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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 2019**

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to HK\$1,681.9 million (2018: HK\$1,510.5 million)
- Gross profit was HK\$227.0 million (2018: HK\$231.1 million)
- Profit attributable to equity holders was HK\$55.6 million (2018: HK\$74.1 million)
- Basic earnings per share was HK19.64 cents (2018: HK26.29 cents)
- The Board proposes a final dividend of HK6.0 cents per share (2018: HK8.0 cents)
- Total dividends per share for the year amount to HK12.0 cents (2018: HK15.0 cents)

## ANNUAL RESULTS

The Board of Directors (the “Board”) of Suga International Holdings Limited (“Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (together “SUGA” or the “Group”) for the year ended 31 March 2019.

### CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	<i>Note</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3	<b>1,681,862</b>	1,510,504
Cost of sales	5	<b>(1,454,879)</b>	(1,279,356)
Gross profit		<b>226,983</b>	231,148
Distribution and selling expenses	5	<b>(57,982)</b>	(46,690)
General and administrative expenses	5	<b>(108,585)</b>	(106,188)
Net impairment losses on financial assets		<b>(5,383)</b>	-
Other income		<b>1,910</b>	1,798
Other gains, net	4	<b>8,581</b>	2,866
Operating profit		<b>65,524</b>	82,934
Finance income	6	<b>3,148</b>	4,204
Finance costs	6	<b>(5,038)</b>	(5,179)
Finance costs – net	6	<b>(1,890)</b>	(975)
Impairment loss on interest in an associate		<b>(1,972)</b>	-
Share of losses of associates		<b>(1,651)</b>	(2,375)
		<b>(3,623)</b>	(2,375)
Profit before income tax		<b>60,011</b>	79,584
Income tax expense	7	<b>(4,900)</b>	(6,047)
<b>Profit for the year</b>		<b>55,111</b>	73,537
Profit attributable to:			
Owners of the Company		<b>55,557</b>	74,111
Non-controlling interests		<b>(446)</b>	(574)
		<b>55,111</b>	73,537
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic (HK cents)	8	<b>19.64</b>	26.29
– Diluted (HK cents)	8	<b>19.63</b>	26.11

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	<u>55,111</u>	<u>73,537</u>
Other comprehensive (loss) / income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign subsidiaries	(24,982)	37,401
Fair value loss on available-for-sale financial assets	–	(10,197)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value loss on financial assets at fair value through other comprehensive income	<u>(882)</u>	<u>–</u>
Other comprehensive (loss) / income for the year	<u>(25,864)</u>	<u>27,204</u>
Total comprehensive income for the year	<u>29,247</u>	<u>100,741</u>
Profit attributable to:		
Owners of the Company	29,693	101,315
Non-controlling interests	<u>(446)</u>	<u>(574)</u>
	<u>29,247</u>	<u>100,741</u>

## CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2019

	<i>Note</i>	<b>31 March 2019 HK\$'000</b>	31 March 2018 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		48,849	51,994
Property, plant and equipment		261,580	297,178
Intangible assets		2,681	3,319
Goodwill		3,949	3,949
Interests in associates		–	3,623
Available-for-sale financial assets		–	6,242
Financial assets at fair value through other comprehensive income		6,910	–
Financial assets at fair value through profit or loss		25,576	3,757
Loans receivable		1,063	–
Deferred income tax assets		2,330	1,782
Non-current prepayments and receivables	10	13,374	3,074
		<b>366,312</b>	374,918
<b>Current assets</b>			
Inventories		288,622	268,742
Trade and other receivables	10	251,905	233,201
Financial assets at fair value through profit or loss		1,531	–
Loans receivable		1,125	2,500
Tax recoverable		147	1,097
Amounts due from associates		5,085	4,149
Time deposits over three months		–	15,500
Pledged bank deposits		115	–
Cash and cash equivalents		127,826	165,105
		<b>676,356</b>	690,294
<b>Total assets</b>		<b>1,042,668</b>	1,065,212
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		–	3,759
Deferred income tax liabilities		357	504
		<b>357</b>	4,263

