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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 2024

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$1,400.3 million (2023: HK\$1,443.5 million)
- Gross profit was HK\$203.3 million (2023: HK\$202.9 million)
- Profit attributable to equity holders was HK\$32.1 million (2023: HK\$59.8 million)
- Basic earnings per share was HK11.26 cents (2023: HK21.00 cents)
- The Board proposed a final dividend of HK4.0 cents per share (2023: final dividend of HK4.0 cents and special dividend of HK3.0 cents per share)
- Total dividends per share for the year amount to HK8.0 cents (2023: HK12.0 cents)

ANNUAL RESULTS

The Board of Directors (the “Board”) of Suga International Holdings Limited (“Company”) would like to announce the consolidated results of the Company and its subsidiaries (together “SUGA” or the “Group”) for the year ended 31 March 2024.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	2	1,400,293	1,443,482
Cost of sales	4	(1,197,026)	(1,240,604)
Gross profit		203,267	202,878
Other income		6,239	4,824
Other gains – net	3	810	56,276
Distribution and selling expenses	4	(57,599)	(62,040)
General and administrative expenses	4	(106,712)	(116,146)
Net impairment losses on financial assets and financial guarantees		(1,049)	(1,501)
Operating profit		44,956	84,291
Finance income	5	2,894	1,586
Finance costs	5	(6,384)	(6,305)
Finance costs – net	5	(3,490)	(4,719)
Impairment losses on interests in associates		-	(11,883)
Share of profits of associates – net		-	3,183
		-	(8,700)
Profit before income tax		41,466	70,872
Income tax expense	6	(9,139)	(10,797)
Profit for the year		32,327	60,075
Profit attributable to:			
Owners of the Company		32,059	59,810
Non-controlling interests		268	265
		32,327	60,075
Earnings per share for profit attributable to owners of the Company during the year			
– Basic (HK cents)	7	11.26	21.00
– Diluted (HK cents)	7	11.26	21.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit for the year	<u>32,327</u>	<u>60,075</u>
Other comprehensive loss:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(21,990)	(21,051)
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 on equity investments at fair value through other comprehensive income	<u>(374)</u>	<u>(409)</u>
Other comprehensive loss for the year	<u>(22,364)</u>	<u>(34,307)</u>
Total comprehensive income for the year	<u>9,963</u>	<u>25,768</u>
Total comprehensive income attributable to:		
Owners of the Company	9,695	25,503
Non-controlling interests	<u>268</u>	<u>265</u>
	<u>9,963</u>	<u>25,768</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2024

	<i>Note</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		210,559	246,464
Right-of-use assets		80,079	80,544
Investment properties		19,462	-
Intangible assets		-	-
Goodwill		3,949	3,949
Interests in associates		-	-
Financial assets at fair value through other comprehensive income		6,651	5,479
Deferred income tax assets		997	1,313
Non-current prepayments and other receivables	9	3,170	23,082
		324,867	360,831
Current assets			
Inventories	10	273,739	425,530
Trade receivables	9	263,540	256,121
Prepayments, deposits and other receivables	9	54,441	49,908
Financial assets at fair value through profit or loss		52	30
Amounts due from associates		585	585
Cash and cash equivalents		161,874	138,225
		754,231	870,399
Total assets		1,079,098	1,231,230

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings		2,225	17,035
Lease liabilities		3,582	1,335
Deferred income tax liabilities		1,269	294
		<u>7,076</u>	<u>18,664</u>
Current liabilities			
Trade and other payables	<i>11</i>	227,909	252,902
Contract liabilities	<i>11</i>	8,479	18,727
Income tax payable		12,251	15,819
Lease liabilities		1,777	492
Bank borrowings		38,570	120,226
		<u>288,986</u>	<u>408,166</u>
Total liabilities		<u>296,062</u>	<u>426,830</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		28,479	28,479
Other reserves		65,500	88,607
Retained earnings		687,006	685,531
		<u>780,985</u>	<u>802,617</u>
Non-controlling interests		2,051	1,783
Total equity		<u>783,036</u>	<u>804,400</u>
Total equity and liabilities		<u>1,079,098</u>	<u>1,231,230</u>

Notes:

1. BASIS OF PREPARATION

- (a) Compliance with HKFRSs and the disclosure requirements of HKCO

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

- (b) Historical cost convention

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

- (c) New standards and amendments to existing standards adopted by the Group

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1 April 2023 and have been adopted in the preparation of the consolidated financial 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 Income Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules
HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Amendments to HKFRS 17
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative information

The adoption of these new standards and amendments to existing standards does not have significant impacts on the Group’s consolidated financial information.

