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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 2022

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$743.6 million (2021: HK\$1,003.3 million)
- Gross profit was HK\$107.9 million (2021: HK\$134.7 million)
- Profit attributable to owners of the Company was HK\$26.7 million (2021: HK\$29.1 million)
- Basic earnings per share was HK9.36 cents (2021: HK10.22 cents)
- The Board has resolved to declare an interim dividend of HK5.0 cents per share (2021: interim dividend of HK6.0 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 2022:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		Six months ended	
		30 September	
	Note	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	743,576	1,003,298
Cost of sales	5	(635,696)	(868,606)
Gross profit		107,880	134,692
Other income		4,420	876
Other gains – net	4	13,892	7,267
Distribution and selling expenses	5	(28,046)	(31,994)
General and administrative expenses	5	(60,176)	(71,888)
Net impairment loss on a financial asset and a financial guarantee		(4,476)	-
Operating profit		33,494	38,953
Finance income	6	572	621
Finance costs	6	(2,316)	(1,871)
Finance costs – net		(1,744)	(1,250)
Impairment loss on interest in an associate		(2,275)	-
Share of losses of associates		(235)	(3,323)
		(2,510)	(3,323)
Profit before income tax		29,240	34,380
Income tax expense	7	(2,292)	(4,873)
Profit for the period		26,948	29,507
Profit attributable to:			
Owners of the Company		26,665	29,103
Non-controlling interests		283	404
		26,948	29,507
Earnings per share for profit attributable to owners of the Company during the period			
– Basic (HK cents)	8	9.36	10.22
– Diluted (HK cents)	8	9.36	10.21
Dividends	9	14,240	17,087

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	26,948	29,507
Other comprehensive loss		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(20,014)	(3,297)
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 gains / (losses) on equity investments at fair value through other comprehensive income	108	(201)
Other comprehensive loss for the period	(32,753)	(3,498)
Total comprehensive (loss) / income for the period	(5,805)	26,009
Total comprehensive (loss) / income attributable to:		
Owners of the Company	(6,088)	25,605
Non-controlling interests	283	404
	(5,805)	26,009

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2022

	30 September	31 March
	2022	2022
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	268,040	297,115
Right-of-use assets	85,697	87,393
Intangible assets	-	-
Goodwill	3,949	3,949
Interests in associates	13,618	16,128
Interest in a joint venture	-	7,547
Financial assets at fair value through other comprehensive income	5,996	5,888
Deferred income tax assets	1,063	1,066
Non-current prepayments and other receivables	<i>10</i> 3,716	14,959
	382,079	434,045
Current assets		
Inventories	445,177	452,837
Trade and other receivables	<i>10</i> 272,620	296,837
Financial assets at fair value through profit or loss	48	91
Amounts due from associates	5,223	1,789
Amount due from a joint venture	-	6,000
Cash and cash equivalents	158,039	141,657
	881,107	899,211
Asset classified as held for sale	7,044	-
	888,151	899,211
Total assets	1,270,230	1,333,256

		30 September 2022	31 March 2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings		26,315	21,250
Lease liabilities		1,531	1,161
Deferred income tax liabilities		227	88
		<hr/> 28,073 <hr/>	<hr/> 22,499 <hr/>
Current liabilities			
Trade and other payables	<i>11</i>	268,753	263,574
Contract liabilities		19,712	27,290
Financial guarantee contracts		4,316	4,478
Income tax payable		12,683	18,915
Lease liabilities		1,235	1,791
Bank borrowings		148,391	184,750
		<hr/> 455,090 <hr/>	<hr/> 500,798 <hr/>
Total liabilities		<hr/> 483,163 <hr/>	<hr/> 523,297 <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		28,479	28,479
Other reserves		90,161	122,914
Retained earnings		666,626	657,048
		<hr/> 785,266 <hr/>	<hr/> 808,441 <hr/>
Non-controlling interests		1,801	1,518
Total equity		<hr/> 787,067 <hr/>	<hr/> 809,959 <hr/>
Total equity and liabilities		<hr/> 1,270,230 <hr/>	<hr/> 1,333,256 <hr/>

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 2022, 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 2022 as described in those annual consolidated financial statements except for the taxes on income in the interim periods which are accrued using the tax rate that would be applicable to expected total annual earnings, the adoption of new and amended standards and the accounting policy on non-current assets held for sale as set out below.