		<b>31 March 2019</b>	31 March 2018
	<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>212,688</b>	258,093
Contract liabilities		<b>27,622</b>	–
Income tax payable		<b>7,814</b>	6,096
Bank borrowings		<b>69,537</b>	65,155
		<hr/> <b>317,661</b> <hr/>	<hr/> 329,344 <hr/>
<b>Total liabilities</b>		<hr/> <b>318,018</b> <hr/>	<hr/> 333,607 <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		<b>28,349</b>	28,214
Other reserves		<b>100,174</b>	122,940
Retained earnings		<b>595,108</b>	578,986
		<hr/> <b>723,631</b> <hr/>	<hr/> 730,140 <hr/>
Non-controlling interests		<b>1,019</b>	1,465
<b>Total equity</b>		<hr/> <b>724,650</b> <hr/>	<hr/> 731,605 <hr/>
<b>Total equity and liabilities</b>		<hr/> <b>1,042,668</b> <hr/>	<hr/> 1,065,212 <hr/>

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”) and the disclosure requirements of Hong Kong Companies Ordinance (“HKCO”) Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the inclusion at 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.

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) New and amended standards and interpretations 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 2018 and have been adopted in the preparation of the consolidated financial statements.

Amendments to HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

The Group changed its accounting policies and made certain adjustments following the adoption of HKFRS 9 “Financial Instruments” (“HKFRS 9”) and HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) as disclosed in Note 2. All other new standards, amendments to standards and interpretation listed above did not have material impact on the Group’s accounting policies.

### (b) New and amended standards and interpretations 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 2018 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKFRSs	Annual improvements to HKFRSs standards 2015-2017 cycle	1 January 2019
HKFRS 3 (Revised)	Business combinations	1 January 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	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, associate or joint venture	To be determined

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

***HKFRS 16, “Leases”***

*Nature of change*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

*Impact*

The Group has reviewed all of its leasing arrangements in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group’s operating leases.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK\$9,937,000. Of these commitments, approximately HK\$2,346,000 relate to short-term leases or low value leases which will both be recognised on a straight-line basis as expense in the consolidated profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately HK\$7,156,000, current lease liabilities of approximately HK\$2,231,000 and non-current lease liabilities of approximately HK\$4,830,000 on 1 April 2019.

The Group does not foresee any material impact on the net profit of the Group as a result of adoption of HKFRS 16.

*Date of adoption by the Group*

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective and that would be expected to have a material impact on the 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 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” on the Group’s consolidated financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior years.

(a) Impact on the consolidated financial statements

As explained in notes below, HKFRS 9 is generally adopted without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below:

	<b>31 March 2018</b> <b>As originally presented</b> <i>HK\$ '000</i>	<b>HKFRS 9</b> <i>HK\$ '000</i>	<b>HKFRS 15</b> <i>HK\$ '000</i>	<b>1 April 2018</b> <b>Restated</b> <i>HK\$ '000</i>
<b>Consolidated balance sheet (extract)</b>				
<b>Non-current assets</b>				
Available-for-sale financial assets	6,242	(6,242)	-	-
Financial assets at fair value through other comprehensive income ("FVOCI")	-	6,242	-	6,242
<b>Total assets</b>	<u>6,242</u>	<u>-</u>	<u>-</u>	<u>6,242</u>
<b>Current liabilities</b>				
Trade and other payables	258,093	-	(27,282)	230,811
Contract liabilities	-	-	27,282	27,282
<b>Total liabilities</b>	<u>258,093</u>	<u>-</u>	<u>-</u>	<u>258,093</u>

(b) HKFRS 9 *Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurements

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and classified its financial assets into the appropriate HKFRS 9 categories.

The Group elected to present in equity changes in the fair value of two unlisted equity funds that were previously classified as available-for-sale because management does not plan to dispose of such investments in the foreseeable future. As a result, assets with fair values of HK\$6,242,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI on 1 April 2018. The available-for-sale financial asset reserve of HK\$605,000 was also reclassified to financial assets at FVOCI fair value reserve on 1 April 2018.

The impact of the reclassification on the Group's consolidated balance sheet at the date of initial application (1 April 2018) is as follows:

	<b>Available-for-sale financial assets</b> <i>HK\$ '000</i>	<b>Financial assets at FVOCI</b> <i>HK\$ '000</i>	<b>Total</b> <i>HK\$ '000</i>
Closing balance at 31 March 2018 - HKAS 39	6,242	-	6,242
Reclassified investments from available-for-sale financial assets to financial assets at FVOCI	(6,242)	6,242	-
Opening balance at 1 April 2018 - HKFRS 9	<u>-</u>	<u>6,242</u>	<u>6,242</u>



The impact of these changes on the Group's equity is as follows:

	<b>Available-for- sale financial assets reserve</b> <i>HK\$'000</i>	<b>Financial assets at FVOCI fair value reserve</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Closing balance at 31 March 2018 - HKAS 39	605	-	605
Reclassified from available-for-sale financial assets reserve to financial assets at FVOCI fair value reserve	<u>(605)</u>	<u>605</u>	<u>-</u>
Opening balance at 1 April 2018 - HKFRS 9	<u>-</u>	<u>605</u>	<u>605</u>

There was no impact on retained earnings as at 1 April 2018.

