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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 2023

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$1,443.5 million (2022: HK\$1,855.9 million)
- Gross profit was HK\$202.9 million (2022: HK\$257.7 million)
- Profit attributable to equity holders was HK\$59.8 million (2022: HK\$56.5 million)
- Basic earnings per share was HK21.00 cents (2022: HK19.83 cents)
- The Board proposed a final dividend of HK4.0 cents per share (2022: HK6.0 cents)
- The Board proposed a special dividend of HK3.0 cents per share (2022: Nil)
- Total dividends per share for the year amount to HK12.0 cents (2022: 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 2023.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	2	1,443,482	1,855,875
Cost of sales	4	(1,240,604)	(1,598,142)
Gross profit		202,878	257,733
Other income		4,824	9,987
Other gains – net	3	56,276	1,837
Distribution and selling expenses	4	(62,040)	(60,877)
General and administrative expenses	4	(116,146)	(130,790)
Net impairment losses on financial assets and financial guarantees		(1,501)	(1,957)
Operating profit		84,291	75,933
Finance income	5	1,586	506
Finance costs	5	(6,305)	(2,997)
Finance costs – net	5	(4,719)	(2,491)
Impairment losses on interests in associates		(11,883)	(975)
Shares of profits/(losses) of associates – net		3,183	(9,236)
		(8,700)	(10,211)
Profit before income tax		70,872	63,231
Income tax expense	6	(10,797)	(6,442)
Profit for the year		60,075	56,789
Profit attributable to:			
Owners of the Company		59,810	56,465
Non-controlling interests		265	324
		60,075	56,789
Earnings per share for profit attributable to owners of the Company during the year			
– Basic (HK cents)	7	21.00	19.83
– Diluted (HK cents)	7	21.00	19.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	2023 HK\$'000	2022 HK\$'000
Profit for the year	<u>60,075</u>	56,789
Other comprehensive loss:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(21,051)	(2,341)
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>(409)</u>	(116)
Other comprehensive loss for the year	<u>(34,307)</u>	(2,457)
Total comprehensive income for the year	<u>25,768</u>	54,332
Total comprehensive income attributable to:		
Owners of the Company	25,503	54,008
Non-controlling interests	265	324
	<u>25,768</u>	54,332

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		246,464	297,115
Right-of-use assets		80,544	87,393
Intangible assets		-	-
Goodwill		3,949	3,949
Interests in associates		-	16,128
Interest in a joint venture		-	7,547
Financial assets at fair value through other comprehensive income		5,479	5,888
Deferred income tax assets		1,313	1,066
Non-current prepayments and other receivables	9	23,082	14,959
		360,831	434,045
Current assets			
Inventories	10	425,530	452,837
Trade and other receivables	9	306,029	296,837
Financial assets at fair value through profit or loss		30	91
Amounts due from associates		585	1,789
Amount due from a joint venture		-	6,000
Cash and cash equivalents		138,225	141,657
		870,399	899,211
Total assets		1,231,230	1,333,256

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings		17,035	21,250
Lease liabilities		1,335	1,161
Deferred income tax liabilities		294	88
		<u>18,664</u>	<u>22,499</u>
Current liabilities			
Trade and other payables	<i>11</i>	252,902	263,574
Contract liabilities	<i>11</i>	18,727	27,290
Financial guarantee contracts		-	4,478
Income tax payable		15,819	18,915
Lease liabilities		492	1,791
Bank borrowings		120,226	184,750
		<u>408,166</u>	<u>500,798</u>
Total liabilities		<u>426,830</u>	<u>523,297</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		28,479	28,479
Other reserves		88,607	122,914
Retained earnings		685,531	657,048
		<u>802,617</u>	<u>808,441</u>
Non-controlling interests		1,783	1,518
Total equity		<u>804,400</u>	<u>809,959</u>
Total equity and liabilities		<u>1,231,230</u>	<u>1,333,256</u>

Notes:

1. BASIS OF PREPARATION

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

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

(c) 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 have been adopted in the preparation of the consolidated financial statements:

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 Group’s consolidated financial statements.

(d) 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 HKFRS 17	Insurance contracts (including Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information)	1 January 2023
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of financial statements – Classification by borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
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 new standards, 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 new standards, amendments to existing standards and interpretation when they become effective.

2. SEGMENT INFORMATION

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

There are two reportable segments for the Group:

- Electronic products - Develop, manufacture and sale of electronic products (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, other gains – net, other income, impairment losses on interests in associates, 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 statements.

