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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 2020**

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to HK\$1,615.2 million (2019: HK\$1,681.9 million)
- Gross profit was HK\$206.3 million (2019: HK\$227.0 million)
- Profit attributable to equity holders was HK\$27.7 million (2019: HK\$55.6 million)
- Basic earnings per share was HK9.77 cents (2019: HK19.64 cents)
- The Board proposes a final dividend of HK2.0 cents per share (2019: HK6.0 cents)
- Total dividends per share for the year amount to HK8.0 cents (2019: HK12.0 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 2020.

### CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	<b>1,615,183</b>	1,681,862
Cost of sales	5	<b>(1,408,840)</b>	(1,454,879)
Gross profit		<b>206,343</b>	226,983
Other income		<b>1,593</b>	1,910
Other gains – net	4	<b>1,843</b>	8,581
Distribution and selling expenses	5	<b>(57,396)</b>	(57,982)
General and administrative expenses	5	<b>(116,735)</b>	(108,585)
Net impairment losses on financial assets		<b>(1,114)</b>	(5,383)
Operating profit		<b>34,534</b>	65,524
Finance income	6	<b>2,034</b>	3,148
Finance costs	6	<b>(5,562)</b>	(5,038)
Finance costs – net	6	<b>(3,528)</b>	(1,890)
Impairment loss on interest in an associate		–	(1,972)
Share of losses of associates		<b>(1,882)</b>	(1,651)
		<b>(1,882)</b>	(3,623)
Profit before income tax		<b>29,124</b>	60,011
Income tax expense	7	<b>(1,586)</b>	(4,900)
<b>Profit for the year</b>		<b>27,538</b>	55,111
Profit attributable to:			
Owners of the Company		<b>27,705</b>	55,557
Non-controlling interests		<b>(167)</b>	(446)
		<b>27,538</b>	55,111
Earnings per share for profit attributable to owners of the Company during the year			
– Basic (HK cents)	8	<b>9.77</b>	19.64
– Diluted (HK cents)	8	<b>9.77</b>	19.63

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	<u>27,538</u>	<u>55,111</u>
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign subsidiaries	<b>(12,214)</b>	(24,982)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Fair value losses on equity investments at fair value through other comprehensive income	<u>(1,237)</u>	<u>(882)</u>
Other comprehensive loss for the year	<u>(13,451)</u>	<u>(25,864)</u>
Total comprehensive income for the year	<u>14,087</u>	<u>29,247</u>
Total comprehensive income/(loss) attributable to:		
Owners of the Company	<b>14,254</b>	29,693
Non-controlling interests	<b>(167)</b>	(446)
	<u>14,087</u>	<u>29,247</u>

# CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2020

	<i>Note</i>	<b>31 March 2020 HK\$'000</b>	31 March 2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		–	48,849
Property, plant and equipment		<b>225,266</b>	261,580
Right-of-use assets		<b>76,458</b>	–
Intangible assets		–	2,681
Goodwill		<b>3,949</b>	3,949
Interests in associates		<b>25,311</b>	–
Interest in a joint venture		<b>6,919</b>	–
Financial assets at fair value through other comprehensive income		<b>5,266</b>	6,910
Financial assets at fair value through profit or loss		–	25,576
Loans receivable		<b>266</b>	1,063
Amount due from an associate		<b>8,500</b>	–
Deferred income tax assets		<b>1,314</b>	2,330
Non-current prepayments, deposit and other receivables	<i>10</i>	<b>13,897</b>	13,374
		<b>367,146</b>	366,312
<b>Current assets</b>			
Inventories		<b>259,708</b>	288,622
Trade and other receivables	<i>10</i>	<b>240,221</b>	252,052
Financial assets at fair value through profit or loss		<b>43</b>	1,531
Loans receivable		<b>1,800</b>	1,125
Amounts due from associates		<b>585</b>	5,085
Pledged bank deposits		–	115
Cash and cash equivalents		<b>128,459</b>	127,826
		<b>630,816</b>	676,356
<b>Total assets</b>		<b>997,962</b>	1,042,668
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>5,112</b>	–
Deferred income tax liabilities		<b>426</b>	357
		<b>5,538</b>	357