(ii) Impairment of financial assets

The Group mainly has only one type of financial asset, which is financial assets carried at amortised cost that is subject to HKFRS 9's new expected credit loss model.

The Group was required to revise its impairment methodology under HKFRS 9 for such class of assets. The impact of the change in impairment methodology on the Group's opening retained profits and equity was not material.

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables, except for those individually significant trade receivables or trade receivables at default which are to be tested individually. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the invoice dates.

(c) HKFRS 15 Revenue from Contracts with Customers

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) was recognised in retained earnings as at 1 April 2018 and that comparatives was not restated.

The Group is engaged in research and development, manufacturing and sales of electronic products and pet-related products.

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Because of the large volume and low value of each individual product, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at the end of each reporting period.

The Group does not incur costs to fulfil contracts which should be capitalised as they relate directly to the contracts, generate resources used in satisfying the contract and are expected to be recovered.

The Group does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. Thus, the Group does not adjust any of the transaction prices for the time value of money.

As a result, other than certain reclassification of contract liabilities, the adoption of HKFRS 15 did not result in any net impact on the profit for the year, as the timing of revenue recognition has not changed.

The impact of the reclassification on the Group's consolidated balance sheet at the date of initial application (1 April 2018) is as follows:

	<b>Trade and other payables</b> <i>HK\$ '000</i>	<b>Contract liabilities</b> <i>HK\$ '000</i>	<b>Total</b> <i>HK\$ '000</i>
Closing balance at 31 March 2018 – HKAS 18	258,093	–	258,093
Reclassified other payables to contract liabilities	<u>(27,282)</u>	<u>27,282</u>	<u>–</u>
Opening balance at 1 April 2019 – HKFRS 15	<u>230,811</u>	<u>27,282</u>	<u>258,093</u>

### 3. SEGMENT INFORMATION

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

The CODM assesses the performance of the operating segments based on a measure of the results of reportable segments. Finance income and costs, corporate income and expenses, 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 deferred income tax assets, tax recoverable, financial assets at FVOCI, financial assets at FVPL, loans 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 2019 and 2018 is as follows:

	<b>2019</b>			
	<b>Electronic products</b>	<b>Pet related products</b>	<b>Elimination</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<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)	–
	<b>1,527,444</b>	<b>385,221</b>	<b>(230,803)</b>	<b>1,681,862</b>
Segment results	<b>73,352</b>	<b>17,933</b>		<b>91,285</b>
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				8,581
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				(1,651)
Profit before income tax				60,011
Income tax expense				(4,900)
Profit for the year				<b>55,111</b>

	<b>2019</b>			
	<b>Electronic products</b>	<b>Pet related products</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other segment information</b>				
Depreciation on property, plant and equipment	31,908	371	2,100	34,379
Amortisation of intangible assets	–	1,178	60	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)	28,145	248	814	29,207

2018

	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	1,180,154	330,350	–	1,510,504
Inter-segment revenue	210,050	154,152	(364,202)	–
	<u>1,390,204</u>	<u>484,502</u>	<u>(364,202)</u>	<u>1,510,504</u>
Segment results	<u>70,657</u>	<u>32,191</u>		<u>102,848</u>
A reconciliation of segment results to profit for the year is as follows:				
Segment results				102,848
Unallocated expenses, net				(24,578)
Other income				1,798
Other gains, net				<u>2,866</u>
Operating profit				82,934
Finance income				4,204
Finance costs				(5,179)
Share of losses of associates				<u>(2,375)</u>
Profit before income tax				79,584
Income tax expense				<u>(6,047)</u>
Profit for the year				<u>73,537</u>

2018

	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 on property, plant and equipment	30,720	432	1,929	33,081
Amortisation of intangible assets	430	556	–	986
Amortisation of land use rights	1,098	–	57	1,155
Additions to non-current assets (other than interests in associates, financial assets and deferred tax assets)	<u>17,645</u>	<u>3,794</u>	<u>2,194</u>	<u>23,633</u>