- (d) 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 April 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 April 2024
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback	1 April 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 April 2024
Amendments to HKAS 21	Lack of Exchangeability	1 April 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.

2. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors collectively 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 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, bank borrowings, share of results of associates and income tax expenses 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 information.

Revenue from external customers is shown after elimination of inter-segment revenue. Sales between segments, which mainly consist of sale of electronic components and products among subsidiaries, are carried out at mutually agreed terms. Revenue from external parties is measured in a manner consistent with that in the consolidated income statement.

Assets of reportable segments exclude current and deferred income tax assets, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, interests in and amounts due from associates, and corporate assets, all of which are managed on a central basis. Liabilities of reportable segments exclude bank borrowings, current and deferred income tax liabilities, financial guarantee contracts 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 year ended 31 March 2024 is as follows:

	2024			
	Electronic products <i>HK\$'000</i>	Pet related products <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
Revenue from external customers	1,160,198	240,095	-	1,400,293
Inter-segment revenue	166,121	53,905	(220,026)	-
	1,326,319	294,000	(220,026)	1,400,293
Segment results	48,389	4,921		53,310
A reconciliation of segment results to profit for the year is as follows:				
Segment results				53,310
Unallocated expenses – net				(15,403)
Other income				6,239
Other gains – net				810
Operating profit				44,956
Finance income				2,894
Finance costs				(6,384)
Profit before income tax				41,466
Income tax expense				(9,139)
Profit for the year				32,327
	Electronic products <i>HK\$'000</i>	Pet related products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information				
Depreciation of property, plant and equipment	33,805	193	1,304	35,302
Depreciation of right-of-use assets	1,718	442	2,320	4,480
Additions to non-current assets (other than interests in associates, financial assets and deferred tax assets)	7,748	960	5,219	13,927

The segment information provided to the CODM for the reportable segments for the year ended 31 March 2023 is as follows:

	2023			
	Electronic products <i>HK\$ '000</i>	Pet related products <i>HK\$ '000</i>	Elimination <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Revenue				
Revenue from external customers	1,243,928	199,554	-	1,443,482
Inter-segment revenue	134,225	68,843	(203,068)	-
	<u>1,378,153</u>	<u>268,397</u>	<u>(203,068)</u>	<u>1,443,482</u>
Segment results	<u>39,448</u>	<u>3,692</u>		<u>43,140</u>
A reconciliation of segment results to profit for the year is as follows:				
Segment results				43,140
Unallocated expenses – net				(19,949)
Other income				4,824
Other gains – net				56,276
Operating profit				84,291
Finance income				1,586
Finance costs				(6,305)
Impairment losses on interest in associates				(11,883)
Share of profits of associates – net				3,183
Profit before income tax				70,872
Income tax expense				(10,797)
Profit for the year				<u>60,075</u>
	Electronic products <i>HK\$ '000</i>	Pet related products <i>HK\$ '000</i>	Unallocated <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Other segment information				
Depreciation of property, plant and equipment	36,641	172	1,437	38,250
Depreciation of right-of-use assets	1,731	384	2,322	4,437
Additions to non-current assets (other than interests in associates, financial assets and deferred tax assets)	<u>19,593</u>	<u>1,262</u>	<u>29</u>	<u>20,884</u>

The segment assets and segment liabilities as at 31 March 2024 and the reconciliation to the total assets and total liabilities are as follows:

	2024		
	Electronic products	Pet related products	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	872,090	82,576	954,666
Unallocated:			
Property, plant and equipment			22,108
Right-of-use assets			20,440
Investment property			19,462
Deferred income tax assets			997
Amount due from an associate			585
Income tax recoverable			1,071
Other investments			6,703
Cash and cash equivalents			26,900
Other unallocated assets			26,166
			<hr/>
Total assets per consolidated balance sheet			1,079,098
			<hr/>
Segment liabilities	223,673	12,577	236,250
Unallocated:			
Bank borrowings			40,795
Deferred income tax liabilities			1,269
Income tax payable			12,251
Lease liabilities			3,269
Other unallocated liabilities			2,228
			<hr/>
Total liabilities per consolidated balance sheet			296,062
			<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:

	2023		
	Electronic products <i>HK\$ '000</i>	Pet related products <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
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
Amounts 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
			<hr/>
Total assets per consolidated balance sheet			1,231,230
			<hr style="border-top: 3px solid black;"/>
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
			<hr/>
Total liabilities per consolidated balance sheet			426,830
			<hr style="border-top: 3px solid black;"/>

An analysis of the Group's revenue from external customers by country of destination for the years ended 31 March 2024 and 2023 is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
The United States of America (the "USA")	617,211	654,433
The PRC*	497,281	411,843
Japan	111,523	177,171
France	51,387	48,817
Australia	39,463	53,363
Singapore	19,730	70
United Kingdom	19,604	58,349
Germany	5,883	7,458
Others	38,211	31,978
	1,400,293	1,443,482

*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 other receivables and interests in associates, by geographical locations is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
The PRC*	240,601	244,911
Vietnam	83,268	86,628
	323,869	331,539

*The PRC, including Hong Kong and Taiwan

For the year ended 31 March 2024, external revenue of approximately HK\$380,805,000 (2023: HK\$292,942,000) was generated from two (2023: two) major customers. The customers accounted for 10% or more (2023: 10%) of the Group's revenue.

No other customer accounted for more than 10% of the Group's revenue for the years ended 31 March 2024 and 2023.

3. OTHER GAINS – NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Gain on disposal of interest in a joint venture	-	38,115
Release of exchange reserve upon deregistration of subsidiaries (<i>Note</i>)	-	12,847
Gain on disposal of interest in an associate	-	1,000
Net foreign currency exchange (loss)/gain	(3,138)	5,366
Net fair value gains/(losses) on financial assets at fair value through profit or loss	22	(61)
Fair value gain on investment properties	3,768	-
Gain on lease termination	26	2
Gain/(loss) on disposals of property, plant and equipment	132	(993)
	810	56,276

Note:

The cumulative amounts of exchange reserve of subsidiaries amounting to HK\$12,847,000, previously recognised in other comprehensive income and accumulated in reserve, was reclassified to the consolidated income statement upon deregistration of subsidiaries during the year ended 31 March 2023.

4. EXPENSES BY NATURE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories	970,418	999,073
Depreciation of property, plant and equipment	35,302	38,250
Depreciation of right-of-use assets	4,480	4,437
Operating lease rental for short-term leases	1,084	1,259
Employee benefit expense (including directors' emoluments)	242,502	245,890
Auditor's remuneration		
– Audit services	3,340	3,340
– Non-audit services	1,182	928
Commission	3,728	11,485
Donations	266	350
Legal and professional fee	2,905	4,490
Advertising	5,217	4,886
Repairs and maintenance	4,463	7,285
Transportation	12,497	14,768
Utilities expense	12,458	11,359
Entertainment	5,592	3,386
Insurance	1,332	1,321
Other expenses	54,571	66,283
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses and general and administrative expenses	1,361,337	1,418,790
	<hr/>	<hr/>

5. FINANCE COSTS – NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest income from:		
– bank deposits	1,688	233
– overdue interests received from customers	596	1,221
– others	610	132
	<hr/>	<hr/>
Finance income	2,894	1,586
	<hr/>	<hr/>
Interest expense on:		
– bank borrowings	(6,108)	(6,182)
– lease liabilities	(276)	(123)
	<hr/>	<hr/>
Finance costs	(6,384)	(6,305)
	<hr/>	<hr/>
Finance costs – net	(3,490)	(4,719)
	<hr/>	<hr/>

6. INCOME TAX EXPENSE

(a) Bermuda and British Virgin Islands income tax

The Company is exempted from taxation in Bermuda until 2035. The Company's subsidiaries in the British Virgin Islands are incorporated under the International Business Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income taxes.