		<b>31 March 2020</b>	31 March 2019
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>186,779</b>	212,688
Contract liabilities	<i>11</i>	<b>19,360</b>	27,622
Income tax payable		<b>7,889</b>	7,814
Lease liabilities		<b>5,805</b>	–
Bank borrowings		<b>67,750</b>	69,537
		<hr/> <b>287,583</b> <hr/>	<hr/> 317,661 <hr/>
<b>Total liabilities</b>		<b>293,121</b>	318,018
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>28,349</b>	28,349
Other reserves		<b>84,810</b>	100,174
Retained earnings		<b>590,830</b>	595,108
		<hr/> <b>703,989</b> <hr/>	<hr/> 723,631 <hr/>
Non-controlling interests		<b>852</b>	1,019
<b>Total equity</b>		<b>704,841</b>	724,650
<b>Total equity and liabilities</b>		<b>997,962</b>	1,042,668

Notes:

## 1. BASIS OF PREPARATION

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are carried at fair value.

(c) New and amended standards and interpretation adopted by the Group

The following new standards, amendments to standards and interpretation are mandatory for the Group’s financial year beginning on or after 1 April 2019 and have been adopted in the preparation of the consolidated financial statements.

Amendments to Annual Improvements Project	Annual improvements 2015-2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The Group changed its accounting policies and made certain adjustments following the adoption of HKFRS 16 “Leases” (“HKFRS 16”) as disclosed in Note 2. All other amendments to standards and interpretation listed above did not have a material impact on the Group’s accounting policies.

(d) New and amended standards not yet adopted

The following new accounting standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 April 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting	1 January 2020
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 determined

None of the above new standards and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

## 2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s consolidated financial statements.

The Group elected to adopt HKFRS 16 without restating comparatives as permitted under specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.96%.

### (i) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) -4 “Determining whether an Arrangement contains a Lease”.

### (ii) *Measurement of lease liabilities*

	HK\$'000
Operating lease commitments disclosed as at 31 March 2019	9,937
Discounted at the date of initial application	9,601
Less:	
Exemption for short-term leases	(5,526)
	<hr/>
Lease liabilities recognised as at 1 April 2019	4,075
	<hr/>
Current lease liabilities	1,816
Non-current lease liabilities	2,259
	<hr/>
	4,075
	<hr/>

(iii) *Measurement of right-of-use assets*

The associated right-of-use assets were measured at the amount equal to the lease liabilities as at the date at which lease assets are available for use by the Group. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis from date of recognition and lease liabilities are measured at the net present values of the remaining lease payments. Any prepaid or accrued lease payments relating to these leases recognised in the consolidated balance sheet were adjusted to the retained earnings as at 31 March 2019.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Upon the adoption of HKFRS 16, land use rights previously presented as a separate item on the consolidated balance sheet is grouped as part of right-of-use assets with effect from 1 April 2019. The Group also reclassified leasehold land under operating leases from property, plant and equipment to right-of-use assets for presentation purpose.

The recognised right-of-use assets relate to the following types of assets:

	1 April 2019 HK\$'000
Properties	4,030
Leasehold land	20,771
Land use rights	48,849
	<hr/>
	73,650
	<hr/>

(iv) *Adjustments recognised on the adoption of HKFRS 16*

Changes in accounting policies affected the following items in the consolidated balance sheet on 1 April 2019:

<b>Consolidated balance sheet (extract)</b>	31 March 2019 HK\$'000	Effects of the adoption of HKFRS 16 HK\$'000	1 April 2019 HK\$'000
<b>Non-current assets</b>			
Land use rights	48,849	(48,849)	-
Property, plant and equipment	261,580	(20,771)	240,809
Right-of-use assets	-	73,650	73,650
<b>Current liabilities</b>			
Lease liabilities	-	1,816	1,816
<b>Non-current liabilities</b>			
Lease liabilities	-	2,259	2,259
<b>Equity</b>			
Retained earnings	595,108	(45)	595,063
	<hr/>	<hr/>	<hr/>



### 3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group (collectively referred to as the “CODM”), who make strategic decisions and review the internal reporting of the Group in order to assess performance and allocate resources.

There are two reportable segments for the Group:

Electronic products	-	Develop, manufacture and sale of electronic products
Pet-related products	-	Manufacture and distribution of pet-related products

The CODM assesses the performance of the operating segments based on a measure of the results of reportable segments. Finance income and costs, corporate income and expenses, fair value gains or losses of financial assets, impairment loss on interest in an associate and share of results 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.