(a) Amendments to existing standards, guideline and annual improvements adopted by the Group

The following amendments to existing standards, guideline and annual improvements are mandatory for the first time for the financial year beginning 1 April 2022 and currently relevant to the Group:

Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use
Amendments to HKAS 37	Onerous contracts - cost of fulfilling a contract
Amendments to HKFRS 3	Reference to the conceptual framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021
Amendments to annual improvements project	Annual improvements 2018-2020 cycle
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations

The adoption of these amendments to existing standards, guideline and annual improvements does not have significant impacts on the results and financial position of the Group.

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

The following new accounting standards, amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning 1 April 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 17 and Amendments to HKFRS 17	Insurance contracts (including Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information)	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
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 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of above new standards, amendments to existing standards and interpretation is expected to have a significant impact on the condensed consolidated interim financial information of the Group in the current or future reporting periods and foreseeable future transactions.

- (c) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition. Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

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 2022 is as follows:

	Six months ended 30 September 2022			
	Electronic products	Pet-related products	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(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>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>
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 and a joint venture, financial assets and deferred tax assets)	17,731	49	107	17,887

The segment information provided to the CODM for the reportable segments for the six months ended 30 September 2021 is as follows:

	Six months ended 30 September 2021			
	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	768,726	234,572	-	1,003,298
Inter-segment revenue	209,100	154,509	(363,609)	-
	<u>977,826</u>	<u>389,081</u>	<u>(363,609)</u>	<u>1,003,298</u>
Segment results	<u>25,516</u>	<u>15,832</u>		<u>41,348</u>
A reconciliation of segment results to profit for the period is as follows:				
Segment results				41,348
Unallocated expenses, net				(10,538)
Other income				876
Other gains – net				<u>7,267</u>
Operating profit				38,953
Finance income				621
Finance costs				(1,871)
Share of losses of associates				<u>(3,323)</u>
Profit before income tax				34,380
Income tax expense				<u>(4,873)</u>
Profit for the period				<u><u>29,507</u></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	20,054	105	827	20,986
Depreciation of right-of-use assets	3,500	195	805	4,500
Additions to non-current assets (other than interests in associates and a joint venture, financial assets and deferred tax assets)	29,729	-	12	29,741
	<u>29,729</u>	<u>-</u>	<u>12</u>	<u>29,741</u>

The segment assets and segment liabilities as at 30 September 2022 and the reconciliation to the total assets and total liabilities are as follows:

	As at 30 September 2022		
	Electronic products HK\$'000 (Unaudited)	Pet-related products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	1,113,708	66,957	1,180,665
Unallocated:			
Property, plant and equipment			22,810
Right-of-use assets			20,896
Interests in associates			13,618
Interest in a joint venture			-
Deferred income tax assets			1,063
Amounts due from associates			5,223
Income tax recoverable			2,037
Other investments			6,044
Cash and cash equivalents			4,079
Asset classified as held for sale			7,044
Other unallocated assets			6,751
			<hr/>
Total assets per condensed consolidated interim balance sheet			1,270,230
			<hr/> <hr/>
Segment liabilities	269,908	9,573	279,481
Unallocated:			
Bank borrowings			174,706
Lease liabilities			837
Deferred income tax liabilities			217
Income tax payable			12,683
Financial guarantee contracts			4,316
Other unallocated liabilities			10,923
			<hr/>
Total liabilities per condensed consolidated interim balance sheet			483,163
			<hr/> <hr/>

The segment assets and segment liabilities as at 31 March 2022 and the reconciliation to the total assets and total liabilities are as follows:

	As at 31 March 2022		
	Electronic products <i>HK\$'000</i> (Audited)	Pet-related products <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	1,091,803	146,475	1,238,278
Unallocated:			
Property, plant and equipment			23,917
Right-of-use assets			20,251
Interests in associates			16,128
Interest in a joint venture			7,547
Deferred income tax assets			1,066
Amounts due from associates			1,789
Amount due from a joint venture			6,000
Income tax recoverable			566
Other investments			5,979
Cash and cash equivalents			4,996
Other unallocated assets			6,739
Total assets per consolidated balance sheet			<u>1,333,256</u>
Segment liabilities	259,164	26,220	285,384
Unallocated:			
Bank borrowings			206,000
Lease liabilities			1,661
Deferred income tax liabilities			88
Income tax payable			18,915
Financial guarantee contracts			4,478
Other unallocated liabilities			6,771
Total liabilities per consolidated balance sheet			<u>523,297</u>