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

Assets of reportable segments exclude current and deferred income tax assets, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, interests in and amounts due from associates, interest in and amount due from a joint venture, 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 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
				<u>84,291</u>
Operating profit				84,291
Finance income				1,586
Finance costs				(6,305)
Impairment losses on interests in associates				(11,883)
Share of profits of associates – net				3,183
				<u>70,872</u>
Profit before income tax				70,872
Income tax expense				(10,797)
				<u>60,075</u>
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 and a joint venture, financial assets and deferred tax assets)	19,593	1,262	29	20,884
	<u>19,593</u>	<u>1,262</u>	<u>29</u>	<u>20,884</u>

The segment information provided to the CODM for the reportable segments for the year ended 31 March 2022 is as follows:

	2022			
	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	1,412,953	442,922	-	1,855,875
Inter-segment revenue	368,533	237,677	(606,210)	-
	<u>1,781,486</u>	<u>680,599</u>	<u>(606,210)</u>	<u>1,855,875</u>
Segment results	<u>59,050</u>	<u>25,838</u>		<u>84,888</u>
A reconciliation of segment results to profit for the year is as follows:				
Segment results				84,888
Unallocated expenses – net				(20,779)
Other income				9,987
Other gains – net				1,837
				<u>75,933</u>
Operating profit				506
Finance income				(2,997)
Finance costs				(975)
Impairment loss on interest in an associate				(9,236)
Share of losses of associates				<u>63,231</u>
Profit before income tax				(6,442)
Income tax expense				<u>56,789</u>
Profit for the year				<u>56,789</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	39,203	177	2,385	41,765
Depreciation of right-of-use assets	3,414	192	2,623	6,229
Additions to non-current assets (other than interests in associates and a joint venture, financial assets and deferred tax assets)	40,253	14	658	40,925
	<u>40,253</u>	<u>14</u>	<u>658</u>	<u>40,925</u>

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
Amount due from an associate			585
Income tax recoverable			1,395
Other investments			5,509
Cash and cash equivalents			3,084
Other unallocated assets			41,439
			<hr/>
Total assets per consolidated balance sheet			1,231,230
			<hr style="border-top: 3px double 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 double black;"/>

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

	2022		
	Electronic products <i>HK\$ '000</i>	Pet related products <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
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
			<hr/>
Total assets per consolidated balance sheet			1,333,256
			<hr style="border-top: 3px solid black;"/>
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
			<hr/>
Total liabilities per consolidated balance sheet			523,297
			<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 2023 and 2022 is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The United States of America (the "USA")	654,433	1,196,719
The PRC*	411,843	271,799
Japan	177,171	123,014
United Kingdom	58,349	28,000
Australia	53,363	43,428
France	48,817	38,637
Germany	7,458	65,875
Others	32,048	88,403
	1,443,482	1,855,875

*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 and a joint venture, by geographical locations is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The PRC*	244,911	312,722
Vietnam	86,628	87,694
	331,539	400,416

*The PRC, including Hong Kong and Taiwan

For the year ended 31 March 2023, external revenue of approximately HK\$292,942,000 (2022: HK\$412,698,000) was generated from two (2022: one) major customers. The customers accounted for 10% or more (2022: 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 2023 and 2022.

3. OTHER GAINS – NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain on disposal of interest in a joint venture(<i>Note(i)</i>)	38,115	-
Release of exchange reserve upon deregistration of subsidiaries (<i>Note(ii)</i>)	12,847	-
Gain on disposal of interest in an associate	1,000	-
Net foreign currency exchange gain	5,366	5,806
Net fair value losses on financial assets at fair value through profit or loss	(61)	(102)
Gain on lease termination	2	150
Loss on disposals of property, plant and equipment	(993)	(4,017)
	56,276	1,837

Note (i): The disposal the Group's entire 50% equity interests in Huizhou Jiayifu Real Estate Development Co., Ltd ("Huizhou Jiayifu") to Guangdong Fuchuan Investment Co., Ltd ("Guangdong Fuchuan") at a consideration of RMB46 million was completed in December 2022 and a disposal gain of approximately HK\$38 million was recognized in the consolidated income statement during the year ended 31 March 2023.