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 current and deferred income tax assets, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, loans receivable, interests in and amounts due from associates, interest in a joint venture 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 2020 and 2019 is as follows:

	2020			
	Electronic products <i>HK\$'000</i>	Pet related products <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
Revenue from external customers	1,364,415	250,768	–	1,615,183
Inter-segment revenue	101,613	75,466	(177,079)	–
	<b>1,466,028</b>	<b>326,234</b>	<b>(177,079)</b>	<b>1,615,183</b>
Segment results	<b>54,040</b>	<b>16,434</b>		<b>70,474</b>
A reconciliation of segment results to profit for the year is as follows:				
Segment results				70,474
Unallocated expenses – net				(39,376)
Other income				1,593
Other gains – net				1,843
Operating profit				34,534
Finance income				2,034
Finance costs				(5,562)
Share of losses of associates				(1,882)
Profit before income tax				29,124
Income tax expense				(1,586)
Profit for the year				<b>27,538</b>
	Electronic products <i>HK\$'000</i>	Pet related products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other segment information</b>				
Depreciation of property, plant and equipment	28,530	332	2,496	31,358
Depreciation of right-of-use assets	2,759	521	2,316	5,596
Amortisation of intangible assets	–	–	1,226	1,226
Impairment loss of intangible assets	–	–	1,455	1,455
Additions to non-current assets (other than interests in associates and a joint venture, financial assets and deferred tax assets)	32,965	1,965	4,252	39,182

	Electronic products <i>HK\$ '000</i>	Pet related products <i>HK\$ '000</i>	Elimination <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Revenue</b>				
Revenue from external customers	1,395,599	286,263	–	1,681,862
Inter-segment revenue	131,845	98,958	(230,803)	–
	<u>1,527,444</u>	<u>385,221</u>	<u>(230,803)</u>	<u>1,681,862</u>
Segment results	<u>73,352</u>	<u>17,933</u>		<u>91,285</u>
A reconciliation of segment results to profit for the year is as follows:				
Segment results				91,285
Unallocated expenses – net				(36,252)
Other income				1,910
Other gains – net				<u>8,581</u>
Operating profit				65,524
Finance income				3,148
Finance costs				(5,038)
Impairment loss on interest in an associate				(1,972)
Share of losses of associates				<u>(1,651)</u>
Profit before income tax				60,011
Income tax expense				<u>(4,900)</u>
Profit for the year				<u>55,111</u>
	Electronic products <i>HK\$ '000</i>	Pet related products <i>HK\$ '000</i>	Unallocated <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Other segment information</b>				
Depreciation of property, plant and equipment	31,908	371	2,100	34,379
Amortisation of intangible assets	–	–	1,238	1,238
Amortisation of land use rights	1,075	–	53	1,128
Additions to non-current assets (other than interests in associates, financial assets and deferred tax assets)	<u>28,145</u>	<u>248</u>	<u>814</u>	<u>29,207</u>

The segment assets and segment liabilities as at 31 March 2020 and 2019 and the reconciliation to the total assets and total liabilities are as follows:

	<b>2020</b>		
	<b>Electronic products</b>	<b>Pet related products</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Segment assets	<b>808,629</b>	<b>30,695</b>	<b>839,324</b>
Unallocated:			
Property, plant and equipment			25,945
Right-of-use assets			47,825
Interests in associates			25,311
Interest in a joint venture			6,919
Deferred income tax assets			1,314
Amounts due from associates			9,085
Loans receivable			2,066
Income tax recoverable			620
Other investments			5,309
Cash and cash equivalents			24,319
Other unallocated assets			9,925
			<hr/>
Total assets per consolidated balance sheet			<b>997,962</b>
			<hr style="border-top: 3px double black;"/>
Segment liabilities	<b>161,231</b>	<b>2,794</b>	<b>164,025</b>
Unallocated:			
Bank borrowings			67,750
Lease liabilities			2,314
Deferred income tax liabilities			426
Trade payables			31,603
Income tax payable			7,889
Other unallocated liabilities			19,114
			<hr/>
Total liabilities per consolidated balance sheet			<b>293,121</b>
			<hr style="border-top: 3px double black;"/>