An analysis of the Group's revenue from external customers by country of destination for the period ended 30 September 2022 and 2021 is as follows:

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
The United States of America (the "USA")	377,689	651,891
The People's Republic of China (the "PRC") *	182,627	153,702
Japan	80,039	63,237
United Kingdom	35,378	27,843
Australia	25,863	22,611
France	21,011	29,097
Germany	6,579	35,357
Others	14,390	19,560
	<u>743,576</u>	<u>1,003,298</u>

* The PRC, including Hong Kong and Taiwan

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

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
The PRC*	277,552	321,610
Vietnam	89,846	87,694
	<u>367,398</u>	<u>409,304</u>

* The PRC, including Hong Kong and Taiwan

For the six months ended 30 September 2022, external revenue of approximately HK\$251,525,000 (2021: HK\$317,299,000) was generated from three (2021: two) major customers, who accounted for more than 10% (2021: 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 2022 and 2021.

4. OTHER GAINS – NET

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net fair value losses on financial assets at fair value through profit or loss	(43)	(21)
Net foreign currency exchange gains	2,041	7,288
Release of exchange reserve upon deregistration of subsidiaries (Note)	12,847	-
Gain on lease termination	2	-
Loss on disposals of property, plant and equipment	(955)	-
	<u>13,892</u>	<u>7,267</u>
Total other gains – net	<u>13,892</u>	<u>7,267</u>

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 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories	506,386	720,938
Depreciation of property, plant and equipment	20,113	20,986
Depreciation of right-of-use assets	2,162	4,500
Employee benefit expense (including directors' emoluments)	126,968	151,443
Commission	4,917	9,527
Advertising	1,786	1,381
Repair and maintenance	4,240	3,192
Transportation	8,037	9,009
Utilities expense	6,958	7,501
Legal and professional fee	1,815	2,054
Computer expense	1,188	1,071
Entertainment	1,007	955
Other expenses	38,341	39,931
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses and general and administrative expenses	723,918	972,488
	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest income from:		
– bank deposits	144	478
– overdue interests received from customers	428	143
	<hr/>	<hr/>
Finance income	572	621
	<hr/>	<hr/>
Interest expense on:		
– bank borrowings	(2,253)	(1,689)
– lease liabilities	(63)	(182)
	<hr/>	<hr/>
Finance costs	(2,316)	(1,871)
	<hr/>	<hr/>
Finance costs – net	(1,744)	(1,250)
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSE

(a) Bermuda and British Virgin Islands income tax

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

(b) Hong Kong profits tax

For the six months period ended 30 September 2022 and 2021, 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 PRC are subject to corporate income tax at 25% (2021: 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% (2021: 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% (2021: 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	1,921	3,802
– Income tax outside Hong Kong	230	110
Deferred income tax relating to the origination and reversal of temporary differences	141	961
	<u>2,292</u>	<u>4,873</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	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to owners of the Company (<i>HK\$ '000</i>)	<u>26,665</u>	<u>29,103</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>9.36</u>	<u>10.22</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.

	Six months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to owners of the Company (<i>HK\$ '000</i>)	<u>26,665</u>	<u>29,103</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>'000</i>)	<u>284,790</u>	<u>284,790</u>
Adjustments for share option (<i>'000</i>)	<u>-</u>	<u>338</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>'000</i>)	<u>284,790</u>	<u>285,128</u>
Diluted earnings per share (<i>HK cents</i>)	<u>9.36</u>	<u>10.21</u>

9. DIVIDENDS

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend, declared, of HK5.0 cents (2021: HK6.0 cents) per ordinary share	14,240	17,087

Dividend of HK\$17,087,000 (2021: HK\$31,327,000) that relates to the period to 31 March 2022 was paid on 25 August 2022.

On 28 November 2022, the board of directors resolved to declare an interim dividend of HK5.0 cents per share (2021: HK6.0 cents per share), which is payable on or before 23 December 2022 to shareholders whose names appear on the Company's register of shareholders on 14 December 2022. This interim dividend, amounting to HK\$14,240,000 (2021: HK\$17,087,000), has not been recognised as a liability in this condensed consolidated interim balance sheet.