(b) Hong Kong profits tax

For the years ended 31 March 2024 and 2023, 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% (2023: 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% (2023: 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 consolidated income statement represents:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	2,423	1,873
– Income tax outside Hong Kong	1,313	12,289
– Under/(over)-provision in prior years	4,143	(3,281)
Deferred income tax charge/(credit)	1,260	(84)
	<hr/>	<hr/>
Total income tax expense	9,139	10,797
	<hr/>	<hr/>

7. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2024	2023
Profit attributable to owners of the Company (HK\$'000)	<u>32,059</u>	59,810
Weighted average number of ordinary shares in issue ('000)	<u>284,790</u>	284,790
Basic earnings per share (HK cents)	<u>11.26</u>	21.00

(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.

	2024	2023
Profit attributable to owners of the Company (HK\$'000)	<u>32,059</u>	59,810
Weighted average number of ordinary shares in issue ('000)	<u>284,790</u>	284,790
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>284,790</u>	284,790
Diluted earnings per share (HK cents)	<u>11.26</u>	21.00

8. DIVIDENDS

An interim dividend of HK\$11,392,000 (HK4.0 cents per share) for the period ended 30 September 2023 was paid during the current year. A final dividend of HK\$11,392,000 (HK4.0 cents per share) and a special dividend of HK\$8,542,000 (HK3.0 cents per share) for the year ended 31 March 2023, totalling approximately HK\$19,934,000, were paid during the current year. A final dividend of HK4.0 cents per share for the year ended 31 March 2024, totalling approximately HK\$11,392,000, is to be proposed at the annual general meeting on 15 August 2024. The consolidated financial information do not reflect such dividend to be payable.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interim dividend, paid, of HK4.0 cents (2023: HK5.0 cents) per ordinary share	11,392	14,240
Final dividend, proposed, of HK4.0 cents (2023: final dividend of HK4.0 cents and special dividend of HK3.0 cents) per ordinary share	11,392	19,934
	22,784	34,174

9. TRADE RECEIVABLES AND PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

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

(a) Trade receivables

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	270,244	261,674
Less: Loss allowance	(6,704)	(5,553)
Trade receivables, net	263,540	256,121

As at 31 March 2024, the ageing analysis of trade receivables based on invoice date is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	248,290	231,730
31 to 60 days	11,273	7,014
61 to 90 days	3,628	7,995
91 to 180 days	805	7,335
Over 180 days	6,248	7,600
	270,244	261,674
Less: Loss allowance	(6,704)	(5,553)
Trade receivables, net	263,540	256,121

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.

(b) Prepayment, deposits and other receivables

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Amount due from Guangdong Fuchuan (<i>Note</i>)	21,062	35,734
Prepayments to vendors	13,851	14,553
Prepayments for plant and equipment	470	489
Other prepayments	3,445	4,320
Rental and other deposits	1,145	1,550
Value added tax receivables	2,343	3,558
Income tax recoverable	1,071	1,395
Others receivables	19,702	16,869
Less: Loss allowance	(5,478)	(5,478)
	57,611	72,990
Less: Non-current prepayments and other receivables	(3,170)	(23,082)
Current portion	54,441	49,908

Note:

In September 2022, the Group entered into an agreement for the disposal of its interest in Huizhou Jiayifu to Guangdong Fuchuan Investment Co., Ltd (“Guangdong Fuchuan”) at a consideration of RMB45,900,000. Pursuant to the termination agreement, the Group conditionally agreed to sell all the equity interests, representing all of its 50% equity interests in Huizhou Jiayifu, to Guangdong Fuchuan at a consideration of RMB45,900,000, payable by Guangdong Fuchuan in instalments, and Guangdong Fuchuan agreed to undertake to procure the release of the Group from the financial guarantee and share charge granted in favour of the bank to secure the bank facility granted to Huizhou Jiayifu.

Receipt in advance of RMB10,900,000 (equivalent to approximately HK\$11,772,000) was collected from Guangdong Fuchuan before the completion date. The disposal of equity interests in Huizhou Jiayifu was completed in December 2022 and a disposal gain of approximately HK\$38,115,000 (note 3) was recognised in the consolidated income statement during the year ended 31 March 2023.