	2019		Total <i>HK\$'000</i>
	Electronic products <i>HK\$'000</i>	Pet related products <i>HK\$'000</i>	
Segment assets	825,290	57,562	882,852
Unallocated:			
Property, plant and equipment			48,273
Deferred income tax assets			2,330
Amounts due from associates			5,085
Loans receivable			2,188
Income tax recoverable			147
Other investments			34,017
Cash and cash equivalents			53,316
Other unallocated assets			14,460
Total assets per consolidated balance sheet			<b>1,042,668</b>
Segment liabilities	181,855	2,161	184,016
Unallocated:			
Bank borrowings			69,537
Deferred income tax liabilities			357
Trade payables			44,267
Income tax payable			7,814
Other unallocated liabilities			12,027
Total liabilities per consolidated balance sheet			<b>318,018</b>

An analysis of the Group's revenue from external customers by country/region of destination for the years ended 31 March 2020 and 2019 is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The United States of America (the "USA")	769,079	832,952
Japan	181,948	214,264
The People's Republic of China (the "PRC", including Hong Kong)	151,967	178,725
France	110,516	64,376
Taiwan	105,914	130,510
Australia	93,169	90,294
United Kingdom	64,406	12,543
Germany	60,835	81,504
Others	77,349	76,694
	<b>1,615,183</b>	<b>1,681,862</b>

An analysis of the Group's non-current assets, excluding deferred income tax assets, interests in associates and a joint venture, by geographical locations is as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>76,039</b>	80,318
Mainland China	<b>242,649</b>	283,663
Vietnam	<b>14,803</b>	–
Others	<b>111</b>	1
	<b>333,602</b>	363,982

For the year ended 31 March 2020, external revenue of approximately HK\$224,489,000 (2019: HK\$258,450,000) was generated from one (2019: one) major customer, who accounted for more than 10% (2019: 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 2020 and 2019.

#### 4. OTHER GAINS – NET

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Net foreign currency exchange (loss) / gain	<b>(311)</b>	831
Gain on disposal of a land use right to a joint venture	<b>4,785</b>	–
Gain on disposal of financial asset at fair value through profit or loss	–	426
Impairment loss of intangible assets	<b>(1,455)</b>	–
Net fair value (losses)/gains on financial assets at fair value through profit or loss	<b>(1,176)</b>	7,324
	<b>1,843</b>	8,581

## 5. EXPENSES BY NATURE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories	1,209,990	1,256,953
Depreciation of property, plant and equipment	31,358	34,379
Depreciation of right-of-use assets	5,596	–
Amortisation of land use rights	–	1,128
Amortisation of intangible assets	1,226	1,238
Loss on disposals of property, plant and equipment	151	137
Operating lease rental of premises	–	6,397
Operating lease rental for short-term leases	3,976	–
Employee benefit expense (including directors' emoluments)	212,266	217,490
Auditor's remuneration		
– Audit services	3,250	2,860
– Non-audit services	300	294
Commission expense	13,392	13,666
Donations	6,516	953
Other expenses	94,950	85,951
Total cost of sales, distribution and selling expenses and general and administrative expenses	<b>1,582,971</b>	<b>1,621,446</b>

## 6. FINANCE COSTS – NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from:		
– bank deposits	410	1,062
– overdue interests received from customers	1,314	2,008
– others	310	78
Finance income	<b>2,034</b>	<b>3,148</b>
Interest expense on:		
– bank borrowings	(5,185)	(5,038)
– lease liabilities	(377)	–
Finance costs	<b>(5,562)</b>	<b>(5,038)</b>
Finance costs – net	<b>(3,528)</b>	<b>(1,890)</b>

## 7. 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 for at 16.5% (2019:16.5%) on the estimated assessable profit for the year ended 31 March 2020.

### (c) PRC corporate income tax

The Group's subsidiaries in Mainland China are subject to corporate income tax at 25% (2019: 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) Vietnam taxation

The Group's subsidiary incorporated in Vietnam is entitled to tax holiday under which its profits would be fully exempted from Vietnam enterprise income tax ("EIT") for two years starting from its first year of profitable operations after offsetting prior year tax losses, followed by 50% reduction in EIT in next four years. During the current year, there are no assessable profits being generated by the subsidiary in Vietnam (2019:Nil).

