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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$717.5 million (2022: HK\$743.6 million)
- Gross profit was HK\$104.1 million (2022: HK\$107.9 million)
- Profit attributable to owners of the Company was HK\$19.7 million (2022: HK\$26.7 million)
- Basic earnings per share was HK6.90 cents (2022: HK9.36 cents)
- The Board has resolved to declare an interim dividend of HK4.0 cents per share (2022: interim dividend of HK5.0 cents per share)

INTERIM RESULTS

The Board of Directors (the “Board”) of Suga International Holdings Limited (the “Company”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together “SUGA” or the “Group”) for the six months ended 30 September 2023:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Note	Six months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	717,521	743,576
Cost of sales	5	(613,461)	(635,696)
Gross profit		104,060	107,880
Other income		4,412	4,420
Other (losses)/gains – net	4	(1,232)	13,892
Distribution and selling expenses	5	(27,846)	(28,046)
General and administrative expenses	5	(53,171)	(60,176)
Net impairment loss on a financial asset and a financial guarantee		-	(4,476)
Operating profit		26,223	33,494
Finance income	6	918	572
Finance costs	6	(3,753)	(2,316)
Finance costs – net		(2,835)	(1,744)
Impairment loss on interest in an associate		-	(2,275)
Share of losses of associates		-	(235)
		-	(2,510)
Profit before income tax		23,388	29,240
Income tax expense	7	(3,723)	(2,292)
Profit for the period		19,665	26,948
Profit attributable to:			
Owners of the Company		19,653	26,665
Non-controlling interests		12	283
		19,665	26,948
Earnings per share for profit attributable to owners of the Company during the period			
– Basic (HK cents)	8	6.90	9.36
– Diluted (HK cents)	8	6.90	9.36
Dividends	9	11,392	14,240

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	19,665	26,948
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(20,424)	(20,014)
Release of exchange reserve upon deregistration of subsidiaries	-	(12,847)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Fair value (losses)/gains on equity investments at fair value through other comprehensive income	(97)	108
Other comprehensive loss for the period	(20,521)	(32,753)
Total comprehensive loss for the period	(856)	(5,805)
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(868)	(6,088)
Non-controlling interests	12	283
	(856)	(5,805)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2023

	30 September	31 March
	2023	2023
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	222,374	246,464
Right-of-use assets	80,985	80,544
Intangible assets	-	-
Goodwill	3,949	3,949
Interests in associates	-	-
Financial assets at fair value through other comprehensive income	5,382	5,479
Deferred income tax assets	853	1,313
Non-current prepayments, deposits and other receivables	<i>10</i> 3,825	23,082
	317,368	360,831
Current assets		
Inventories	331,946	425,530
Trade and other receivables	<i>10</i> 326,719	306,029
Financial assets at fair value through profit or loss	19	30
Amount due from an associate	585	585
Cash and cash equivalents	170,314	138,225
	829,583	870,399
Total assets	1,146,951	1,231,230

		30 September 2023	31 March 2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings		-	17,035
Lease liabilities		3,673	1,335
Deferred income tax liabilities		397	294
		<hr/>	<hr/>
		4,070	18,664
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>11</i>	225,490	252,902
Contract liabilities		11,275	18,727
Income tax payable		16,157	15,819
Lease liabilities		1,978	492
Bank borrowings		104,371	120,226
		<hr/>	<hr/>
		359,271	408,166
		<hr/>	<hr/>
Total liabilities		363,341	426,830
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		28,479	28,479
Other reserves		67,343	88,607
Retained earnings		685,993	685,531
		<hr/>	<hr/>
		781,815	802,617
Non-controlling interests		1,795	1,783
		<hr/>	<hr/>
Total equity		783,610	804,400
		<hr/>	<hr/>
Total equity and liabilities		1,146,951	1,231,230
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Notes:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. This condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2023 as described in those annual consolidated financial statements except that taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings, the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 April 2023 and currently relevant to the Group:

HKFRS 17 and Amendments to HKFRS 17	Insurance contracts (including Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International Tax Reform— Pillar Two Model Rules

The adoption of these new and amended standards does not have significant impacts on the results and financial position of the Group.