In November 2023, the Group received investment properties of approximately HK\$15,759,000 from Guangdong Fuchuan as part of the consideration for disposal of joint venture in September 2022. As at 31 March 2024, taking into account the discounting impact, the outstanding consideration receivable due from Guangdong Fuchuan amounted to approximately RMB19,502,000 (equivalent to approximately HK\$21,062,000), are expected to be collected by instalments during the year ending 31 March 2025. Pursuant to the termination agreement, if Guangdong Fuchuan fail to repay the outstanding balances based on the mutually agreed schedule, the Group has the right to require Guangdong Fuchuan to settle the receivables by transferring Guangdong Fuchuan’s properties at prices equal to 80% of their market value.

10. INVENTORIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Raw materials	236,985	370,390
Work- in-process	22,200	26,371
Finished goods	18,849	33,229
	<hr/>	<hr/>
	278,034	429,990
Less: Provision of impairment	(4,295)	(4,460)
	<hr/>	<hr/>
	273,739	425,530
	<hr/>	<hr/>

11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	188,729	212,422
Salaries and staff welfare payable	21,530	16,490
Accrued expenses	5,427	2,988
Others	12,223	21,002
	<hr/>	<hr/>
Total trade and other payables	227,909	252,902
	<hr/>	<hr/>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	168,966	177,844
31 to 60 days	8,622	7,613
61 to 90 days	1,071	1,481
91 to 180 days	4,043	1,505
Over 180 days	6,027	23,979
	<hr/>	<hr/>
	188,729	212,422
	<hr/>	<hr/>

The fair values of the Group's trade and other payables approximate their carrying values.

(b) Contract liabilities

The contract liabilities represent the advance payments received from counterparties for goods that have not yet been transferred to customers. The Group has recognised the following liabilities related to contracts with customers:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contract liabilities – sales of goods	8,479	18,727
	<hr/>	<hr/>

FINANCIAL PERFORMANCE

During the year, the global economy continued to recover, albeit unevenly, while geopolitical tensions and persistently high US dollar interest rates added uncertainty to the market. In this complex and volatile economic environment, the Group maintained prudent operations, successfully controlled costs and significantly reduced inventory. The Group strove to strengthen the production efficiency of its plants in China and Vietnam and maintained reserve capacity. These factors, combined with the Group's consistently diversified product portfolio and outstanding product research and development capabilities, enabled the Group to maintain stable performance during the year despite the pressure.

Turnover for the year was HK\$1,400.3 million (FY 2022/23: HK\$1,443.5 million), a decrease of approximately 3.0% compared with the previous year, mainly due to the cautious ordering strategy of customers affected by the macroeconomic downturn. However, benefiting from successful cost control and the improved production efficiency of the plants in Dongguan, China, and Vietnam, the Group's annual gross profit reached HK\$203.3 million and gross profit margin increased to 14.5% (FY 2022/23: HK\$202.9 million and 14.1%). Profit attributable to shareholders decreased by 46.4% to HK\$32.1 million (FY 2022/23: HK\$59.8 million), which was mainly attributable to several non-recurring items incurred during the year ended 31 March 2023, including gains on disposal of interest in a joint venture, release of exchange reserve upon deregistration of subsidiaries and impairment losses on interest in an associate. The net profit margin was 2.3% (FY 2022/23: 4.2%). Basic earnings per share were HK11.26 cents (FY 2022/23: HK21.00 cents).

BUSINESS OVERVIEW

Electronic Products

As the core business of the Group, electronic products remained the main source of revenue during the year under review. During the year, sales amounted to HK\$1,160.2 million (FY 2022/23: HK\$1,243.9 million), representing a year-on-year decrease of 6.7% and accounting for 82.9% of the Group's total sales.

At the end of the last financial year, the Group reached a cooperation agreement with a new Internet of Things ("IoT") customer to support the production of electronic paper displays at its Vietnam plant. The related production progressed in an orderly manner and production efficiency steadily improved during the year. As a result, the Group's related revenue in the second half of the year was higher than in the first half, and this customer has become one of SUGA's key partners. During the year, revenue from professional audio equipment products, telephones for the hearing impaired and telecommunications products from Japanese customers recorded a decline, mainly because customers were still reducing their inventories and tended to be cautious in placing orders, and the weak economic trend also slowed demand growth.