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	2,219	5,395
– (Over)/under-provision in prior years	(1,685)	260
Deferred income tax charge/ (credit)	1,052	(755)
	<hr/>	<hr/>
Total income tax expense	1,586	4,900
	<hr/>	<hr/>



- (g) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before income tax	<u>29,124</u>	<u>60,011</u>
Calculated at a taxation rate of 16.5% (2019: 16.5%)	4,805	9,902
Effect of different income tax rates on income arising outside Hong Kong	(2,146)	(3,903)
Tax loss not recognised	8,651	10,236
Expenses not deductible for income tax purpose	4,071	3,414
Income not subject to income tax	(6,521)	(10,089)
Tax concession and incentives	(3,713)	(4,913)
(Over)/under-provision in prior years	(1,685)	260
Utilisation of previously unrecognised tax losses	<u>(1,876)</u>	<u>(7)</u>
Income tax expense	<u>1,586</u>	<u>4,900</u>

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

## 8. 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.

	2020	2019
Profit attributable to owners of the Company (HK\$'000)	<u>27,705</u>	<u>55,557</u>
Weighted average number of ordinary shares in issue ('000)	<u>283,490</u>	<u>282,917</u>
Basic earnings per share (HK cents)	<u>9.77</u>	<u>19.64</u>

**(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 directors and 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.

	<b>2020</b>	2019
Profit attributable to owners of the Company (HK\$'000)	<b>27,705</b>	55,557
Weighted average number of ordinary shares in issue ('000)	<b>283,490</b>	282,917
Adjustments for share options ('000)	–	118
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>283,490</b>	283,035
Diluted earnings per share (HK cents)	<b>9.77</b>	19.63

**9. DIVIDENDS**

Dividends paid during the period ended 30 September 2019 and the year ended 31 March 2019 were HK\$17,009,000 (HK6.0 cents per share) and HK\$17,009,000 (HK6.0 cents per share), respectively. A dividend in respect of the year ended 31 March 2020 of HK2.0 cents per share, totalling HK\$5,670,000, is to be proposed at the annual general meeting on 10 August 2020. These financial statements do not reflect this dividend payable.

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interim dividend, paid, of HK6.0 cents (2019: HK6.0 cents) per ordinary share	<b>17,009</b>	16,973
Final dividend, proposed, of HK2.0 cents (2019: HK6.0 cents) per ordinary share	<b>5,670</b>	17,009
	<b>22,679</b>	33,982

## 10. TRADE AND OTHER RECEIVABLES

As at 31 March 2020, the ageing analysis of trade receivables based on invoice date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	146,921	202,186
31 to 60 days	24,193	11,498
61 to 90 days	8,849	900
91 to 180 days	6,463	2,451
Over 180 days	5,579	5,704
	<hr/>	<hr/>
	192,005	222,739
Less: Loss allowance	(8,698)	(7,618)
	<hr/>	<hr/>
Trade receivables, net	183,307	215,121
Prepayments to vendors	38,262	21,080
Prepayments for plant and equipment	4,177	10,170
Other prepayments	4,869	3,653
Deposit for right-of-use assets	6,970	–
Rental and other deposits	3,042	2,181
Value added tax receivables	3,778	3,658
Income tax recoverable	620	147
Others receivables	9,093	9,416
	<hr/>	<hr/>
	254,118	265,426
Less: Non-current prepayments, deposit and other receivables	(13,897)	(13,374)
	<hr/>	<hr/>
Current portion of trade and other receivables	240,221	252,052
	<hr/>	<hr/>

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

The Group generally grants credit terms of 30 to 60 days to its customers.

## 11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	105,280	166,436
31 to 60 days	28,330	3,176
61 to 90 days	11,520	2,354
91 to 180 days	7,423	2,113
Over 180 days	1,793	5,460
	<hr/>	<hr/>
Trade payables	154,346	179,539
Salaries and staff welfare payable	12,540	14,340
Accrued expenses	5,071	4,876
Contract liabilities	19,360	27,622
Others	14,822	13,933
	<hr/>	<hr/>
Total trade and other payables	206,139	240,310
	<hr/>	<hr/>

## 12. EVENT OCCURRING AFTER THE REPORTING PERIOD

In April 2020, the Group set up Suga International (Vietnam) Company Limited (“SIV”), a wholly owned subsidiary, in Vietnam.