- (b) Amendments to existing standards and interpretation that are not yet effective and have not been early adopted by the Group

The following amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning 1 April 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
HK-Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Group are in the process of assessing the financial impact of the adoption of the above amendments to existing standards and interpretation, and do not expect them to have a significant impact in the current reporting periods and on foreseeable future transactions. The directors of the Group will adopt the amendments to existing standards and interpretation when they become effective.

3. REVENUE AND 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.

There are two reportable segments for the Group:

Electronic products	-	Develop, manufacture and sale of electronic products (Other than pet-related electronic products)
Pet-related products	-	Manufacture and distribution of pet-related products

The segment information provided to the CODM for the reportable segments for the six months ended 30 September 2023 is as follows:

	Six months ended 30 September 2023			
	Electronic products <i>HK\$'000</i> (Unaudited)	Pet-related products <i>HK\$'000</i> (Unaudited)	Elimination <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue				
Revenue from external customers	590,201	127,320	-	717,521
Inter-segment revenue	92,243	32,751	(124,994)	-
	682,444	160,071	(124,994)	717,521
Segment results	25,731	4,414	-	30,145

A reconciliation of segment results to profit for the period is as follows:

Segment results	30,145
Unallocated expenses, net	(7,102)
Other income	4,412
Other losses – net	(1,232)
Operating profit	26,223
Finance income	918
Finance costs	(3,753)
Profit before income tax	23,388
Income tax expense	(3,723)
Profit for the period	19,665

	Electronic products <i>HK\$'000</i> (Unaudited)	Pet-related products <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Other segment information				
Depreciation of property, plant and equipment	17,357	81	1,012	18,450
Depreciation of right-of use assets	846	230	1,160	2,236
Additions to non-current assets (other than interests in associates, financial assets and deferred tax assets)	2,120	517	4,839	7,476

The segment information provided to the CODM for the reportable segments for the six months ended 30 September 2022 is as follows:

	Six months ended 30 September 2022			
	Electronic products <i>HK\$ '000</i> (Unaudited)	Pet-related products <i>HK\$ '000</i> (Unaudited)	Elimination <i>HK\$ '000</i> (Unaudited)	Total <i>HK\$ '000</i> (Unaudited)
Revenue				
Revenue from external customers	640,757	102,819	-	743,576
Inter-segment revenue	71,785	32,938	(104,723)	-
	<u>712,542</u>	<u>135,757</u>	<u>(104,723)</u>	<u>743,576</u>
Segment results	<u>25,422</u>	<u>3,483</u>	<u>-</u>	<u>28,905</u>

A reconciliation of segment results to profit for the period is as follows:

Segment results	28,905
Unallocated expenses, net	(13,723)
Other income	4,420
Other gains – net	13,892
Operating profit	33,494
Finance income	572
Finance costs	(2,316)
Impairment loss on interest in an associate	(2,275)
Share of losses of associates	(235)
Profit before income tax	29,240
Income tax expense	(2,292)
Profit for the period	<u>26,948</u>

	Electronic products <i>HK\$ '000</i> (Unaudited)	Pet-related products <i>HK\$ '000</i> (Unaudited)	Unallocated <i>HK\$ '000</i> (Unaudited)	Total <i>HK\$ '000</i> (Unaudited)
Other segment information				
Depreciation of property, plant and equipment	18,923	62	1,128	20,113
Depreciation of right-of-use assets	1,357	-	805	2,162
Additions to non-current assets (other than interests in associates, financial assets and deferred tax assets)	17,731	49	107	17,887

The segment assets and segment liabilities as at 30 September 2023 and the reconciliation to the total assets and total liabilities are as follows:

	As at 30 September 2023		
	Electronic products <i>HK\$'000</i> (Unaudited)	Pet-related products <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	964,983	86,883	1,051,866
Unallocated:			
Property, plant and equipment			23,431
Right-of-use assets			21,600
Deferred income tax assets			853
Amount due from an associate			585
Income tax recoverable			984
Other investments			5,401
Cash and cash equivalents			4,050
Other unallocated assets			38,181
			<hr/>
Total assets per condensed consolidated interim balance sheet			1,146,951
			<hr/> <hr/>
Segment liabilities	214,857	21,760	236,617
Unallocated:			
Bank borrowings			104,371
Deferred income tax liabilities			397
Income tax payable			16,157
Other unallocated liabilities			5,799
			<hr/>
Total liabilities per condensed consolidated interim balance sheet			363,341
			<hr/> <hr/>