During the year, customers of electronic products appreciated the capabilities of the Group's diversified product portfolio and "China Plus One" production advantages. They maintained contact with the Group with the hope of cooperating in the future, which could become a new growth driver for the Group's business. During the year, the production efficiency of the Group's Vietnam plant continued to improve, with well-trained professionals and its production management system linked to the Mainland China plant, enabling the Group to have sufficient capacity to process orders. The number of domestic orders received by the Mainland China plant also grew during the year, contributing greatly to the Group's efficiency. The plants in China and Vietnam complemented each other and further enhanced the Group's production efficiency.

SUGA has strengthened its product layout in the IoT equipment sector. An internal IoT department has been set up to develop a diversified IoT product portfolio. SUGA is able to provide customers with one-stop solutions including design, development, production, assembly and shipping to fully meet the needs of business partners.

Pet Business

The pet business achieved sales of HK\$240.1 million during the year (FY 2022/23: HK\$199.6 million), representing an increase of 20.3% year-on-year and accounting for 17.1% of the Group's total sales.

In terms of pet electronic products, the Group seized the opportunity that arose from inventory digestion in the consumer market and grasped the continuous orders placed by customers, which greatly improved the performance of pet-related electronic products during the year compared with the previous financial year.

In terms of the pet food business, the Group's own pet food brand "Brabanconne" maintained an upward trend in the Hong Kong and Japanese markets. The pet food containing CS4 polysaccharide selenium nanoparticles (CS4 SeNP), a key active ingredient of caterpillar fungus, which the Group launched last year, also continued to perform well in the market.

The Group has been committed to improving the quality of pet food and optimizing the relevant business systems to create a pet health ecosystem by strengthening R&D capabilities and production efficiency. The Group will continue to strengthen product R&D and external cooperation, and promote sales in online and offline markets to facilitate the continued development of the pet food business in various regions.

PROSPECTS

In the second half of 2024, opportunities for inter-regional business exchanges will increase, and consumer sentiment is likely to continue to pick up. However, continued geopolitical tensions and the uncertainty about the timing of interest rate cuts by the U.S. Federal Reserve continue to make the global business environment fraught with uncertainty. Faced with the complex and volatile economic situation, SUGA remains cautiously optimistic about its business prospects in the second half of the financial year. The Group believes that with the help of diversified business strategies, "China Plus One" production capacity layout, strong R&D capabilities, and effective cost control measures, SUGA can effectively respond to market changes, achieve business stability and progress, and create returns for shareholders as the market conditions become clearer.

The Group expects its core business of electronic products to continue to achieve steady development and contribute stable revenue. As existing customers reduce inventories and new customers contribute orders, the Group is confident that revenue from electronic products such as professional audio equipment can continue to recover. At the same time, the Group's forward-looking layout and business expansion in IoT technology and related businesses have created good synergies with its "China Plus One" strategy. The Group's electronic paper display customer in Vietnam has contributed to the growth of the Group's related businesses and has become an important source of revenue for the Group. In the future, the Group is confident that it will receive more orders in the IoT field. The production efficiency of the Group's Vietnam plant has also gradually approached that of the Mainland China plant, which has become a solid foundation for the Group to consolidate and expand its customer base. As a result, the Group can more flexibly deploy its production capacity and further develop its diversified production layout.

As for the pet business, the Group's experienced team has been striving for years to build a pet health ecosystem by investing in and developing advanced technologies and seeking potential external cooperation opportunities. The Group will continue to cater for consumers' demand for natural and healthy pet food and high-end pet nutrition, and promote pet food products containing CS4 polysaccharide selenium nanoparticles (CS4 SeNP), the main active ingredient of caterpillar fungus, while actively seeking operating methods and cooperation opportunities to improve its own operating efficiency. It will also adopt more precise and effective marketing strategies based on the differences in online and offline consumer preferences in different regions, in order to achieve good business development in various sales locations.

The Group will continue to keep pace with market trends and enrich its diversified business layout. The promotion and popularization of 5G will facilitate the widespread application of IoT technology. Greater bandwidth and faster mobile services will enable applications such as smart home appliances, smart business solutions, and smart traffic management systems to penetrate all aspects of daily life. This trend is in line with the Group's development goals. SUGA expects IoT technology to become more popular and ubiquitous, and is confident that it will capture corresponding business opportunities based on its own strengths. In addition, the Group's self-developed audio and video streaming interface, Stream Desk, made its debut at the Hong Kong Electronics Fair last year, reflecting SUGA's outstanding development capabilities and keen market insight.

