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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 2020**

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$906.0 million (2019: HK\$879.8 million)
- Gross profit was HK\$122.4 million (2019: HK\$118.3 million)
- Profit attributable to owners of the Company was HK\$29.1 million (2019: HK\$27.5 million)
- Basic earnings per share was HK10.25 cents (2019: HK9.68 cents)
- The Board proposed an interim dividend of HK6.0 cents per share (2019: 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 2020:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		Six months ended 30 September	
	Note	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	906,039	879,773
Cost of sales	5	(783,610)	(761,456)
Gross profit		122,429	118,317
Other income		4,676	1,693
Other (losses) / gains – net	4	(3,597)	5,770
Distribution and selling expenses	5	(28,857)	(29,112)
General and administrative expenses	5	(57,283)	(64,273)
Net impairment losses on financial assets		–	(296)
Operating profit		37,368	32,099
Finance income	6	978	1,195
Finance costs	6	(1,195)	(2,694)
Finance costs – net		(217)	(1,499)
Share of losses of associates		(2,988)	–
Profit before income tax		34,163	30,600
Income tax expense	7	(4,838)	(3,267)
Profit for the period		29,325	27,333
Profit attributable to:			
Owners of the Company		29,062	27,452
Non-controlling interests		263	(119)
		29,325	27,333
Earnings per share for profit attributable to owners of the Company during the period			
– Basic (HK cents)	8	10.25	9.68
– Diluted (HK cents)	8	10.25	9.68
Dividends	9	17,009	17,009

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	29,325	27,333
Other comprehensive income / (loss)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign subsidiaries	(377)	(4,086)
<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	354	(904)
Other comprehensive loss for the period	(23)	(4,990)
Total comprehensive income for the period	29,302	22,343
Total comprehensive income / (loss) attributable to:		
Owners of the Company	29,039	22,462
Non-controlling interests	263	(119)
	29,302	22,343

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	<i>Note</i>	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		220,776	225,266
Right-of-use assets		96,987	76,458
Goodwill		3,949	3,949
Interests in associates		25,823	25,311
Interest in a joint venture		6,919	6,919
Financial assets at fair value through other comprehensive income		5,620	5,266
Loans receivable		–	266
Amount due from an associate		7,800	8,500
Deferred income tax assets		1,271	1,314
Non-current prepayments, deposits and other receivables	10	4,603	13,897
		373,748	367,146
Current assets			
Inventories		284,772	259,708
Trade and other receivables	10	389,128	240,221
Financial assets at fair value through profit or loss		123	43
Loans receivable		–	1,800
Amount due from an associate		585	585
Cash and cash equivalents		137,051	128,459
		811,659	630,816
Total assets		1,185,407	997,962
LIABILITIES			
Non-current liabilities			
Lease liabilities		3,834	5,112
Deferred income tax liabilities		410	426
		4,244	5,538

		30 September 2020	31 March 2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	11	319,187	186,779
Contract liabilities		16,003	19,360
Income tax payable		11,831	7,889
Lease liabilities		5,519	5,805
Bank borrowings		100,150	67,750
		452,690	287,583
Total liabilities		456,934	293,121
EQUITY			
Equity attributable to owners of the Company			
Share capital		28,349	28,349
Other reserves		84,097	84,810
Retained earnings		614,912	590,830
		727,358	703,989
Non-controlling interests		1,115	852
Total equity		728,473	704,841
Total equity and liabilities		1,185,407	997,962

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”. This condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2020, 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 2020 as described in those annual consolidated financial statements except that taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards are set out below.

(a) Amendments to existing standards and revised framework adopted by the Group

The following amendments to existing standards and revised framework are mandatory for the first time for the financial year beginning 1 April 2020 and currently relevant to the Group:

Amendments to HKFRS 3 Conceptual framework for Financial Reporting 2018	Definition of a business Revised conceptual framework for financial reporting
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest rate benchmark reform

The adoption of these amendments to existing standards and revised framework has no material effect on the preparation of the Group’s accounting policies.

(b) New and amended standards not yet adopted

The following new accounting standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 April 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19 related rent concessions	1 June 2020
Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts - cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to Annual Improvements Project	Annual improvements 2018-2020 cycle	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	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 the above new standards and amendments to existing standards is expected to have a significant effect on the condensed consolidated interim financial information of the Group.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors (collectively referred to as the “CODM”) that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources and makes relevant decisions based on the entity-wide financial information.