The segment assets and segment liabilities as at 31 March 2019 and 2018 and the reconciliation to the total assets and total liabilities are as follows:

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

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

An analysis of the Group's revenue from external customers by country of destination for the years ended 31 March 2019 and 2018 is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
The United States of America	<b>832,952</b>	670,865
Japan	<b>214,264</b>	279,015
The People's Republic of China (the "PRC", including Hong Kong)	<b>178,725</b>	189,524
Taiwan	<b>130,510</b>	97,538
Australia	<b>90,294</b>	77,454
Germany	<b>81,504</b>	40,274
France	<b>64,376</b>	16,184
United Kingdom	<b>12,543</b>	38,625
Others	<b>76,694</b>	101,025
	<b>1,681,862</b>	1,510,504

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	80,318	68,247
Mainland China	283,663	304,888
Others	1	1
	<u>363,982</u>	<u>373,136</u>

For the years ended 31 March 2019 and 2018, external revenue of approximately HK\$258,450,000 (2018:HK\$311,704,000) was generated from a customer, who accounted for more than 10% of the Group's revenue.

No other customer individually accounted for more than 10% of the Group's revenue for the years ended 31 March 2019 and 2018.

#### 4. OTHER GAINS, NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Net foreign currency exchange gain	831	2,724
Fair value gain on an investment property	–	900
Gain on disposal of bond investment	–	323
Gain on disposal of financial asset at FVPL	426	–
Net fair value gains/(losses) on financial assets at FVPL	7,324	(1,081)
	<u>8,581</u>	<u>2,866</u>

#### 5. EXPENSES BY NATURE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories	1,256,953	1,108,971
Depreciation of property, plant and equipment	34,379	33,081
Amortisation of land use rights	1,128	1,155
Amortisation of intangible assets	1,238	986
Loss/(gain) on disposals of property, plant and equipment	137	(8)
Operating lease rental of premises	6,397	4,820
Employee benefit expense (including directors' emoluments)	217,490	197,184
Provision for impairment of trade receivables	–	50
Reversal of provision for impairment of loan receivable	–	(2,464)
Auditor's remuneration		
– Audit services	2,860	2,800
– Non-audit services	294	263
Commission expense	13,666	12,108
Other expenses	86,904	73,288
	<u>1,621,446</u>	<u>1,432,234</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses		

## 6. FINANCE COSTS – NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income from:		
– bank deposits	1,062	2,153
– bond investment	–	459
– overdue interests received from customers	2,008	1,524
– others	78	68
	<hr/>	<hr/>
Finance income	3,148	4,204
	<hr/>	<hr/>
Interest expense on bank borrowings	(5,038)	(5,179)
	<hr/>	<hr/>
Finance costs	(5,038)	(5,179)
	<hr/>	<hr/>
Finance costs – net	(1,890)	(975)
	<hr/>	<hr/>

## 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 the rate of 16.5% (2018:16.5%) on the estimated assessable profit for the year ended 31 March 2019.

### (c) PRC corporate income tax

The Group's subsidiaries in Mainland China are subject to corporate income tax at 25% (2018: 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

Suga Bac Ninh Company Limited (“SVN”) is a subsidiary incorporated in Vietnam and 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 SVN.



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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	5,395	5,119
– Income tax outside Hong Kong	–	2,051
– Under/(over)-provision in prior years	260	(478)
Deferred income tax credit	(755)	(645)
	<hr/>	<hr/>
	4,900	6,047
	<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:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	60,011	79,584
	<hr/>	<hr/>
Calculated at a taxation rate of 16.5% (2018: 16.5%)	9,902	13,131
Effect of different income tax rates on income arising outside Hong Kong	(3,903)	(3,499)
Tax loss not recognised	10,236	5,643
Expenses not deductible for income tax purpose	3,414	2,605
Income not subject to income tax	(10,089)	(8,714)
Tax concession and incentives	(4,913)	(1,883)
Under/(over)-provision in prior years	260	(478)
Utilisation of previously unrecognised tax losses	(7)	(758)
	<hr/>	<hr/>
Income tax expense	4,900	6,047
	<hr/>	<hr/>

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.