On 28 April 2020, SIV entered into an agreement with Eco Industrial Park Company Limited (“Eco Industrial Park”), a company incorporated in Vietnam, pursuant to which SIV agreed to sublease a piece of land from Eco Industrial Park for a term of 39 years at a consideration of approximately VND79,696,000,000 (equivalent to approximately HK\$26,300,000) for setting up a new manufacturing plant in Vietnam. Accordingly, a right-of-use asset and lease liability are expected to be recognised by the Group in its consolidated financial statements for the year ending 31 March 2021.

## **CHAIRMAN’S MESSAGE**

During the year, the tension between the PRC and the US was slightly alleviated following the signing of the first-phase trade agreement between the two countries in early 2020. However, the COVID-19 outbreak soon after that has brought an unprecedented impact on the global economy, and the Group’s performance in the last quarter was inevitably affected. Our production was interrupted by prevention measures such as lockdowns during the early stages of the COVID-19 outbreak. In March 2020, when COVID-19 turned into a pandemic, some of the European and US customers postponed delivery of their orders. The Group strived its utmost to minimise the impact, including strictly following the hygiene and virus infection prevention requirements issued by related authorities. It has gradually resumed production with the safety of staff as the top priority, maintained close communications with its business partners and flexibly deployed production resources in the PRC and Vietnam, all of which helped the Group to navigate the challenges together with its business partners.

The Group’s turnover was HK\$1.6 billion during the year (FY2018/19: HK\$1.7 billion), representing a year-on-year mild decrease of 4.0%. Gross profit amounted to approximately HK\$206.3 million and gross profit margin was 12.8% (FY2018/19: HK\$227.0 million and 13.5%). The year-on-year decrease in gross profit was mainly attributable to decrease in revenue and increase in cost of production due to the further expansion of production facilities of the Group’s Vietnam factory, which was partially offset by the decrease in labour costs and manufacturing overheads benefited from depreciation of Renminbi against United States dollars. Profit attributable to shareholders was HK\$27.7 million and net profit margin was 1.7% (FY2018/19: HK\$55.6 million and 3.3%). Basic earnings per share were HK9.77 cents (FY2018/19: HK19.64 cents).

## ***BUSINESS OVERVIEW***

### Electronic Products

The electronic products business remained as the Group’s main revenue source, contributing revenue of HK\$1,364.4 million (FY2018/19: HK\$1,395.6 million), representing a year-on-year decrease of 2.2% and accounting for 84.5% of total sales. Telephones for the hearing-impaired and electronic payment products recorded revenue growth, but other products have been affected by the market environment, in particular some business partners postponing their orders in the last quarter of the review year. However, no orders have been cancelled by these partners. SUGA has been actively exploring new opportunities and achieved many advances during the year, including the “Cordless Hair Straightener” produced for a leading brand of personal care appliances in the US. This Cordless Hair Straightener is the Group’s first product in its new smart personal care business. Delivery of the product has started during the year and received an initial positive market response. We are currently in discussion with the business partner on applying the patented technology to a wider range of products, hoping to offer more innovative and quality smart personal care products to consumers.

Another advance for the Group was its investment in Mobilogix, Inc. (“Mobilogix”), a Software-as-a-Service (“SaaS”) provider and original design manufacturer (“ODM”) in the US. Mobilogix is not only SUGA’s customer, but also one of the startup investment projects in which the Group has been actively engaged during recent years. The Group has been developing an asset tracker with Internet of Things (“IoT”) technology application for Mobilogix since the previous financial year. It also entered into an agreement with Mobilogix and invested approximately US\$2.0 million (equivalent to approximately HK\$15.6 million), which as a result, the Group currently holds approximately 22% of the shares of Mobilogix. The cooperation with Mobilogix not only enhances the strengths of both companies, but also enables SUGA to attract more quality customers.

Apart from new business development, we also achieved a breakthrough in the expansion of production capacity. Our highly automated factory in Vietnam commenced operation in the first half of the year. We have received enquiries from some customers and this has reflected the competitive advantage of our Vietnam factory. To meet the strong demand of our affected US business partners and other existing and new customers for Vietnamese production, on top of our existing factory covering more than 4,100 sq.m., we have rented over 6,000 sq.m. of additional space. We have also expanded our production lines to sixteen, in order to meet the needs of our business partners.

#### Pet Business

The pet business recorded sales of HK\$250.8 million during the year (FY2018/2019: HK\$286.3 million), representing a year-on-year decrease of 12.1% and accounting for 15.5% of total sales.

