiency.

Profit attributable to shareholders was approximately HK\$80.0 million (FY2014/15: HK\$170.4 million). After excluding the one off net gain of approximately HK\$117.0 million from the disposal of an industrial land parcel in Buji, Shenzhen, China and the relocation expenses incurred last year, profit attributable to shareholders increased by 49.9%. Net profit margin was 5.8% (FY2014/15: 12.7%) and basic earnings per share were HK28.94 cents (FY2014/15: HK62.55 cents).

BUSINESS OVERVIEW

Electronic products, the Group's core business segment, generated HK\$1,354.3 million in sales (FY2014/15: HK\$1,317.4 million), accounting for 99.0% of SUGA's total sales in the latest financial year. The segment offers diverse and all-round specialized electronic products and solutions, giving the Group a stable source of revenue.

SUGA has focused on developing the specialized electronic product market over the years and launched a number of core products, earning the support of customers from different countries. Committed to providing excellent products and solutions to business partners, the Group is well-recognized by its customers, giving it an excellent reputation that has enabled it to keep expanding its customer base. During the year under review, the Group secured a number of new customers in professional audio equipment, which resulted in a satisfactory increase in income for the product segment. With the Internet gaining worldwide popularity, professional audio equipment need to transform and become better so as to be compatible with smartphones and tablets. The Group's extensive experience in professional audio equipment and the R&D capability of its technological team in "Internet of Things" (IOT) applications have caught the eyes of new customers who selected SUGA as their cooperative partner that they may have access to SUGA's comprehensive services including product R&D and manufacturing. These examples showed that the experience gained by the Group in WiFi modules business in the past has allowed it to promote development of its other businesses. The Group expects to develop more innovative products for its customers in the future.

In the past few years, the Group has given more attention to the huge potential of the elderly market. In fact, it started producing telephone for the hearing impaired for a US business partner two years ago. The scale of related production has expanded considerably in these two years and is maintaining a satisfactory growth momentum. The number of users has increased continuously and they returned positive feedback on the product. The Group will continue to develop new models for the business partner and add more functions to the greater convenience of the hearing impaired. Such moves will not only contribute profit to the Group, but also, through using advanced technology to enhance product functions, create an all-win scenario.

As for other core products, the sales revenues of pet electronic devices and general consumer electronic products were similar to those of the previous year. The Group continues to enjoy long term and stable relationship with business partners in these product segments. Orders in the smart card and NFC products have increased due to the Group's business partners in the segment having secured some new projects in Europe. Sales of interactive educational products dropped substantially when compared with the same period last year mainly attributable to a change in development directions of a customer after it was acquired by a large Hong Kong listed company. However, the drop in sales of the product segment was offset by the sales growth of other products. The Group has quickly adjusted its strategies and will be cautious in conducting business in this product market in the future.

The Group has been expanding the pet markets in the past few years. In Hong Kong, sales from pet food and pet product business recorded notable increase during the year under review. Although the base of the business is still small at present, the results of the business segment have been encouraging. The Group launched a one-stop online pet product sales platform (www.espetsso.com) in March this year which has helped facilitate pet product sales. To prepare for the foray into the pet market in China, the Group has set up companies in the free trade zone in Nansha and Tianjin during the year. Moreover, SUGA entered into an agreement with a Belgian pet food partner during the year. Pursuant to the agreement, the Belgian partner will produce quality pet food overseas that carry SUGA's own brand. With a good understanding of the China and Hong Kong markets accumulated over the past few years, we believe our own brand product formula will better suit the needs of consumers in the two markets, conducive to the Group capturing greater market share in China and Hong Kong.

PROSPECTS

In 2016, pessimistic sentiments prevail in the global market. Looking at the second half of the year, with the global macro economy facing yet more complicated issues, market confidence is expected to be weak. Nevertheless, SUGA remains cautiously optimistic about its prospects and it will collaborate with business partners in meeting the challenges and look for opportunities in this time of turbulence.

SUGA has maintained close communication with its business partners. Its business partners in the US and Japan are confident of the future and have been negotiating with the Group on R&D of new products and different directions of cooperation, which SUGA believes will turn into more business opportunities. As electronic product business, the Group's major business arm, is providing stable income and cash flow for the Group and is now managed by respective subsidiary, the management could place greater focus on exploring other development projects with promising potential.