Note (ii): 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories	999,073	1,302,373
Depreciation of property, plant and equipment	38,250	41,765
Depreciation of right-of-use assets	4,437	6,229
Operating lease rental for short-term leases	1,259	1,524
Employee benefit expense (including directors' emoluments)	245,890	299,990
Auditor's remuneration		
– Audit services	3,340	3,320
– Non-audit services	928	1,040
Commission	11,485	17,928
Donations	350	285
Legal and professional fee	4,490	5,001
Advertising	4,886	3,604
Repairs and maintenance	7,285	6,769
Transportation	14,768	19,322
Utilities expense	11,359	13,216
Entertainment	3,386	2,632
Insurance	1,321	1,304
Other expenses	66,283	63,507
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses and general and administrative expenses	1,418,790	1,789,809
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS – NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income from:		
– bank deposits	233	98
– overdue interests received from customers	1,221	404
– others	132	4
	<hr/>	<hr/>
Finance income	1,586	506
	<hr/>	<hr/>
Interest expense on:		
– bank borrowings	(6,182)	(2,743)
– lease liabilities	(123)	(254)
	<hr/>	<hr/>
Finance costs	(6,305)	(2,997)
	<hr/> <hr/>	<hr/> <hr/>
Finance costs – net	(4,719)	(2,491)
	<hr/> <hr/>	<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 2023 and 2022, the Group is eligible to nominate one Hong Kong incorporated entity in the Group to be chargeable at the two tiered profits tax rates, whereby profits tax will be chargeable on the first HK\$2 million of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5%. Hong Kong profits tax for other Hong Kong incorporated entities in the Group has been provided for at the rate of 16.5% on the estimated assessable profits.

(c) PRC corporate income tax

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

(d) Vietnam taxation

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (2022: 20%). The Group's subsidiaries incorporated in Vietnam are entitled to tax holiday under which its profits would be fully exempted from Vietnam enterprise income tax ("EIT") for two years starting from its first year of profitable operations after offsetting prior year tax losses, followed by 50% reduction in EIT in next four years.

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	1,873	7,781
– Income tax outside Hong Kong	12,289	753
– Over-provision in prior years	(3,281)	(2,750)
Deferred income tax (credit)/charge	(84)	658
	<hr/>	<hr/>
Total income tax expense	10,797	6,442
	<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.

	2023	2022
Profit attributable to owners of the Company (HK\$'000)	<u>59,810</u>	56,465
Weighted average number of ordinary shares in issue ('000)	<u>284,790</u>	284,790
Basic earnings per share (HK cents)	<u>21.00</u>	19.83

(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.

	2023	2022
Profit attributable to owners of the Company (HK\$'000)	<u>59,810</u>	56,465
Weighted average number of ordinary shares in issue ('000)	<u>284,790</u>	284,790
Adjustments for share options ('000)	<u>-</u>	102
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>284,790</u>	284,892
Diluted earnings per share (HK cents)	<u>21.00</u>	19.82

8. DIVIDENDS

An interim dividend of HK\$14,240,000 (HK5.0 cents per share) for the period ended 30 September 2022 was paid during the current year. A final dividend of HK\$17,087,000 (HK6.0 cents per share) for the year ended 31 March 2022 was paid during the current year. A final dividend of HK4.0 cents per share and a special dividend of HK3.0 cents per share for the year ended 31 March 2023, totalling approximately HK\$19,934,000, is to be proposed at the annual general meeting on 10 August 2023. The financial statements do not reflect such dividend to be payable.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend, paid, of HK5.0 cents (2022: HK6.0 cents) per ordinary share	14,240	17,087
Final dividend, proposed, of HK4.0 cents (2022: final dividend of HK6.0 cents) per ordinary share	11,391	17,087
Special dividend, proposed, of HK3.0 cents (2022: Nil) per ordinary share	8,543	-
	34,174	34,174

9. TRADE AND OTHER RECEIVABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	231,730	245,181
31 to 60 days	7,014	13,926
61 to 90 days	7,995	1,020
91 to 180 days	7,335	667
Over 180 days	7,600	4,440
	261,674	265,234
Less: Loss allowance	(5,553)	(4,574)
Trade receivables, net	256,121	260,660
Amount due from Guangdong Fuchuan (<i>Note</i>)	35,734	-
Prepayments to vendors	14,553	17,273
Prepayments for plant and equipment	489	11,959
Other prepayments	4,320	4,844
Rental and other deposits	1,550	1,409
Value added tax receivables	3,558	6,495
Income tax recoverable	1,395	566
Others receivables	11,391	8,590
	329,111	311,796
Less: Non-current prepayments and other receivables	(23,082)	(14,959)
Current portion of trade and other receivables	306,029	296,837

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.