10. TRADE AND OTHER RECEIVABLES

As at 30 September 2022 and 31 March 2022, the ageing analysis of trade receivables based on invoice date is as follows:

	As at 30 September 2022	As at 31 March 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 30 days	212,552	245,181
31 to 60 days	19,629	13,926
61 to 90 days	3,070	1,020
91 to 180 days	37	667
Over 180 days	4,315	4,440
	239,603	265,234
Less: Loss allowance	(4,658)	(4,574)
Trade receivables, net	234,945	260,660
Prepayments to vendors	22,561	17,273
Prepayments for plant and equipment	973	11,959
Other prepayments	1,080	4,844
Rental and other deposits	1,478	1,409
Value added tax receivables	3,220	6,495
Income tax recoverable	2,037	566
Other receivables	10,042	8,590
	276,336	311,796
Less: Non-current prepayments and other receivables	(3,716)	(14,959)
Current portion of trade and other receivables	272,620	296,837

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 90 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 2022 and 31 March 2022, the ageing analysis of trade payables based on invoice date is as follows:

	As at 30 September 2022 <i>HK\$ '000</i> (Unaudited)	As at 31 March 2022 <i>HK\$ '000</i> (Audited)
0 to 30 days	175,767	172,330
31 to 60 days	12,013	21,847
61 to 90 days	7,879	11,624
91 to 180 days	9,180	4,796
Over 180 days	17,149	7,731
	<hr/>	<hr/>
Trade payables	221,988	218,328
Salaries and staff welfare payable	19,363	18,093
Accrued expenses	4,766	5,014
Others	22,636	22,139
	<hr/>	<hr/>
Total trade and others payables	268,753	263,574
	<hr/> <hr/>	<hr/> <hr/>

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I hereby present the interim results of Suga International Holdings Limited (the "Company") and its subsidiaries ("SUGA" or the "Group") for the six months ended 30 September 2022.

FINANCIAL PERFORMANCE

During the period under review, the business environment became more complex and challenging due to the continued resurgence of the COVID-19 pandemic, coupled with rising global inflation and interest rate hikes by the U.S. Federal Reserve and the European Central Bank. However, owing to SUGA's diversified product portfolio strategy and strong product development capabilities, the Group was able to overcome challenges and advance its businesses during the period.

The Group's turnover decreased by 25.9% year-on-year to HK\$743.6 million (1H 2021/22: HK\$1,003.3 million). Gross profit was HK\$107.9 million (1H 2021/22: HK\$134.7 million). Benefiting from the continuous improvement in the efficiency of the Group's factories in Mainland China and Vietnam, the gross profit margin rose to 14.5% (1H21/22: 13.4%). Profit attributable to shareholders was HK\$26.7 million (1H 2021/22: HK\$29.1 million). The net profit margin was 3.6% (1H 2021/22: 2.9%). Basic earnings per share were HK9.36 cents (1H 2021/22: HK10.22 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\$640.8 million during the period (1H 2021/22: HK\$768.7 million), representing a year-on-year decrease of 16.6% and accounting for 86.2% of the Group's total sales.

During the period, some of the electronic products performed well, such as telephones for the hearing-impaired, smart cards and near-field communication ("NFC") products, and orders for telecommunications products from Japanese customers continued to recover, while orders for asset trackers from a new customer acquired last year also saw a substantial increase. Orders for electronic products, which benefited from the booming "stay-at-home economy" amid the COVID-19 pandemic, declined after reaching a peak, while the global production material supply chain and shipping logistics services gradually recovered, resulting in a shift towards a more cautious ordering strategy to reduce inventory pressure. The order volume of professional audio equipment slowed noticeably, which offset the increase in order volume of other electronic products. However, the Group has built up a diversified product portfolio and focused on developing unique products. This business development strategy has been effective and enabled the Group to grow steadily in a complex market environment.

Despite the challenging business environment, the Group has actively developed and sought potential cooperation opportunities. During the period, the Group entered into a partnership with a new customer in the professional audio equipment field, further expanding the customer base and revenue stream for this product. In addition, the Group also started the production of Single-Board Computer ("SBC") for a new customer during the period, further enriching our product portfolio. The Group looks forward to deepening its working relations with new and existing business partners in a bid to explore more business opportunities.

Pet Business

The pet business recorded sales of HK\$102.8 million during the period (1H 2021/22: HK\$234.6 million), representing a year-on-year decrease of 56.2% and accounting for 13.8% of the Group's total sales.