Since Dr. NG Man Cheuk, Alfred joined SUGA in 2014 as its Executive Director and Chief Technology Officer, he has brought to the Group many innovative technologies and ideas and strengthened the Group's R&D team. SUGA unveiled a series of new products at the Electronic Fair held in the fourth quarter last year, including a new generation electronic Petble feeder which will be launched to the market in the second half of the year. Given the increasing popularity of IOT, the product will allow pet owners to more closely follow the habits of their pets and thus improve their health.

In the past few years, the Group has been active in exploring new businesses to broaden its income source and has strategically selected pet markets as its major development focus. In the Hong Kong market, with pet food and products achieving satisfactory sales growth last year, the Group will continue to develop this business. In the China market, the Group has established subsidiaries in the free trade zone in Nansha and Tianjin to provide both online and offline services to the pet markets in Northern and Southern China. Moreover, SUGA will launch quality pet food of its own brand in the third quarter of this year to meet the needs of pets in China and Hong Kong. The Group expects the official launch of the product to further drive the development of its pet business.

Construction of Phase II of the High-tech Industrial Park in Dongguan is completed and fitting out works are in progress. The Group's Huizhou plants are expected to be relocated to the industrial park in July. By then, the Group's production facilities will be consolidated boosting its overall production efficiency. The Board will carry out in-depth evaluation regarding the disposal plan of the land parcel where the Huizhou plants now stand, with the aim of maximizing the benefits for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group has current assets of HK\$610.8 million and current liabilities of HK\$301.5 million. The current ratio was 2.03 (31 March 2015: 2.03).

Bank borrowings were HK\$112.1 million as at 31 March 2016 (31 March 2015: HK\$100.8 million). The increase in total bank borrowings was mainly due to the drawdown of several new bank loans during the year. Gearing ratio (calculated by dividing total bank borrowings by total equity) was 16.8% (31 March 2015: 15.6%). The Group maintained a net cash balance of HK\$112.9 million as at the balance sheet date (31 March 2015: HK\$76.2 million).

As at 31 March 2016, the Group had aggregate banking facilities of approximately HK\$663.3 million (31 March 2015: HK\$610.2 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$551.1 million (31 March 2015: HK\$509.4 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 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 2016.

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 risk and it is the policy of the Group not to enter into any derivative contracts purely for speculative activities. The net realized and unrealized profit on derivative instruments as of the balance sheet date was HK\$3.8 million.

PLEDGE OF ASSETS

As at 31 March 2016, 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\$12.4 million (31 March 2015: HK\$15.2 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 2016, the Group had a capital commitment of HK\$5.4 million for the construction contract and property, plant and equipment (31 March 2015: HK\$27.2 million) and a capital commitment of HK\$ 19.2 million for the equity investment in a subsidiary (31 March 2015: Nil). As at 31 March 2016, the Company had provided guarantees in respect of the banking facilities of its subsidiaries amounting to approximately HK\$663.3 million (2015: HK\$610.2 million). The facilities utilised by the subsidiaries as at 31 March 2016 amounted to HK\$112.1 million (2015: HK\$100.8 million). The Group did not have any significant contingent liability.

HUMAN RESOURCES

As at 31 March 2016 the Group has 1,995 employees, of which 72 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 be 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 2015/16.

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 2016.

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 2016 (FY2014/15: HK8.0 cents) to the shareholders whose names appear on the Register of Shareholders of the Company on 12 August 2016. Subject to approval by shareholders at the 2016 Annual General Meeting, the proposed final dividend will be paid on or before 19 August 2016.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from 4 August 2016 to 8 August 2016 (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 2016 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 3 August 2016.

The Register of Shareholders of the Company will be closed on 12 August 2016 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 2016 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 12 August 2016. 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 11 August 2016.

ANNUAL GENERAL MEETING

The 2016 Annual General Meeting will be held at 2401-02, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Monday, 8 August 2016 at 3:00 p.m.. For details of the 2016 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 6 July 2016.

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, 23 June 2016

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.