Note: Taking into account the discounting impact, the outstanding consideration receivables due from Guangdong Fuchuan of RMB32 million (equivalent to approximately HK\$36 million) arising from the disposal of the Group's entire 50% equity interest in Huizhou Jiayifu will be collected in instalments during the years ending 31 March 2024 and 2025.

10. INVENTORIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Raw materials	370,390	396,259
Work- in-process	26,371	23,628
Finished goods	33,229	37,433
	<hr/>	<hr/>
	429,990	457,320
Less: Provision of impairment	(4,460)	(4,483)
	<hr/>	<hr/>
	425,530	452,837
	<hr/>	<hr/>

11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	177,844	172,330
31 to 60 days	7,613	21,847
61 to 90 days	1,481	11,624
91 to 180 days	1,505	4,796
Over 180 days	23,979	7,731
	<hr/>	<hr/>
Trade payables	212,422	218,328
Salaries and staff welfare payable	16,490	18,093
Accrued expenses	2,988	5,014
Others	21,002	22,139
	<hr/>	<hr/>
Total trade and other payables	252,902	263,574
	<hr/>	<hr/>

(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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract liabilities – sales of goods	18,727	27,290
	<hr/>	<hr/>

CHAIRMAN'S MESSAGE

During the year, the world gradually emerged from the shadow of the COVID-19 pandemic. However, rising inflation in different regions and successive interest rate hikes by the US Federal Reserve and the European Central Bank put downward pressure on the global economy and affected the Group's annual results. Fortunately, thanks to a diversified product mix strategy and outstanding product development capabilities, SUGA remained resilient during the year.

Turnover for the year was HK\$1,443.5 million (FY 2021/22: HK\$1,855.9 million), a decrease of approximately 22.2% compared with last year, mainly due to a slowdown in order intake after customers adopted a cautious ordering strategy during the year. However, annual gross profit for the year was HK\$202.9 million and the gross profit margin increased to 14.1% (FY 2021/22: HK\$257.7 million and 13.9%), benefiting from the improved production efficiency of the Dongguan and Vietnam plants. Profit attributable to shareholders increased by 5.9% to HK\$59.8 million (FY 2021/22: HK\$56.5 million), which was mainly attributable to the profit contribution from the disposal of entire 50% equity interests in Huizhou Jiayifu Real Estate Development Co., Ltd. ("Huizhou Jiayifu") during the year. The net profit margin was 4.2% (FY2021/22: 3.1%). Basic earnings per share were HK21.00 cents (FY2021/22: HK19.83 cents).

BUSINESS OVERVIEW

Electronic Products

The electronic products business remained the Group's main source of revenue, contributing HK\$1,243.9 million (FY2021/22: HK\$1,413.0 million) in the year under review, a decrease of 12.0% year-on-year and accounting for 86.2% of total sales.

The order volume of electronic products fell from its peak during the year, mainly due to a significant increase in inventories kept by customers during the pandemic. Orders for professional audio equipment, telephones for the hearing impaired and other products slowed down last year as the global economy was hit by various factors and customers became more cautious in placing orders, especially as shipping and raw material supplies stabilized, which prompted customers to reduce inventory. However, orders for products that were hit hard during the pandemic, such as smart cards and near-field communication ("NFC") products, as well as telecommunications products for Japanese customers, have gradually returned to normal. This was made possible by the Group's creation of a diversified product portfolio and its focus on developing niche products, which enabled the Group to withstand the pressure and make steady progress in a challenging market environment.

In recent years, the Group has actively developed Internet of things ("IoT") technology and expanded this business, which has been well received by customers. During the year, orders from an innovative IoT company that began working with the Group last year grew steadily. The innovative IoT company targets the European and the US markets, focusing on manufacturing and supplying IoT-based products and solutions, including asset trackers. It contributed an increasing amount of revenue, and has become one of the Company's key customers. In addition, new orders for IoT products signed during the year are expected to generate more significant revenue in the next financial year.

Although the challenges in the operating environment have not been overcome, the Group has been committed to exploring new customers, actively conducting R&D and seeking potential cooperation opportunities over the past few years, which brought results to the Group during the year. In the first half year, the Group's cooperation with new customers in the production of Single-Board Computer ("SBC") and professional audio equipment began to deliver significant revenue contributions in the second half year. In addition, the increase in order volumes in the Mainland China during the year enabled the Group to fully utilize the production capacity of the Dongguan plant, while the Vietnam plant gradually received business opportunities, laying a foundation for future long-term development.