	2019	2018
Profit attributable to owners of the Company (HK\$'000)	55,557	74,111
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue ('000)	282,917	281,942
	<hr/>	<hr/>
Basic earnings per share (HK cents)	19.64	26.29
	<hr/>	<hr/>

(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>2019</b>	2018
Profit attributable to owners of the Company (HK\$'000)	<b>55,557</b>	74,111
Weighted average number of ordinary shares in issue ('000)	<b>282,917</b>	281,942
Adjustments for share options ('000)	<b>118</b>	1,932
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>283,035</b>	283,874
Diluted earnings per share (HK cents)	<b>19.63</b>	26.11

9. **DIVIDENDS**

Dividends paid during the period ended 30 September 2018 and the year ended 31 March 2018 were HK\$16,973,000 (HK6.0 cents per share) and HK\$22,615,000 (HK8.0 cents per share), respectively. A dividend in respect of the year ended 31 March 2019 of HK6.0 cents per share, totalling HK\$17,009,000, is to be proposed at the annual general meeting on 8 August 2019. These financial statements do not reflect this dividend payable.

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Interim dividend, paid, of HK6.0 cents (2018: HK7.0 cents) per ordinary share	<b>16,973</b>	19,750
Final dividend, proposed, of HK6.0 cents (2018: HK8.0 cents) per ordinary share	<b>17,009</b>	22,615
	<b>33,982</b>	42,365

## 10. TRADE AND OTHER RECEIVABLES

As at 31 March 2019 and 2018, the ageing analysis of trade receivables based on invoice date were as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	202,186	195,924
31 to 60 days	11,498	5,828
61 to 90 days	900	1,937
91 to 180 days	2,451	1,280
Over 180 days	5,704	3,795
	<hr/>	<hr/>
	222,739	208,764
Less: Loss allowance	(7,618)	(3,748)
	<hr/>	<hr/>
Trade receivables, net	215,121	205,016
Prepayments to vendors	21,080	11,157
Prepayments for plant and equipment	10,170	3,074
Other prepayments	3,653	3,663
Rental and other deposits	2,181	1,367
Value added tax receivables	3,658	2,631
Others receivables	9,416	9,367
	<hr/>	<hr/>
	265,279	236,275
Less: Non-current prepayments and other receivables	(13,374)	(3,074)
	<hr/>	<hr/>
Current portion of trade and other receivables	<b>251,905</b>	<b>233,201</b>

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

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

## 11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	166,436	183,447
31 to 60 days	3,176	4,029
61 to 90 days	2,354	788
91 to 180 days	2,113	5,285
Over 180 days	5,460	6,279
	<hr/>	<hr/>
Trade payables	179,539	199,828
Salaries and staff welfare payable	14,340	13,374
Accrued expenses	4,876	4,862
Receipt in advance	–	27,282
Contract liabilities	27,622	–
Others	13,933	12,747
	<hr/>	<hr/>
Total trade and other payables	<b>240,310</b>	<b>258,093</b>

## **CHAIRMAN'S MESSAGE**

During the year, some of the Group's business partners exercised greater caution as a result of the persistent Sino-US trade dispute. Nevertheless, SUGA has been actively exploring opportunities and secured new electronics product customers during the year, hence we were able to maintain turnover growth. Its turnover was approximately HK\$1.7 billion, representing a year-on-year rise of about 11.3% (FY2017/18: HK\$1.5 billion). Gross profit amounted to approximately HK\$227.0 million (FY2017/18: HK\$231.1 million) and gross profit margin was 13.5% (FY2017/18: 15.3%). The decrease was mainly due to the higher product value of the new customer but lower gross profit margin of these products compared with the Group's other products and the initial investment in the Vietnam plant lowered the gross profit margin which will nonetheless be recouped in the long run.

Profit attributable to shareholders was approximately HK\$55.6 million (FY2017/18: HK\$74.1 million). Net profit margin was 3.3% (FY2017/18: 4.9%) and basic earnings per share were HK19.64 cents (FY2017/18: HK26.29 cents).

## ***BUSINESS OVERVIEW***

To more clearly reflect the two-pronged strategy to develop the electronics business and pet business, the Group has started designating the pet business as an independent business segment since the last financial year. Through the Group's active efforts in diversifying its business and expediting innovation, SUGA has managed to maintain steady business development despite the challenging macro environment.

### **Electronic Products**

The electronic products business has generated stable revenue for the Group. During the year, sales amounted to approximately HK\$1.4 billion (FY2017/18: HK\$1.2 billion), representing a year-on-year increase of 18.3% and accounting for 83.0% of total sales.