There are two reportable segments for the Group:

Electronic products	-	Develop, manufacture and sale of 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 2020 and 2019 is as follows:

	Six months ended 30 September 2020			
	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	722,615	183,424	–	906,039
Inter-segment revenue	120,751	83,449	(204,200)	–
	843,366	266,873	(204,200)	906,039
Segment results	32,617	12,187		44,804

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

Segment results	44,804
Unallocated expenses – net	(8,515)
Other income	4,676
Other losses – net	(3,597)
Operating profit	37,368
Finance income	978
Finance costs	(1,195)
Share of losses of associates	(2,988)
Profit before income tax	34,163
Income tax expense	(4,838)
Profit for the period	29,325

	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	15,435	167	849	16,451
Depreciation of right-of use assets	2,674	346	1,089	4,109
Additions to non-current assets (other than interests in associates and a joint venture, financial assets and deferred tax assets)	34,657	83	3,760	38,500

Six months ended 30 September 2019

	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	740,302	139,471	–	879,773
Inter-segment revenue	91,215	51,326	(142,541)	–
	<u>831,517</u>	<u>190,797</u>	<u>(142,541)</u>	<u>879,773</u>
Segment results	<u>36,864</u>	<u>9,910</u>		<u>46,774</u>

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

Segment results	46,774
Unallocated expenses – net	(22,138)
Other income	1,693
Other gains – net	5,770
Operating profit	32,099
Finance income	1,195
Finance costs	(2,694)
Profit before income tax	30,600
Income tax expense	(3,267)
Profit for the period	<u>27,333</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	15,214	427	388	16,029
Depreciation of right-of-use assets	1,525	174	472	2,171
Amortisation of intangible assets	–	–	631	631
Additions to non-current assets (other than interests in associates and a joint venture, financial assets and deferred tax assets)	20,937	1,912	3,277	26,126

The segment assets and segment liabilities as at 30 September 2020 and 31 March 2020 and the reconciliation to the total assets and total liabilities are as follows:

	As at 30 September 2020		
	Electronic products HK\$'000 (Unaudited)	Pet-related products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	947,490	107,132	1,054,622
Unallocated:			
Property, plant and equipment			24,623
Right-of-use assets			46,724
Interests in associates			25,823
Interest in a joint venture			6,919
Deferred income tax assets			1,271
Amounts due from associates			8,385
Income tax recoverable			126
Other investments			5,743
Cash and cash equivalents			3,828
Other unallocated assets			7,343
			<hr/>
Total assets per condensed consolidated interim balance sheet			1,185,407
			<hr/> <hr/>
Segment liabilities	291,569	46,235	337,804
Unallocated:			
Bank borrowings			100,150
Lease liabilities			1,620
Deferred income tax liabilities			410
Income tax payable			11,831
Other unallocated liabilities			5,119
			<hr/>
Total liabilities per condensed consolidated interim balance sheet			456,934
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As at 31 March 2020

	Electronic products <i>HK\$ '000</i> (Audited)	Pet-related products <i>HK\$ '000</i> (Audited)	Total <i>HK\$ '000</i> (Audited)
Segment assets	808,629	30,695	839,324
Unallocated:			
Property, plant and equipment			25,945
Right-of-use assets			47,825
Interests in associates			25,311
Interest in a joint venture			6,919
Deferred income tax assets			1,314
Amounts due from associates			9,085
Loans receivable			2,066
Income tax recoverable			620
Other investments			5,309
Cash and cash equivalents			24,319
Other unallocated assets			9,925
Total assets per consolidated balance sheet			997,962
Segment liabilities	161,231	2,794	164,025
Unallocated:			
Bank borrowings			67,750
Lease liabilities			2,314
Deferred income tax liabilities			426
Trade payables			31,603
Income tax payable			7,889
Other unallocated liabilities			19,114
Total liabilities per consolidated balance sheet			293,121

An analysis of the Group's revenue from external customers by country or region of destination for the period ended 30 September 2020 and 2019 is as follows:

	Six months ended 30 September	
	2020 <i>HK\$ '000</i> (Unaudited)	2019 <i>HK\$ '000</i> (Unaudited)
The United States of America (the "USA")	477,113	435,920
Taiwan	113,701	63,703
Japan	84,396	91,306
People's Republic of China (the "PRC", including Hong Kong)	71,220	66,108
Germany	49,593	31,613
Australia	40,319	56,369
United Kingdom	34,100	43,023
France	23,098	69,194
Others	12,499	22,537
	906,039	879,773

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

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Hong Kong	56,766	67,539
Mainland China	235,937	242,649
Vietnam	39,189	14,803
Others	43	111
	331,935	325,102

For the six months ended 30 September 2020, external revenue of approximately HK\$261,784,000 (2019: HK\$223,056,000) was generated from two (2019: two) major customers, who accounted for more than 10% (2019: 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 2020 and 2019.