Pet Business

Sales from the pet business amounted to HK\$199.6 million (FY 2021/22: HK\$442.9 million), a decrease of 54.9% from the previous year, accounting for 13.8% of the Group's total sales.

Regarding pet electronic products, business partners of pet training equipment adopted a more prudent operating strategy and reduced inventory during the year, consequently, related orders recorded a decline. The performance of the pet food business was relatively stable. The Group's own pet food brand "Brabanconne" continued to achieve good sales performance in the Hong Kong and Japanese markets and won the "2022 Hong Kong Emerging Brands" award from the Hong Kong Brand Development Council during the year. The Group's agency brand "The Gift for Life" also won the "Chinese Herbal Medicine and Natural Health Products" award from MoCity during the year.

In Mainland China, the Group developed the pet food market under its own brand "Teeny Tiny", and sales have recorded good momentum since the launch of the products. During the year, "Teeny Tiny" launched a new range of fresh and grain-free cat food. As one of the few cat foods that meet 83 international, US and European standards, the product has brought higher quality choices to the domestic cat food market. In addition, to keep up with the e-commerce trend in recent years, the Group has also strengthened its online sales in Hong Kong, Japan and Mainland China and started to lay out diversified e-commerce channels.

Others

On 14 September 2022, the Group agreed to dispose of its entire 50% equity interests in Huizhou Jiayifu to Guangdong Fuchuan Investment Co., Ltd. for RMB45.9 million. The net proceeds from the disposal will be used as general working capital of the Group, focusing on the electronic and pet business. The Group also made impairment losses on interests in Mobilogix, Inc. and Dott Limited of HK\$9.7 million and HK\$2.1 million, respectively.

PROSPECTS

In the second half of 2023, the COVID-19 pandemic largely subsided, social and economic activities resumed in an orderly manner, and opportunities for regional exchange and communication increased. The Group seized the opportunity for economic recovery and actively expanded its customer network. However, unfavorable factors such as the US Federal Reserve's interest rate hikes and high inflation remained, placing some pressure on the Group's business operations. Despite the complex business environment, SUGA remains cautious about the business outlook for FY2023/24. The Group will continue to promote business diversification and capitalize on the advantages of the "China Plus One" production layout to ensure the steady development of its overall business.

The Group will continue to develop its core electronics business, which has been generating stable revenue for the Group. Benefiting from the resumption of free travel between Mainland China and Hong Kong and the gradual removal of global pandemic control measures, the Group has built up a better customer network and attracted more new orders by participating in industry exhibitions and inviting potential customers to visit its factories. The implementation of the "China Plus One" strategy has not only allowed the Group to flexibly allocate production capacity, but also helped customers diversify their supply chain risks. Many potential customers became interested in the Group due to its unique geographical advantage of having factories in both Mainland China and Vietnam, and actively liaised with the Group about visiting the Vietnam factory during the review period. The Group has also signed a contract with a new customer for the production of electronic paper displays (a new IoT product) in the Vietnam factory. This new product will mainly be sold in the US for the retail market. With tremendous production demand, the product has the potential to be applied in other scenarios.

As for the pet business, the Group's experienced team has been striving to build a pet health ecosystem through investment in and development of advanced technologies. Currently, the Group is actively studying the addition of CS4 polysaccharide selenium nanoparticles (CS4 SeNP), a key active ingredient of caterpillar fungus, to pet food products to enhance immunoregulatory, antioxidant and antitumor therapeutic effects. The new product will be ready for launch after conducting market observation. The Group has also noticed a strong demand for natural and healthy pet food and premium pet nutrition products. In addition, pet owners in Mainland China and Hong Kong have a higher demand for products that can protect the health of their pets' bones and joints, gastrointestinal system and fur. In view of this, the Group plans to expand its market presence with these innovative pet healthcare products.

After withdrawing from the Huizhou Jiayifu real estate project, the net proceeds from its sale have strengthened the Group's financial position and cash liquidity, enabling it to reserve sufficient funds for new investments. The Group will seize the opportune time to explore investment opportunities in the market and continue to attract more customers in the hope of bringing long-term value to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2023, the current assets and current liabilities of the Group were approximately HK\$870.4 million (31 March 2022: HK\$899.2 million) and approximately HK\$408.2 million (31 March 2022: HK\$500.8 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was 2.13 times as at 31 March 2023, 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 31 March 2023, the Group maintained cash and bank balances at approximately HK\$138.2 million (31 March 2022: HK\$141.7 million) and total bank borrowings were HK\$137.3 million (31 March 2022: HK\$206.0 million). Net cash position (total bank borrowings less cash and cash equivalents) was HK\$0.9 million (31 March 2022: net debt of HK\$64.3 million). Gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 17.1% (31 March 2022: 25.4%).