The segment assets and segment liabilities as at 31 March 2023 and the reconciliation to the total assets and total liabilities are as follows:

	As at 31 March 2023		
	Electronic products <i>HK\$ '000</i> (Audited)	Pet-related products <i>HK\$ '000</i> (Audited)	Total <i>HK\$ '000</i> (Audited)
Segment assets	1,046,876	90,588	1,137,464
Unallocated:			
Property, plant and equipment			22,510
Right-of-use assets			17,931
Deferred income tax assets			1,313
Amount due from an associate			585
Income tax recoverable			1,395
Other investments			5,509
Cash and cash equivalents			3,084
Other unallocated assets			41,439
Total assets per consolidated balance sheet			<u>1,231,230</u>
Segment liabilities	249,032	21,829	270,861
Unallocated:			
Bank borrowings			137,261
Deferred income tax liabilities			294
Income tax payable			15,819
Other unallocated liabilities			2,595
Total liabilities per consolidated balance sheet			<u>426,830</u>

An analysis of the Group's revenue from external customers by country of destination for the periods ended 30 September 2023 and 2022 is as follows:

	Six months ended 30 September	
	2023 <i>HK\$ '000</i> (Unaudited)	2022 <i>HK\$ '000</i> (Unaudited)
The United States of America (the "USA")	267,609	377,689
The People's Republic of China (the "PRC") *	231,061	182,627
Japan	71,749	80,039
United Kingdom	65,923	35,378
France	33,702	21,011
Australia	26,248	25,863
Singapore	4,314	-
Germany	2,061	6,579
Others	14,854	14,390
	<u>717,521</u>	<u>743,576</u>

* The PRC, including Hong Kong and Taiwan

An analysis of the Group's non-current assets, excluding financial assets at fair value through other comprehensive income, deferred income tax assets, non-current deposits and other receivables and interests in associates, by geographical locations is as follows::

	As at 30 September 2023	As at 31 March 2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
The PRC*	224,569	244,911
Vietnam	83,584	86,628
	308,153	331,539

* The PRC, including Hong Kong and Taiwan

For the six months ended 30 September 2023, external revenue of approximately HK\$180,432,000 (2022: HK\$251,525,000) was generated from two (2022: three) major customers, who accounted for more than 10% (2022: 10%) of the Group's revenue. No other customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 September 2023 and 2022.

4. OTHER (LOSSES)/GAINS - NET

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net fair value losses on financial assets at fair value through profit or loss	(11)	(43)
Net foreign currency exchange (losses)/gains	(1,241)	2,041
Release of exchange reserve upon deregistration of subsidiaries (Note)	-	12,847
Gain on lease termination	26	2
Loss on disposals of property, plant and equipment	(6)	(955)
Total other (losses)/gains – net	(1,232)	13,892

Note: The cumulative amounts of the exchange reserve of subsidiaries amounting to HK\$12,847,000, previously recognised in other comprehensive income and accumulated in equity, was reclassified to the condensed consolidated interim income statement upon deregistration of subsidiaries during the six months ended 30 September 2022.

5. EXPENSES BY NATURE

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

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories	499,850	506,386
Depreciation of property, plant and equipment	18,450	20,113
Depreciation of right-of-use assets	2,236	2,162
Employee benefit expense (including directors' emoluments)	116,226	126,968
Commission	2,363	4,917
Consumable and other material	3,078	2,258
Advertising	2,329	1,786
Repair and maintenance	2,443	4,240
Transportation	7,361	8,037
Utilities expense	6,758	6,958
Legal and professional fee	1,231	1,815
Computer expense	886	1,188
Entertainment	462	1,007
Other expenses	30,805	36,083
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Total cost of sales, distribution and selling expenses and general and administrative expenses	694,478	723,918
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6. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from:		
– bank deposits	239	144
– overdue interests received from customers	679	428
	<hr/>	<hr/>
Finance income	918	572
	<hr/>	<hr/>
Interest expense on:		
– bank borrowings	(3,635)	(2,253)
– lease liabilities	(118)	(63)
	<hr/>	<hr/>
Finance costs	(3,753)	(2,316)
	<hr/>	<hr/>
Finance costs – net	(2,835)	(1,744)
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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

For the periods ended 30 September 2023 and 2022, the Group is eligible to nominate one Hong Kong incorporated entity in the Group to be chargeable at the two tiered profits tax rates, whereby profits tax will be chargeable on the first HK\$2 million of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5%. Hong Kong profits tax for other Hong Kong incorporated entities in the Group has been provided for at the rate of 16.5% on the estimated assessable profits.