4. OTHER (LOSSES) / GAINS – NET

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Gain on disposal of a land use right to a joint venture	–	3,828
Net fair value gains on financial assets at fair value through profit or loss	80	–
Net foreign currency exchange (loss)/gain	(3,677)	1,942
	(3,597)	5,770

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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories	676,985	654,761
Depreciation of property, plant and equipment	16,451	16,029
Depreciation of right-of-use assets	4,109	2,171
Amortisation of intangible assets	–	631
Employee benefit expense (including directors' emoluments)	103,445	127,246
Other expenses	68,760	54,003
	869,750	854,841

Total cost of sales, distribution and selling expenses and general and administrative expenses

6. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Interest income from:		
– bank deposits	35	175
– overdue interests received from customers	892	537
– others	51	483
	<hr/>	<hr/>
Finance income	978	1,195
	<hr/>	<hr/>
Interest expenses on bank borrowings	(925)	(2,546)
Unwinding of interests on lease liabilities	(270)	(148)
	<hr/>	<hr/>
Finance costs	(1,195)	(2,694)
	<hr/>	<hr/>
Finance costs – net	(217)	(1,499)
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7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Current income tax		
– Hong Kong profits tax	4,811	2,425
Deferred income tax relating to the origination and reversal of temporary differences	27	842
	<hr/>	<hr/>
	4,838	3,267
	<hr/> <hr/>	<hr/> <hr/>

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	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company (<i>HK\$'000</i>)	29,062	27,452
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue (<i>'000</i>)	283,490	283,490
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Basic earnings per share (<i>HK cents</i>)	10.25	9.68
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(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	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (<i>HK\$ '000</i>)	29,062	27,452
Weighted average number of ordinary shares for diluted earnings per share (<i>'000</i>)	283,490	283,490
Diluted earnings per share (<i>HK cents</i>)	10.25	9.68

9. DIVIDENDS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend, declared, of HK6.0 cents (2019: HK6.0 cents) per ordinary share	17,009	17,009

Dividend of HK\$5,670,000 (2019: HK\$17,009,000) relating to the period to 31 March 2020 was paid on 25 August 2020.

On 26 November 2020, the board of directors resolved to declare an interim dividend of HK6.0 cents per share (2019: HK6.0 cents per share), which is payable on or before 23 December 2020 to shareholders whose names appear on the Company's register of shareholders on 14 December 2020. This interim dividend, amounting to HK\$17,009,000 (2019: HK\$17,009,000), has not been recognised as a liability in this condensed consolidated interim financial information.

10. TRADE AND OTHER RECEIVABLES

As at 30 September 2020 and 31 March 2020, the ageing analysis of net trade receivables based on invoice date is as follows:

	As at 30 September 2020 <i>HK\$ '000</i> (Unaudited)	As at 31 March 2020 <i>HK\$ '000</i> (Audited)
0 to 30 days	333,751	146,921
31 to 60 days	15,011	24,193
61 to 90 days	3,602	8,849
91 to 180 days	4,664	6,463
Over 180 days	8,880	5,579
	<hr/>	<hr/>
	365,908	192,005
Less: Loss allowance	(7,125)	(8,698)
	<hr/>	<hr/>
Trade receivables, net	358,783	183,307
Prepayments to vendors	11,138	38,262
Prepayments for plant and equipment	1,852	4,177
Other prepayments	2,014	4,869
Deposit for right-of-use assets	–	6,970
Rental and other deposits	2,976	3,042
Value added tax receivables	6,269	3,778
Income tax recoverable	126	620
Other receivables	10,573	9,093
	<hr/>	<hr/>
	393,731	254,118
Less: Non-current prepayments, deposits and other receivables	(4,603)	(13,897)
	<hr/>	<hr/>
Current portion of trade and other receivables	389,128	240,221
	<hr/> <hr/>	<hr/> <hr/>

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 days to its customers.

11. TRADE AND OTHER PAYABLES

As at 30 September 2020 and 31 March 2020, the ageing analysis of trade payables based on invoice date is as follows:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	265,491	105,280
31 to 60 days	15,534	28,330
61 to 90 days	1,123	11,520
91 to 180 days	1,482	7,423
Over 180 days	909	1,793
	<hr/>	<hr/>
Trade payables	284,539	154,346
Salaries and staff welfare payable	15,953	12,540
Accrued expenses	1,670	5,071
Others	17,025	14,822
	<hr/>	<hr/>
Total	319,187	186,779
	<hr/> <hr/>	<hr/> <hr/>

CHAIRMAN'S MESSAGE

During the period under review, the outbreak of COVID-19 pandemic ("COVID-19") has brought tough challenges to the business environment worldwide. However, in every crisis, there is opportunity. The pandemic outbreak has led to various stay-at-home demand, thus benefitting some products of the Group and in turn bringing overall business back on the right track. Owing to SUGA's diverse product mix and its persisting effort in developing new products amid the pandemic as well as the setting up of its production base in Vietnam, the Group managed to overcome these challenges with flexibility. Consequently, its turnover increased slightly year-on-year during the period, and rose even more significantly when compared with the second half of the last financial year.