Among all products, professional audio equipment performed particularly well. Revenue from telephones for the hearing impaired was similar to that of the previous year. Affected adversely by the market environment, the performance of other products such as smart card and NFC products as well as communications products from Japanese clients has declined.

It is worth noting that SUGA has allocated resources to incorporate the Internet of Things ("IoT") technology within different products in recent years. This initiative not only has gained the recognition of its current business partners, but also secured a new economy customer in the US during the year. The Group has developed an assets tracker with IoT technology for this customer. Although this business is still at the cultivation stage, it has brought a contribution within the year, so we believe this product has potential of growth. Although the product carries a gross profit margin lower than its average gross profit margin, it enables the Group to access different types of customers. Therefore, we will strike a balance between seeking opportunities and maintaining gross profit margin at a reasonable level.

During the year, SUGA has established its manufacturing facility in Vietnam. The Group will capitalize on the preferential tax rates, competitive labor cost, stable labor market and strategic location there, in order to mitigate the pressure from the US-China trade war and rising costs in Mainland China. With an area of 4,134 sq. m., the new plant is located in the Dai Dong-Hoan Son Industrial Park in Bac Ninh Province, Vietnam. The initial investment in the project is approximately HK\$20 million. Two production lines have commenced operation this February, to meet the strong demand for production out of China from partners.

## Pet Business

The pet business started to be designated as a separate business segment last financial year. Sales amounted to HK\$286.3 million (FY2017/18: HK\$330.4 million) in the year, accounting for 17.0% of total sales. The drop of the sales was mainly due to the declining orders of pet training devices as a result of the reduction of inventory by its business partners.

The Group has strived to develop the pet food business in recent years, but an unexpected avian influenza outbreak last year affected the import into China of SUGA's own brand Brabanconne pet food produced in Belgium. The epidemic has since subsided, and now the Group has to wait for the resumption of import approval by China's government. Our determination to develop the pet food business remains unshaken. The Group has continued raising the awareness of the Brabanconne brand, so this arm still managed to record revenue growth in the year. We have actively participated in different types of domestic and overseas pet exhibitions and fairs, such as Interpets in Tokyo and the Spring All Pet Supplies Fair in Osaka for the first time at the end of March 2019, aiming to enter the market in Japan, so as to satisfy the strong demand for quality pet food among local consumers and help the Group to diversify market risk.

Targeting the enormous potential of pet insurance, SUGA and our partners have launched PetbleCare, an online pet insurance platform, in September 2018, which covers the pets' medical illness, accident, third party liability and other protection, in order to provide a more comprehensive service to pet owners and their beloved animals. The platform can generate synergies with the Group's existing pet business, so we believe that it can hugely benefit our pet business ecosystem.

### ***PROSPECTS***

Looking ahead, the course of the trade war between China and the U.S. will remain the focus of the market. Before a resolution becomes clear, customers will still adopt a prudent approach. The Group for its part will closely monitor the development of the situation. We will also maintain close communications with our business partners and work together to face the challenges in line with our common interests.

SUGA's Vietnam plant has completed trial production during the year under review. At present, we have mainly shifted the manufacturing of the products affected by the trade war to our Vietnam factory and advanced the extent of automated production processes, mainly non-labor intensive parts. We have received some enquiries from new customers, expressing wishes for our Vietnam plant to produce their products, so as to mitigate the effects of the trade war on them. The Group will flexibly allocate resources according to its customers' needs and can adjust its production scale as needed.

In addition, although the avian influenza outbreak in Belgium was just an isolated sudden instance, it has affected the development of our own pet food brand Brabanconne. Thus the management has actively and comprehensively considered how to secure stable supply sources in the future in order to diversify the risks of supply and meet the needs of its customers. During the year, we have studied various options and explored the feasibility of cooperation with other suppliers such as overseas and domestic quality pet food producers. The related plans will be confirmed as soon as possible to avoid a slowdown of the Group's development pace due to changing external conditions.

The Group earnestly believes that the positioning of Brabanconne, which is customized for pets in Asia, will attract lots of pet owners. The brand has gained a certain degree of recognition in mainland China, hence we will continue to grasp opportunities to further penetrate other Asian markets. We have received positive feedback after we participated in the exhibitions in Japan. SUGA will expedite the development of its pet food business based on indicators of market acceptance.