(c) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to corporate income tax at 25% (2022: 25%) effective from 1 January 2008. According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim ranging from 150% to 175% of the research and development expenses so incurred in a period as tax deductible expenses in determining its tax assessable profits for that period ("Super Deduction"). Certain PRC subsidiaries have applied such Super Deduction during the year.

(d) Vietnam taxation

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (2022: 20%). The Group's subsidiaries incorporated in Vietnam are 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.

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

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	2,544	1,921
– Income tax outside Hong Kong	616	230
Deferred income tax relating to the origination and reversal of temporary differences	563	141
	<u>3,723</u>	<u>2,292</u>

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 period.

	Six months ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (<i>HK\$ '000</i>)	<u>19,653</u>	<u>26,665</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>284,790</u>	<u>284,790</u>
Basic earnings per share (<i>HK cents</i>)	<u>6.90</u>	<u>9.36</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 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.

Diluted earnings per share for the six months ended 30 September 2023 and 2022 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

9. DIVIDENDS

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interim dividend, declared, of HK4.0 cents (2022: HK5.0 cents) per ordinary share	11,392	14,240

A final dividend of HK\$11,391,000 (2022: HK\$17,087,000) and a special dividend of HK\$8,543,000 (2022: HK\$nil) for the year ended 31 March 2023, totalling approximately HK\$19,934,000, was paid on 25 August 2023.

On 24 November 2023, the board of directors resolved to declare an interim dividend of HK4.0 cents per share (2022: HK5.0 cents per share), which is payable on or before 22 December 2023 to shareholders whose names appear on the Company's register of shareholders on 13 December 2023. This interim dividend, amounting to HK\$11,392,000 (2022: HK\$14,240,000), has not been recognised as a liability in this condensed consolidated interim balance sheet.

10. TRADE AND OTHER RECEIVABLES

As at 30 September 2023 and 31 March 2023, the ageing analysis of trade receivables based on invoice date is as follows:

	As at 30 September 2023	As at 31 March 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 to 30 days	236,321	231,730
31 to 60 days	11,168	7,014
61 to 90 days	2,137	7,995
91 to 180 days	4,690	7,335
Over 180 days	4,262	7,600
	<u>258,578</u>	<u>261,674</u>
Less: Loss allowance	(5,505)	(5,553)
	<u>253,073</u>	<u>256,121</u>
Trade receivables, net		
Amount due from Guangdong Fuchuan Investment Co., Ltd ("Guangdong Fuchuan") (Note)	35,774	35,734
Prepayments to vendors	14,075	14,553
Prepayments for plant and equipment	845	489
Other prepayments	3,898	4,320
Rental and other deposits	3,452	1,550
Value added tax receivables	3,544	3,558
Income tax recoverable	984	1,395
Other receivables	14,899	11,391
	<u>330,544</u>	<u>329,111</u>
Less: Non-current prepayments, deposits and other receivables	(3,825)	(23,082)
	<u>326,719</u>	<u>306,029</u>

Note: During the year ended 31 March 2023, the Group entered into an agreement for the disposal of its entire 50% equity interests in a joint venture, Huizhou Jiayifu Real Estate Development Co., Ltd (“Huizhou Jiayifu”) to Guangdong Fuchuan at a consideration of RMB45,900,000, payable by instalments in FY2023, FY2024 and FY2025. As at 30 September 2023, taking into account the discounting impact and the partial settlement, the outstanding consideration receivables due from Guangdong Fuchuan amounted to approximately RMB33,000,000 (equivalent to approximately HK\$36,000,000).

As at 30 September 2023, out of the total outstanding consideration receivables of RMB33,000,000, receivables amounting to RMB10,000,000 were overdue. Management was in active negotiation on the settlement plan of these overdue balances. Management assessed and considered other receivables from Guangdong Fuchuan to be fully recoverable as at 30 September 2023 as the Group has the right to require the overdue amount to be satisfied by the transfer of the saleable properties held by Guangdong Fuchuan at prices equal to 80% of their market value pursuant to the disposal agreement.