With the end of the avian influenza outbreak in Belgium, the import of the Group's own brand Brabanconne pet food, which is made in Belgium, into China has resumed at the end of 2019. However, the subsequent outbreak of COVID-19 and its rapid spread worldwide has slowed the recovery.

Nonetheless, after the occurrence of avian influenza in Belgium, management was determined to stabilise the source of our product raw materials and diversify the risks of supply. Hence, the Group concluded the cooperation with a quality pet food manufacturer in China during the year. This has proven to be a good decision after the outbreak of COVID-19. Owing to high nutritional content and quality raw materials, as well as strict safety and quality inspection procedures, our new brand, which mainly targets the mid-range market, has enjoyed a positive response at the Pet Fair Asia held in August 2019. Our new brand will be launched across China during the middle of this year to capture enormous business opportunities in the pet food and product market of China.

#### ***PROSPECTS***

The spread of the COVID-19 pandemic around the world has impacted global economic development. Despite the short-term economic shock and more uncertainties brought about by the outbreak, there has been no apparent changes in the long-term positive fundamentals of the economy. We are looking forward to the rapid recovery of all sectors after the outbreak, thereby creating favourable conditions for the next round of growth. SUGA has consistently expanded its business after economic cycles and market changes. Its commitment to innovation and moving forward has underpinned the Group to overcome one challenge after another in the past. Although the COVID-19 pandemic has caused dramatic changes in daily life in society, we strongly believe that there are still opportunities and challenges ahead. SUGA believes that the demand for technology products will be increasing in the market, which can present tremendous business opportunities in the future. The Group will continue to explore more opportunities for new business development.

Currently, some clients have postponed their orders, so it is believed that the business will be back to normal when the pandemic recedes. Our production facilities in Dongguan, China have fully resumed production, so the Group is well prepared to handle rising order volume from our business partners in the future. Regarding new business, SUGA and our customer of smart personal care products plan to launch a series of new products. The first generation high performance cordless hair straightener has gained wide recognition in the industry, so we and our business partner will investigate how to use the patented heating technology to more products with the hope to develop a series of innovative products.

As for the pet business, after SUGA's own brand Brabanconne pet food produced in Belgium resumed imports into China at the end of 2019 and the pet food produced in the PRC will be officially introduced domestically, the Group will flexibly arrange online and offline marketing activities suitable for pet lovers to strengthen the reputation of our own pet food brands and boost related business performance. Besides, we will continue exploring cooperation with a producer from New Zealand, with the aim to diversify the risk of supply.

Our factory in Bac Ninh Province, Vietnam commenced operation at the beginning of 2019. More and more new and old customers alike have expressed interest in finding suppliers with production capacity outside of China. To satisfy the strong demand from our business partners for production in Vietnam, the Group has just commenced the rent of over 6,000 sq.m. of space next to our factory occupying more than 4,100 sq.m, in order to expand its scale of production. At the end of April 2020, the Group signed an agreement with a third party to sublease the land from the industrial park at Que Vo III Industrial Zone at Que Tan Commune, Que Vo District, Bac Ninh Province, Vietnam for a term of 39 years for a total consideration of approximately VND79,696,000,000 (equivalent to approximately HK\$26,300,000). The consideration is to be funded by the Group's internal resources. The land parcel is 40,251.5 sq.m., and is also located in Bac Ninh Province, same as our factory in Vietnam.

We have received order inquiries from several new customers about production at the factory of Bac Ninh Province, which is particularly valuable to us during the pandemic, and fully demonstrates the competitive advantage of this factory. As we expect the demand for production in Vietnam will strengthen, we plan to use this land to construct another factory for our own use in order to meet this demand. In the future, we will maintain close communication with our business partners, to appropriately allocate production resources between Dongguan and Vietnam, and create an all-win situation.

Regarding our land parcel in Huizhou, the application for switching into commercial and residential use has been approved. In September 2019, the Company and Guangdong Fuchuan Investment Co., Ltd. (富川投資有限公司) which has rich experience in property development in Mainland China signed a cooperation agreement to undertake the development project together. We believe the cooperation can increase the chance of success and mitigate the risk of this project, and, ultimately, generate long-term benefits for the Group. We will adhere to a sound development strategy, lead SUGA to establish new business milestones, and create value for customers and shareholders in the long run.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2020, the current assets and current liabilities of the Group were approximately HK\$630.8 million (31 March 2019: HK\$676.4 million) and approximately HK\$287.6 million (31 March 2019: HK\$317.7 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was 2.19 times as at 31 March 2020, as compared to that of 2.13 times as at 31 March 2019.