Turnover grew by 3.0% against the last corresponding period to HK\$906.0 million (1H2019/20: HK\$879.8 million). Gross profit rose by 3.5% to HK\$122.4 million (1H2019/20: HK\$118.3 million). Gross profit margin was 13.5% (1H2019/20: 13.4%). The rebound of gross profit margin was mainly attributable to cost effectiveness achieved by the Group due to its revenue growth, production capacity expansion in Vietnam and effective cost control measures. Profit attributable to shareholders was HK\$29.1 million (1H2019/20: HK\$27.5 million). Net profit margin was 3.2% (1H2019/20: 3.1%). Basic earnings per share were HK10.25 cents (1H2019/20: HK9.68 cents).

BUSINESS REVIEW

Electronic Products

As the Group's core business, the electronic products business continuously generated stable revenue during the period under review. Sales amounted to HK\$722.6 million during the period (1H2019/20: HK\$740.3 million), representing a year-on-year decrease of 2.4% and accounting for 79.8% of total sales.

COVID-19 has started the trend of remote working and learning from home that has benefitted the sales of the Group's professional audio equipment, with a particular surge in orders of wireless microphones. During the pandemic, consumers spent more time at home than in the past, resulting in significant growth in the demand for professional audio equipment for entertainment. As the trend is expected to continue, demand for the related electronic products will rise. In addition, the clientele of professional audio equipment includes a number of its business partners. The Group believes that this will enable it to build a healthier revenue mix.

With regard to other products, as its customers have gradually coped with the new normal amid the pandemic, the orders, which were postponed earlier, have resumed. Some of the product orders were still postponed due to the pandemic, but part of the orders were planned to be delivered in the second half of the year, which could lead to better business performance again.

Pet Business

During the period, the pet business recorded sales of HK\$183.4 million (1H2019/20: HK\$139.5 million), representing year-on-year growth of 31.5% and accounting for 20.2% of total sales. Revenue growth of this segment was mainly due to sustaining sales growth from its pet training equipment customers despite the pandemic and replenishing of its stocks in the first half of the financial year to meet a hike in demand for pet-related products.

With regard to pet food, as the Group's own brand Brabanconne pet food made in Belgium has resumed its import to China at the end of 2019 and the Group has flexibly arranged online marketing activities to raise the recognition of its own brand pet food, the pet food business reported growth in both Mainland China and Hong Kong.

PROSPECTS

2021 is on the doorstep. Although the pandemic is not fully under control and global economies have to face different challenges, the markets have gradually adapted to the new normal amid the pandemic. Customers have started to diversify their regional markets and production layouts for risk aversion after COVID-19. Capitalising on SUGA's diverse business development strategy and the layout of production facilities across different regions, the Group will be able to battle against strong headwinds, maintain stable business development and seize new opportunities emerging after the pandemic.

Currently, part of the orders and cooperation projects have been delayed due to the pandemic, but some of them are already scheduled to commence in the second half, which is set to get business growth back on track. To meet the rebound demand for new products from customers when the economy revives, the Group continues to develop innovative products amid the pandemic. It is encouraging to see that such efforts have started bearing fruits. The number of R&D projects has remarkably increased amid the pandemic, and won the hearts of customers, including professional audio equipment and new hair styling products developed for a smart personal care product customer. This will strengthen the profitability of the Group, a testament to our correct move of transforming into a solution provider.

Across various markets, China is the first to get COVID-19 under control with a rapid economic recovery. The Group is optimistic about the market potential there. During the past half year, it strengthened the expansion and secured more orders from the mainland market so as to mitigate the impact on business from the pandemic, expand its clientele and market layout to a healthier mix, and enhance its resilience against risks.

In light of keen demand for more cost-effective production in Vietnam from US business partners affected by Sino-US trade war, as well as other existing and new customers, the Group is building a new factory of over 30,000 sq.m. in Que Vo III Industrial Zone at Que Tan Commune, Que Vo District, Bac Ninh Province, Vietnam, which is expected to commence highly automated production in 2021. After the completion of the construction of its new factory, the Group can further capitalise and cut down on production costs. After moving part of the production to Vietnam, the capacity saved at Dongguan factory will be used to support the Group's business expansion plan in Mainland China, so as to tap the opportunities emerging from internal circulation policy. At the same time, the Group will strengthen the operating efficiency in China and Vietnam to further enhance effectiveness.