In November 2023, the Group reached an advanced stage of negotiation to conclude the overdue balances to be satisfied by the transfer of saleable properties. Up to the date of this announcement, the Group has signed the confirmation letter of the property transfer. The Group is in the process of finalising and agreeing the final terms of the agreement of the property transfer with the counterparty. Overdue receivables from Guangdong Fuchuan will be derecognised and the properties will be recognised upon the property transfer agreement becoming effective, which is expected to take effect during the second half year of FY2024.

The carrying values of the Group’s trade and other receivables approximate their fair values.

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. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

11. TRADE AND OTHER PAYABLES

As at 30 September 2023 and 31 March 2023, the ageing analysis of trade payables based on invoice date is as follows:

	As at 30 September 2023 HK\$ '000 (Unaudited)	As at 31 March 2023 HK\$ '000 (Audited)
0 to 30 days	159,506	177,844
31 to 60 days	1,652	7,613
61 to 90 days	15,987	1,481
91 to 180 days	3,852	1,505
Over 180 days	8,711	23,979
Trade payables	189,708	212,422
Salaries and staff welfare payable	14,338	16,490
Accrued expenses and other payables	21,444	23,990
Total trade and others payables	225,490	252,902

FINANCIAL PERFORMANCE

During the period under review, the global market gradually emerged from under the shadow of the COVID-19 pandemic, with raw material supply and logistics network operation returning to normal levels and consumer confidence starting to rebound, driving growth in overall demand in society. The Group took advantage of the general recovery of the market to digest inventories piled up during the pandemic, and its plants in China and Vietnam were well-prepared and had ample capacities for production. With inventory at a healthy level, sufficient cash flow, a diversified product portfolio and outstanding product R&D capabilities, the Group recorded steady development during the period under review.

Benefiting from the pandemic easing and recovery of the global economy and consumer market, however, confidence in consumption was still affected by a number of uncertainties and, as a result, the Group recorded turnover of HK\$717.5 million (1H 2022/23: HK\$743.6 million), a slight decrease of 3.5% compared to first half of 2022/2023. Gross profit was HK\$104.1 million (1H 2022/23: HK\$107.9 million), and gross profit margin was 14.5% (1H 2022/23: 14.5%). Profit attributable to shareholders was HK\$19.7 million (1H 2022/23: HK\$26.7 million). The decrease was mainly due to the absence of the non-recurring gain from the release of exchange reserve upon deregistration of subsidiaries recorded in the six months ended 30 September 2022.

For the six months ended 30 September 2023, net profit margin was 2.7% (1H 2022/23: 3.6%). Basic earnings per share were HK6.90 cents (1H 2022/23: HK9.36 cents).

BUSINESS REVIEW

Electronic Products

Electronic products, the Group's core business, continued to be the main source of revenue during the period under review. Sales amounted to HK\$590.2 million during the period (1H 2022/23: HK\$640.8 million), representing a year-on-year decrease of 7.9% and accounting for 82.3% of the Group's total sales.

During the period, revenue from professional audio equipment products rebounded, mainly because customers began to replenish stocks during the period after inventories built up amid the pandemic were basically all digested. However, orders for telephones for the hearing-impaired and communications products from Japanese customers saw a slight decline. As for the cooperation with a customer to produce electronic paper displays, a new Internet of Things ("IoT") product, at the Vietnam plant since the end of the previous financial year, the production line has operated smoothly and pushed up relevant revenue. The customer has become one of SUGA's important partners. In addition, the diversified product portfolio and "China Plus One" production layout of the Group have continued to present it with obvious advantages, drawing new customers looking to cooperate with it. With production efficiency of its Vietnam plant improving, well-trained professionals and an interconnected production management system, the Group has ample capacity for processing orders. The plant in China has received more local orders, and the facilities in China and Vietnam can complement each other in production, thus can help the Group further enhance production efficiency.

In recent years, SUGA has strengthened its IoT equipment product layout. It has also established an IoT department, which is mainly responsible for developing a diversified IoT product portfolio. The Group is able to provide business partners with one-stop solutions covering design, development, production, assembly and shipment to fully meet their needs.