The Group's total assets and total liabilities as at 31 March 2023 amounted to approximately HK\$1,231.2 million (31 March 2022: HK\$1,333.3 million) and HK\$426.8 million (31 March 2022: HK\$523.3 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.35 times as at 31 March 2023, 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\$804.4 million as at 31 March 2023, the decrease is mainly attributable by the net effect of comprehensive profit for the year and final dividends paid for the financial year 2021/22 as well as interim dividend paid for financial year 2022/23.

As at 31 March 2023, the Group had aggregate banking facilities of approximately HK\$822.7 million (31 March 2022: HK\$900.0 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$682.3 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 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 2023 and 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 31 March 2022, the Group's interest in a joint venture was pledged in favour of a bank to secure bank facility granted to its joint venture. Upon the disposal of the interest in a joint venture and release of the Group from the financial guarantee contracts for banking facility granted to its joint venture, the Group did not pledge any assets as securities for the banking facilities granted to the Group as at 31 March 2023.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2023, the Group had a capital commitment of HK\$0.7 million for property, plant and equipment. (31 March 2022: HK\$7.1 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2023 amounted to HK\$137.3 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 RM86.7 million, which was equivalent to HK\$104.0 million, respectively.

As at 31 March 2022, the Group recognized loss allowance of HK\$4.5 million for such financial guarantees in accordance with the expected credit loss model under HKFRS 9.

Upon the release of the Group from the financial guarantee contracts for banking facilities granted to its associate and its joint venture during the year ended 31 March 2023, the loss allowance recognized in prior year amounting to approximately HK\$4.5 million was reversed.

As at 31 March 2023, the Group did not provide any financial guarantees except for corporate guarantees given to banks to secure the borrowings granted to subsidiaries.

HUMAN RESOURCES

As at 31 March 2023, the Group has approximately 2,262 employees, of which 59 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

The Company did not redeem any of its shares during the year. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

The Board 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 2023, the Company has complied with all applicable code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except for the code provision C.2.1.

The code provision C.2.1 stipulates that the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. During the year under review, Dr. Ng Chi held both positions to provide the Group with strong and consistent leadership. However, the Board has announced that Dr. Ng Chi Ho, being the Chairman, CEO and an executive Director, would relinquish his role as the CEO and remain as the Chairman and an executive Director and Dr. Ng Man Cheuk, being an existing executive Director, will be appointed as CEO of the Company with effect from 1 July 2023.

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 all applicable code provisions of the CG Code for the year under review. A detailed Corporate Governance Report setting out the Group’s framework of governance and explanation about how the provisions of the CG Code have been applied will be included in the Company’s Annual Report 2022/23.

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 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The financial figures in this announcement of the Group’s results for the year ended 31 March 2023 have been agreed by the Group’s external auditor, PricewaterhouseCoopers Hong Kong (“PwC”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by PwC on this announcement.

FINAL DIVIDEND

The Directors have proposed the payment of a final dividend of HK4.0 cents per share (FY2021/22: final dividend of HK6.0 cents per share) and a special dividend of HK3.0 cents per ordinary share (FY2021/22: Nil) to shareholders whose names appear on the Register of Shareholders of the Company on 16 August 2023. Together with the interim dividend of HK5.0 cents per share already paid, the total dividend for the year would be HK12.0 cents per share (FY2021/22: HK12.0 cents per share). Subject to approval by shareholders at the 2023 Annual General Meeting, the proposed final dividend and special dividend will be paid on or before 25 August 2023.

EVENT OCCURRING AFTER THE REPORTING PERIOD

Save as disclosed above, there were no material subsequent events from 31 March 2023 up to the date of this announcement.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from 7 August 2023 to 10 August 2023 (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 2023 Annual General Meeting. In order to qualify to attend and vote at the meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 4 August 2023.

The Register of Shareholders of the Company will be closed on 16 August 2023 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 and special dividend. Subject to approval of the shareholders at the 2023 Annual General Meeting, the proposed final dividend and special dividend will be payable to the shareholders whose names appear on the Register of Shareholders of the Company on 16 August 2023. In order to qualify for the proposed final dividend and special 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 15 August 2023.

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 10 August 2023 at 3:00 p.m.. For details of the 2023 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 11 July 2023.

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, 28 June 2023

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.