Regarding our pet business, to seize enormous business opportunities in the mainland pet food and product market, the Group's domestic pet food brand "TeenyTiny" was launched on the largest e-commerce platform in China at the beginning of November, which was also the first "Double 11" shopping festival after the pandemic. It received an overwhelming response, showing that the mainland market has strong demand for quality pet food. In the future, the Group will strengthen the exposure of this new brand by organising more online promotions. People working-from-home will have more time with pets and stimulate demand for pet products, so this trend is expected to benefit the Group's pet business.

The Huizhou property project jointly developed with Guangdong Fuchuan Investment Co., Ltd. was slightly behind schedule in February and March 2020 due to the pandemic, but it has returned to normal now with smooth progress of foundation works. The Group will update its progress in due course. The management believes opportunities can be found among challenges, so we are optimistic that the business performance will soon return to pre-epidemic level. We will lead the Group to tap business opportunities from the "new normal after COVID-19", bring the Group towards new heights, and create long-term value for our customers and shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the current assets and current liabilities of the Group were approximately HK\$811.7 million (31 March 2020: HK\$630.8 million) and approximately HK\$452.7 million (31 March 2020: HK\$287.6 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was 1.79 times as at 30 September 2020, as compared to that of 2.19 times as at 31 March 2020.

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, leasing and term loans, which are primarily on floating interest rates basis. As at 30 September 2020, the Group maintained cash and bank balances at approximately HK\$137.1 million (31 March 2020: HK\$128.5 million), the increase in cash and bank balances was mainly due to addition of new long-term bank loans for the development of Vietnam production facilities. The Group's bank borrowings were HK\$100.2 million as at 30 September 2020 (31 March 2020: HK\$67.8 million). Gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 13.8% (31 March 2020: 9.6%). The Group was able to maintain a net cash balance, which is calculated by total cash and bank balances less total bank borrowings, of HK\$36.9 million as at 30 September 2020 (31 March 2020: HK\$60.7 million).

The Group's total assets and total liabilities as at 30 September 2020 amounted to approximately HK\$1,185.4 million (31 March 2020: HK\$998.0 million) and HK\$456.9 million (31 March 2020: HK\$293.1 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.39 times as at 30 September 2020, as compared to that of approximately 0.29 times as at 31 March 2020.

The net asset value of the Group increased from HK\$704.8 million as at 31 March 2020 to HK\$728.5 million as at 30 September 2020, the increase is mainly attributable by the profit for the period.

As at 30 September 2020, the Group had aggregate banking facilities of approximately HK\$812.4 million (31 March 2020: HK\$785.8 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$694.3 million (31 March 2020: HK\$693.8 million).

FOREIGN EXCHANGE EXPOSURE

The Group is not subject to material foreign currency exposure since its operations are mainly denominated in Renminbi, Hong Kong dollars, 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 2020, the Group has not used any financial instruments to hedge against foreign currency risk. It is the Group's policy not to enter into derivative transactions for speculative purposes.

PLEDGE OF ASSETS

The Group has no pledge of assets as at 30 September 2020 and 31 March 2020. And the Group did not pledge any of its assets as securities for the banking facilities granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2020, the Group had a capital commitment of HK\$5.7 million for property, plant and equipment (31 March 2020: HK\$5.7 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2020 amounted to HK\$100.2 million (31 March 2020: HK\$67.8 million) and the Group did not have any significant contingent liability.

HUMAN RESOURCES

As at 30 September 2020 the Group has approximately 2,720 employees, of which 92 were based in Hong Kong and Macao while the rest were mainly in Mainland China and Vietnam. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the individual and company performance. In addition to salaries and other usual benefits like annual leave, medical insurance and various mandatory pension schemes, the Group also provides educational sponsorship subsidies, discretionary performance bonus and share options.

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 of 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 "Code") throughout the period, except the deviation from the code provision A.2.1. According to the code provision A.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 announcement, 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 considers appointing an individual as Chief Executive Officer when it thinks appropriate.

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 2020.

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 2020.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK6.0 cents per share for the six months ended 30 September 2020 (2019: HK6.0 cents) payable to shareholders whose names appear on the Register of Shareholders of the Company on 14 December 2020. The interim dividend will be paid on or before 23 December 2020.

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 2020 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 Friday, 11 December 2020.

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, 26 November 2020

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.