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, overdrafts and term loans, which are primarily on floating interest rates basis. As at 31 March 2020, the Group maintained cash and bank balances at approximately HK\$128.5 million (31 March 2019: HK\$127.8 million), similar to that of previous financial year. The Group's bank borrowings were HK\$67.8 million as at 31 March 2020 (31 March 2019: HK\$69.5 million). Gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 9.6% (31 March 2019: 9.6%). 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\$60.7 million as at 31 March 2020 (31 March 2019: HK\$58.3 million).

The Group's total assets and total liabilities as at 31 March 2020 amounted to approximately HK\$998.0 million (31 March 2019: HK\$1,042.7 million) and HK\$293.1 million (31 March 2019: HK\$318.0 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.29 times as at 31 March 2020, as compared to that of approximately 0.31 times as at 31 March 2019.

The net asset value of the Group decreased from HK\$724.7 million as at 31 March 2019 to HK\$704.8 million as at 31 March 2020, the decrease is mainly due to comprehensive loss from exchange differences arising on translation of foreign subsidiaries and dividends paid.

As at 31 March 2020, the Group had aggregate banking facilities of approximately HK\$785.8 million (31 March 2019: HK\$694.8 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$693.8 million (31 March 2019: HK\$575.6 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, United States dollars and Vietnamese Dong. As Hong Kong dollars is pegged against United States dollars, the Group mainly exposed to foreign currency risk with respect to Renminbi and Vietnamese Dong. The Group monitors foreign currency exchange exposure and will use forward foreign exchange contracts as appropriate to hedge the foreign exchange risk in the ordinary course of business.

As at 31 March 2020, the Group has not used any financial instruments to hedge against foreign currency risk. It is the Group's policy not to enter into derivative transactions for speculative purposes.

## **PLEDGE OF ASSETS**

The Group has no pledge of assets as at 31 March 2020. 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\$3.8 million as at 31 March 2019. 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 2020, the Group had a capital commitment of HK\$5.7 million for property, plant and equipment (31 March 2019: HK\$4.1 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2020 amounted to HK\$67.8 million (31 March 2019: HK\$69.5 million) and the Group did not have any significant contingent liability.

## **HUMAN RESOURCES**

As at 31 March 2020 the Group has approximately 2,136 employees, of which 86 were based in Hong Kong and Macao while the rest were mainly in Mainland China and Vietnam. 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 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 2020, 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 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 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 2019/20.

## **AUDIT COMMITTEE**

The audit committee of the Company comprises three independent non-executive directors of the Company. The audit committee had reviewed with 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 2020.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG**

The financial figures in this announcement of the Group's results for the year ended 31 March 2020 have been agreed by the Group's external auditor, PricewaterhouseCoopers Hong Kong ("PwC"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by PwC on this announcement.

## **FINAL DIVIDEND**

The Directors have proposed the payment of a final dividend of HK2.0 cents per ordinary share for the financial year ended 31 March 2020 (FY2018/19: HK6.0 cents) to the shareholders whose names appears on the Register of Shareholders of the Company on 14 August 2020. Subject to approval by shareholders at the 2020 Annual General Meeting, the proposed final dividend will be paid on or before 25 August 2020.

## **CLOSURE OF REGISTER OF SHAREHOLDERS**

The Register of Shareholders of the Company will be closed from 5 August 2020 to 10 August 2020 (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 2020 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 4 August 2020.

The Register of Shareholders of the Company will be closed on 14 August 2020 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 2020 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 2020. 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 2020.

## **ANNUAL GENERAL MEETING**

The 2020 Annual General Meeting will be held at 2401–02, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Monday, 10 August 2020 at 3:00 p.m.. For details of the 2020 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 9 July 2020.

## **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](http://www.hkexnews.hk)) and the Company’s website at ([www.suga.com.hk](http://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, 26 June 2020

*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 and Prof. Luk Wing Ching as non-executive directors; Mr. Leung Yu Ming, Steven, Mr. Chan Kit Wang and Dr. Cheung Nim Kwan as independent non-executive directors.*