Pet Business

Pet business recorded sales of HK\$127.3 million during the period (1H 2022/23: HK\$102.8 million), representing a year-on-year increase of 23.8% and accounting for 17.7% of the Group's total sales.

Regarding pet electronic products, the Group received new orders from customers with inventories built-up during the pandemic all digested by the consumption market. As a result, production of pet-related electronic products moved on a growth track during the period.

As for pet food business, sales in Hong Kong and Japan have been steadily improving. At the beginning of the year, the Group launched pet foods containing CS4 polysaccharide selenium nanoparticles (CS4 SeNP), a key active ingredient of caterpillar fungus. The products have gained market recognition and afforded satisfactory sales performance.

The Group is committed to improving the quality, R&D and production of pet foods and optimizing the pet health ecosystem. Given that consumers are becoming more discerning in their demands and the pet market is developing in depth, the Group will keep strengthening product R&D and related external cooperation, and formulate online and offline market promotion and sales strategies, to the end of boosting growth of the pet food business in different regions.

PROSPECTS

Stepping into the second half of 2023, social and economic activities around the world are resuming, there are more opportunities for regional business exchange and communication, and global consumption sentiment is improving. However, at the impact of geopolitical tension, interest rate hikes and high inflation, the global business environment will continue to be filled with uncertainties. Albeit the complex external environment, SUGA remains cautiously optimistic about its business prospects in the second half of the financial year. The Group believes with its diversified business strategy, "China Plus One" production capacity layout and strong R&D capabilities, it can effectively defend itself in the volatile market, develop business steadily and achieve better results when market conditions become clearer.

Electronic products, the Group's core business, are expected to continue to grow steadily and contribute stable revenue. The effort of the Group to deploy ahead for IoT technology and related business in recent years has started to bear fruit. The Group's electronic paper displays have won the hearts of customers and related orders have become an important revenue source. The Group is confident of receiving more orders in the IoT field in the future. Moreover, the "China Plus One" strategy, which the Group started mapping out years ago, will continue to drive steady business development. Currently, the Vietnam factory boasts markedly improved production efficiency and the Group's edge of having production lines in both China and Vietnam continues to appeal to customers. The Group expects the advantage of its "China Plus One" strategy to prevail, which will enable it to consolidate its edges while exploring ties with more new customers.

For pet business, the Group's seasoned team has been striving for years to build a pet health ecosystem through investing in and developing advanced technologies. Heeding the growing consumer demand for natural and healthy pet food and premium pet nutrition products, the Group will continue to promote pet food products containing CS4 polysaccharide selenium nanoparticles (CS4 SeNP), a key active ingredient of caterpillar fungus.

The Group will actively strengthen its diversified business layout. The rapid development of the mobile Internet and streaming media platforms has seen alongside the livestreaming industry expanding quickly in recent years, breeding strong demand for hardware equipment in related fields. The Group has timely seized this opportunity to develop the audio and video streaming interface Stream Desk, which made its debut recently at the Hong Kong Electronics Fair and received positive initial market response. Stream Desk not only reflects the strong development capability of SUGA, but also agrees with its development goals. SUGA looks forward to making professional audio and recording equipment more popular, so that consumers can, with its equipment, enjoy audio experiences of recording studio quality.

The Group currently has sufficient cash flow and the capability to timely seize appropriate investment opportunities. At the same time, with inventory effectively reduced in the first half year, and its factories in Mainland China and Vietnam having sufficient production capacities, the Group has what it takes to handle new orders, plus will be able to more quickly capture opportunities when market conditions become clearer to drive performance growth.

For the Huizhou property project, the Group entered into an termination agreement dated 14 September 2022, for the disposal of its entire 50% equity interests in Huizhou Jiayifu Real Estate Development Co., Ltd to Guangdong Fuchuan Investment Co., Ltd. at a consideration of RMB45,900,000, payable by instalments in FY2023, FY2024 and FY2025. In November 2023, the Group was in negotiation with Guangdong Fuchuan to settle the September and December 2023 instalments totalling RMB15,000,000 by the transfer of pre-sale units in the development project at prices equal to 80% of the market value of the units as determined by the professional valuer. Up to the date of this announcement, the Group signed the confirmation letter of the property transfer. If there are any new developments of the project, the Group will announce them in due course.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2023, the current assets and current liabilities of the Group were approximately HK\$829.6 million (31 March 2023: HK\$870.4 million) and approximately HK\$359.3 million (31 March 2023: HK\$408.2 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was 2.31 times as at 30 September 2023, as compared to that of 2.13 times as at 31 March 2023.