Thanks to effective cost control strategies, the Group's current cash flow position is more robust than in the 2023/24 interim period, and it has sufficient strength to seize appropriate investment opportunities when the time is right. At the same time, the Group's inventory levels are still steadily declining. Its plants in China and Vietnam have sufficient production capacity, and their production efficiency is increasing year by year. These factors have made the Group well prepared to handle new orders and enable it to attract customers and seize opportunities more quickly when market conditions become clearer, thereby promoting performance growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2024, the current assets and current liabilities of the Group were approximately HK\$754.2 million (31 March 2023: HK\$870.4 million) and approximately HK\$289.0 million (31 March 2023: HK\$408.2 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was 2.61 times as at 31 March 2024, 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 31 March 2024, the Group maintained cash and bank balances at approximately HK\$161.9 million (31 March 2023: HK\$138.2 million) and total bank borrowings were HK\$40.8 million (31 March 2023: HK\$137.3 million). Net cash position (total bank borrowings less cash and cash equivalents) was HK\$121.1 million (31 March 2023: HK\$0.9 million). Gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 5.2% (31 March 2023: 17.1%).

The Group's total assets and total liabilities as at 31 March 2024 amounted to approximately HK\$1,079.1 million (31 March 2023: HK\$1,231.2 million) and HK\$296.1 million (31 March 2023: HK\$426.8 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.27 times as at 31 March 2024, 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\$783.0 million as at 31 March 2024, the decrease is mainly attributable by the net effect of comprehensive profit for the year and final dividends paid for the financial year 2022/23 as well as interim dividend paid for financial year 2023/24.

As at 31 March 2024, the Group had aggregate banking facilities of approximately HK\$792.8 million (31 March 2023: HK\$822.7 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$735.8 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 31 March 2024 and 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 assets as securities for the banking facilities granted to the Group as at 31 March 2024 and 2023.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2024, the Group had a capital commitment of HK\$3.8 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 31 March 2024 amounted to HK\$40.8 million (31 March 2023: HK\$137.3 million). As at 31 March 2024, 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 31 March 2024 the Group has approximately 2,364 employees, of which 48 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 year.

CORPORATE GOVERNANCE

The Board of Directors and the management of 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 2024, the Company has complied with all applicable code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”, except for the code provision C.2.1.).

According to the code provision C.2.1 of the CG 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 both 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 CG Code.

Save as the above-mentioned deviation, none of the directors of the Company (the “Director”) 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.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors of the Company. The audit committee had reviewed with management the accounting principles and practices adopted by the Group and discussed, among other things, the internal control system and risk management, and financial reporting matters including the review of consolidated financial statements of the Group for the year ended 31 March 2024.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in this announcement of the Group’s results for the year ended 31 March 2024 have been agreed by the Group’s external auditor, PricewaterhouseCoopers (“PwC”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by PwC on this announcement.

FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK4.0 cents per ordinary share (FY 2022/23: Final dividend of HK4.0 cents per ordinary share and special dividend of HK3.0 cents per ordinary share) to shareholders whose names appear on the Register of Shareholders of the Company on 21 August 2024. Together with the interim dividend of HK4.0 cents per ordinary share already paid, the total dividend for the year would be HK8.0 cents per ordinary share (FY 2022/23: HK12.0 cents per ordinary share). Subject to the approval of shareholders at the 2024 Annual General Meeting, the proposed final dividend will be paid on or before 30 August 2024.

EVENT OCCURRING AFTER THE REPORTING PERIOD

Save as disclosed above, there were no material subsequent events from 31 March 2024 up to the date of this announcement.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from 12 August 2024 to 15 August 2024 (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 2024 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 9 August 2024.

The Register of Shareholders of the Company will be closed on 21 August 2024 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 2024 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 21 August 2024. 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 20 August 2024.

ANNUAL GENERAL MEETING

The 2024 Annual General Meeting will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 15 August 2024 at 3:00 p.m.. For details of the 2024 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 11 July 2024.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

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

On behalf of the board of directors
NG Chi Ho
Chairman

Hong Kong, 27 June 2024

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.