Regarding pet electronic products, pet training equipment was affected by the economic downturn in overseas markets. Moreover, our customer increased its inventory levels when the supply chain of raw materials was tight and shipping was disrupted, so it strategically reduced orders under the current market situation. Consequently, the performance of the pet training equipment segment was weaker.

The pet food business recorded a stable performance. The Group's own pet food brand "Brabanconne" continued to focus on the Hong Kong and Japanese markets, with encouraging sales results. The Group's other in-house pet food brand "TeenyTiny" has been gaining momentum since its launch in the Mainland China market and has received positive feedback from customers, providing a strong boost for the Group's development in the Mainland's pet food market.

The Group is committed to improving the quality, R&D and production of pet food. It launched a line of fresh, grain-free cat food via its own "TeenyTiny" brand during the period, which is one of the very few products of its kind that has attained 83 international, U.S. and European standards, bringing higher quality choices to the cat food market in Mainland China. As consumers have become more accustomed to online shopping, the Group will continue to strengthen its online marketing and sales, hoping to drive the ongoing growth of its pet food business in different regions.

PROSPECTS

Entering 2023, COVID-19 has not yet fully subsided, but increasingly more countries are relaxing their anti-pandemic measures, which will provide a boost to consumption sentiment. While factors such as geopolitical tensions, interest rate hikes and high inflation will continue to add uncertainties to the operating environment, SUGA remains cautiously optimistic about its business prospects in the second half of the financial year. Capitalizing on the Group's diversified business strategy, "China Plus One" production capacity strategy and strong R&D capabilities, SUGA is confident that it will be able to weather the market volatility, ensure stable business development, and achieve more brilliant results when market conditions become clear.

The Group expects to see solid development in its core electronic products business, which will continue to bring stable revenue. In particular, the Group intends to further expand the product range of professional audio products, which provide the main source of revenue for the electronic products business segment, from the existing professional audio products to a wider range of applications, with the aim of broadening its customer base. In addition, the Group received orders for audio products and SBC from new customers during the period under review, which is expected to start providing profit contributions in the second half of the financial year. Looking ahead, the Group will continue to actively expand its customer network and foster mutually fruitful collaborations with its business partners.

As for the pet business, the Group's experienced team has been working diligently to develop a variety of nutritious and interesting pet food products and other practical products to meet the demand of the pet consumer market. During COVID-19, people spent more time with their pets, and as a result, have come to regard pets as family members. This has stimulated strong demand from consumers for natural and healthy pet food and premium pet nutrition products. The humanization of pets has also further boosted the diversification of pet food and the trend of feeding pets with snacks as staple food. Therefore, the Group is actively developing new product lines for its pet food brands, including high-quality pet healthcare products and freeze-dried snacks which are expected to be launched in the coming year.

The Group believes that the execution of the "China Plus One" strategy will help promote its steady development. Its factories in Mainland China and Vietnam complement each other, which has not only allowed the Group to flexibly allocate production capacity, but also helped customers diversify their supply chain risks. Many new customers have taken an interest in the Group due to its unique advantage of having production lines in both Mainland China and Vietnam, and actively liaised with the Group about potential business cooperation during the period under review. The Group expects that it will continue to benefit from the advantageous "China Plus One" strategy going forward, helping it maintain cost effectiveness and expand its customer base.

In view of the general downturn in the property market in Guangdong Province and Mainland China as a whole due to the ongoing and recurring COVID-19 pandemic, the Group announced on 14 September 2022 that it agreed to sell its entire 50% equity interest in Huizhou Jiayifu Real Estate Development Co., Ltd. (a joint venture held by the Group) to Guangdong Fuchuan Investment Co., Ltd. at a consideration of RMB45.9 million so as to withdraw from Huizhou Jiayifu Real Estate Development Co., Ltd. and the development project. Pursuant to the termination agreement, Guangdong Investment Co., Ltd also agreed to undertake to procure the release of the Group from the financial guarantee and share charge for the bank facility granted to Huizhou Jiayifu Real Estate Development Co., Ltd (“Release”). Upon the Release, the carrying amount of the financial guarantee of approximately HK\$4.3 million will be derecognized and the respective loss allowance recognised in prior year of approximately HK\$4.3 million will be reversed. The related profit is expected to be booked in the second half of the financial year and the net proceeds from the disposal will be used as general working capital of the Group. The disposal will enhance the Group’s financial strength, allowing it to quickly seize potential opportunities in the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2022, the current assets and current liabilities of the Group were approximately HK\$888.2 million (31 March 2022: HK\$899.2 million) and approximately HK\$455.1 million (31 March 2022: HK\$500.8 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was 1.95 times as at 30 September 2022, as compared to that of 1.80 times as at 31 March 2022.