Regarding the land parcel where our former Huizhou plant was situated, the document of application for change of its purpose to commercial and residential use is still in process by relevant government departments. We will report to shareholders in due course should there be any further change of status. The Group will continue to evaluate potential development projects and look for new opportunities amidst the challenges. Financially, the Group has maintained a net cash position, which allow us with greater flexibility to capture suitable opportunities so as to create value for its shareholders. The management thus has full confidence in the Group's long-term business prospects.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2019, the current assets and current liabilities of the Group were approximately HK\$676.4 million (31 March 2018: HK\$690.3 million) and approximately HK\$317.7 million (31 March 2018: HK\$329.3 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was 2.13 times as at 31 March 2019, as compared to that of 2.10 times as at 31 March 2018.

The Group generally finances its operations by internally generated resources and banking facilities provided by its principal bankers in Hong Kong. Banking facilities used by the Group include revolving loans, trust receipt loans, overdrafts, leasing and term loans, which are primarily on floating interest rates basis. As at 31 March 2019, the Group maintained cash and bank balances at approximately HK\$127.8 million (31 March 2018: HK\$165.1 million), the decrease in cash and bank balances was mainly due to repayment of long-term bank loans, initial investment in Vietnam plant, investment in financial assets through holding of redeemable convertible promissory notes and warrant of an investee and operating cash outflow for expanding pet related business. The Group's bank borrowings were HK\$69.5 million as at 31 March 2019 (31 March 2018: HK\$68.9 million). Gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 9.6 % (31 March 2018: 9.4%). 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\$58.3 million as at 31 March 2019 (31 March 2018: HK\$96.2 million).

The Group's total assets and total liabilities as at 31 March 2019 amounted to approximately HK\$1,042.7 million (31 March 2018: HK\$1,065.2 million) and HK\$318.0 million (31 March 2018: HK\$333.6 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.31 times as at 31 March 2019, as compared to that of approximately 0.31 times as at 31 March 2018.

The net asset value of the Group decreased from HK\$731.6 million as at 31 March 2018 to HK\$724.7 million as at 31 March 2019, the decrease is mainly due to comprehensive loss from exchange differences arising on translation of foreign subsidiaries.

As at 31 March 2019, the Group had aggregate banking facilities of approximately HK\$694.8 million (31 March 2018: HK\$681.5 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$575.6 million (31 March 2018: HK\$547.5 million).

## **FOREIGN EXCHANGE EXPOSURE**

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

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

## **PLEDGE OF ASSETS**

As at 31 March 2019, 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 (31 March 2018: HK\$6.7 million) for financing the acquisition of the office premise and car parking spaces. Other than the said mortgage loan, the Group did not pledge any of its assets as securities for the banking facilities granted to the Group.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 March 2019, the Group had a capital commitment of HK\$4.1 million for property, plant and equipment (31 March 2018: HK\$1.8 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2019 amounted to HK\$69.5 million (31 March 2018: HK\$68.9 million) and the Group did not have any significant contingent liability.

## **HUMAN RESOURCES**

As at 31 March 2019 the Group has approximately 2,139 employees, of which 95 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 the management of Suga International Holdings Limited (the “Company”) are committed to attain and uphold a high standard of corporate governance that properly protect and promote the interests of its shareholders and other stakeholders including customers, suppliers, employees and the general public. Throughout the financial year ended 31 March 2019, 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 2018/19.

## **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 2019.

## **FINAL DIVIDEND**

The Directors have proposed the payment of a final dividend of HK6.0 cents per ordinary share for the financial year ended 31 March 2019 (FY2017/18: HK8.0 cents) to the shareholders whose names appears on the Register of Shareholders of the Company on 14 August 2019. Subject to approval by shareholders at the 2019 Annual General Meeting, the proposed final dividend will be paid on or before 23 August 2019.



## **CLOSURE OF REGISTER OF SHAREHOLDERS**

The Register of Shareholders of the Company will be closed from 5 August 2019 to 8 August 2019 (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 2019 Annual General Meeting. In order to qualify to attend and vote at the meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 2 August 2019.

The Register of Shareholders of the Company will be closed on 14 August 2019 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 2019 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 2019. 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 2019.

## **ANNUAL GENERAL MEETING**

The 2019 Annual General Meeting will be held at 2401–02, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 8 August 2019 at 3:00 p.m.. For details of the 2019 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 10 July 2019.

## **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 2019

*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.*