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 30 September 2023, the Group maintained cash and bank balances at approximately HK\$170.3 million (31 March 2023: HK\$138.2 million). The Group's total bank borrowings were HK\$104.4 million as at 30 September 2023 (31 March 2023: HK\$137.3 million). Net cash position (cash and cash equivalent less total bank borrowings) was HK\$65.9 million (31 March 2023: net cash of HK\$0.9 million). Gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 13.3% (31 March 2023: 17.1%).

The Group's total assets and total liabilities as at 30 September 2023 amounted to approximately HK\$1,147.0 million (31 March 2023: HK\$1,231.2 million) and HK\$363.3 million (31 March 2023: HK\$426.8 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.32 times as at 30 September 2023, as compared to that of approximately 0.35 times as at 31 March 2023.

The net asset value of the Group decreased from HK\$804.4 million as at 31 March 2023 to HK\$783.6 million as at 30 September 2023, the decrease is mainly attributable by the net effect of profit for the period, comprehensive loss from exchange difference arising on translation of foreign subsidiaries and final dividends paid for the financial year 2022/23.

As at 30 September 2023, the Group had aggregate banking facilities of approximately HK\$802.7 million (31 March 2023: HK\$822.7 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$675.8 million (31 March 2023: HK\$682.3 million).

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily respect to 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 30 September 2023 and 31 March 2023, 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 did not pledge any other assets as securities for the banking facilities granted to the Group as at 30 September 2023 and 31 March 2023.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2023, the Group had a capital commitment of HK\$0.5 million for property, plant and equipment. (31 March 2023: HK\$0.7 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2023 amounted to HK\$104.4 million (31 March 2023: HK\$137.3 million). As at 30 September 2023, the Group did not provide any financial guarantees except for corporate guarantees given to banks to secure the borrowings granted to subsidiaries (31 March 2023: Same).

HUMAN RESOURCES

As at 30 September 2023, the Group has approximately 2,083 employees, of which 58 were based in Hong Kong, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code provisions as set out in the Appendix 14 "Corporate Governance Code" to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "CG Code") throughout the period, except the deviation from the code provision C.2.1. According to the code provision C.2.1 of the Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Up to 30 June 2023, the Company did not have a separate Chairman and Chief Executive Officer and Dr. Ng Chi Ho held positions to provide the Group with strong and consistent leadership. Dr. Ng Chi Ho relinquished his role as the Chief Executive officer and remains as the Chairman and an executive director and Dr. Ng Man Cheuk has been appointed as Chief Executive Officer of the Company with effect from 1 July 2023. Thereafter, the Company has complied with the code provision C.2.1 of the Code.

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 period under review.

COMPLIANCE WITH THE MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 September 2023.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed, among other things, the risk management and internal control systems and financial reporting matters, including the review of the unaudited condensed consolidated interim financial information for the six months ended 30 September 2023.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4.0 cents per share for the six months ended 30 September 2023 (1H 2022/23: interim dividend of HK5.0 cents per share) payable to shareholders whose names appear on the Register of Shareholders of the Company on 13 December 2023. The interim dividend will be paid on or before 22 December 2023.

CLOSURE OF REGISTER

For the purpose of ascertaining the entitlement of the shareholders to receive the interim dividend, the Register of Shareholders of the Company will be closed on 13 December 2023 during which date no transfer of shares in the Company will be registered. In order to qualify for the interim 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, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12 December 2023.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by the Listing Rules will be published on the Stock Exchange's website at (www.hkexnews.hk) and the Company's website at (www.suga.com.hk). The Interim report will be dispatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
NG Chi Ho
Chairman

Hong Kong, 24 November 2023

As at the date hereof, the executive directors of the Company are Dr. NG Chi Ho and Dr. NG Man Cheuk, the non-executive directors of the Company are Mr. MA Fung On, Mr. LEE Kam Hung and Prof. LUK Wing Ching and the independent non-executive directors of the Company are Mr. LEUNG Yu Ming, Steven, Mr. CHAN Kit Wang and Dr. LAW Sui Chun.