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 2022, the Group maintained cash and bank balances at approximately HK\$158.0 million (31 March 2022: HK\$141.7 million). The Group’s bank borrowings were HK\$174.7 million as at 30 September 2022 (31 March 2022: HK\$206.0 million). Gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 22.2% (31 March 2022: 25.4%).

The Group’s total assets and total liabilities as at 30 September 2022 amounted to approximately HK\$1,270.2 million (31 March 2022: HK\$1,333.3 million) and HK\$483.2 million (31 March 2022: HK\$523.3 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.38 times as at 30 September 2022, as compared to that of approximately 0.39 times as at 31 March 2022.

The net asset value of the Group decreased from HK\$810.0 million as at 31 March 2022 to HK\$787.1 million as at 30 September 2022, the decrease is mainly attributable by the comprehensive loss for the period and final dividends paid for the financial year 2021/22.

As at 30 September 2022, the Group had aggregate banking facilities of approximately HK\$801.4 million (31 March 2022: HK\$900.0 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$615.1 million (31 March 2022: HK\$669.4 million).

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with 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 2022 and 31 March 2022, 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

As at 30 September 2022 and 31 March 2022, the Group's interest in a joint venture was pledged in favour of a bank to secure facility granted to its joint venture. The Group did not pledge any of its assets as securities for the banking facilities granted to the Group as at 30 September 2022 and 31 March 2022.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2022, the Group had a capital commitment of HK\$5.4 million for property, plant and equipment and investment in a joint venture. (31 March 2022: HK\$7.1 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2022 amounted to HK\$174.7 million (31 March 2022: HK\$206.0 million). As at 31 March 2022, the Group provided financial guarantees in favour of two banks of HK\$10.0 million and RMB114.0 million, which was equivalent to HK\$136.8 million, to secure banking facilities granted to an associate and a joint venture respectively. As at 31 March 2022, the bank facilities utilized by an associate and a joint venture were approximately HK\$6.1 million and RMB86.7 million, which was equivalent to HK\$104.0 million, respectively.

Upon the release of the Group from the financial guarantee for the banking facility granted to its associate in August 2022, the carrying amount of the financial guarantee was derecognised and the respective loss allowance recognised in prior year was reversed. As at 30 September 2022, the Group provided financial guarantees of RMB114.0 million which was equivalent to HK\$127.7 million for banking facilities granted to its joint venture. As at 30 September 2022, the bank facilities utilized by a joint venture was RMB108.2 million, which was equivalent to HK\$121.2 million. The Group assesses the risk of default of a joint venture at the end of the reporting period and recognised financial guarantee liabilities of HK\$4.3 million as at 30 September 2022 (31 March 2022: HK\$ 4.5 million).

HUMAN RESOURCES

As at 30 September 2022, the Group has approximately 2,015 employees, of which 76 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 the date of this interim report, the Company does not have a separate Chairman and Chief Executive Officer and Dr. Ng Chi Ho currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. Going forward, the Group will periodically review the effectiveness of this arrangement and consider appointing an individual as Chief Executive Officer when it thinks appropriate.

Save as the above-mentioned deviation, none of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not in compliance with the CG Code for the 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 2022.

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 2022.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5.0 cents per share for the six months ended 30 September 2022 (1H 2021/22: interim dividend of HK6.0 cents per share) payable to shareholders whose names appear on the Register of Shareholders of the Company on 14 December 2022. The interim dividend will be paid on or before 23 December 2022.

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 14 December 2022 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, 13 December 2022.

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, 28 November 2022

The Directors of the Company as at the date of this announcement are Dr. Ng Chi Ho, Mr. Ma Fung On and Dr. Ng Man Cheuk as executive directors; Mr. Lee Kam Hung and Prof. Luk Wing Ching as non-executive directors; Mr. Leung Yu Ming, Steven, Mr. Chan Kit Wang and Dr. Cheung Nim Kwan as independent non-executive directors.