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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 2021**

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$2,101.6 million (2020: HK\$1,615.2 million)
- Gross profit was HK\$286.6 million (2020: HK\$206.3 million)
- Profit attributable to equity holders was HK\$79.3 million (2020: HK\$27.7 million)
- Basic earnings per share was HK27.96 cents (2020: HK9.77 cents)
- The Board proposed a final dividend of HK8.0 cents per share (2020: HK2.0 cents)
- The Board proposed a special dividend of HK3.0 cents per share (2020: Nil)
- Total dividends per share for the year amount to HK17.0 cents (2020: HK8.0 cents)

ANNUAL RESULTS

The Board of Directors (the “Board”) of Suga International Holdings Limited (“Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (together “SUGA” or the “Group”) for the year ended 31 March 2021.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	2	2,101,573	1,615,183
Cost of sales	4	(1,814,939)	(1,408,840)
Gross profit		286,634	206,343
Other income		5,085	1,593
Other gains – net	3	412	1,843
Distribution and selling expenses	4	(62,099)	(57,396)
General and administrative expenses	4	(127,729)	(116,735)
Net impairment losses on financial assets and financial guarantees		(220)	(1,114)
Operating profit		102,083	34,534
Finance income	5	1,268	2,034
Finance costs	5	(2,713)	(5,562)
Finance costs – net	5	(1,445)	(3,528)
Shares of losses of associates		(8,634)	(1,882)
Profit before income tax		92,004	29,124
Income tax expense	6	(12,388)	(1,586)
Profit for the year		79,616	27,538
Profit attributable to:			
Owners of the Company		79,274	27,705
Non-controlling interests		342	(167)
		79,616	27,538
Earnings per share for profit attributable to owners of the Company during the year			
– Basic (HK cents)	7	27.96	9.77
– Diluted (HK cents)	7	27.96	9.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<u>79,616</u>	27,538
Other comprehensive income/(loss):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign subsidiaries	39,561	(12,214)
<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	<u>738</u>	(1,237)
Other comprehensive income/(loss) for the year	<u>40,299</u>	(13,451)
Total comprehensive income for the year	<u>119,915</u>	14,087
Total comprehensive income/(loss) attributable to:		
Owners of the Company	119,573	14,254
Non-controlling interests	342	(167)
	<u>119,915</u>	14,087

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2021

	<i>Note</i>	31 March 2021 HK\$'000	31 March 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		300,910	225,266
Right-of-use assets		95,941	76,458
Goodwill		3,949	3,949
Interests in associates		26,338	25,311
Interest in a joint venture		7,862	6,919
Financial assets at fair value through other comprehensive income		6,004	5,266
Loans receivable		–	266
Amount due from an associate		–	8,500
Deferred income tax assets		1,950	1,314
Non-current prepayments, deposit and other receivables	9	8,505	13,897
		451,459	367,146
Current assets			
Inventories		344,902	259,708
Trade and other receivables	9	401,166	240,221
Financial assets at fair value through profit or loss		193	43
Loans receivable		–	1,800
Amounts due from associates		1,106	585
Cash and cash equivalents		127,790	128,459
		875,157	630,816
Total assets		1,326,616	997,962
LIABILITIES			
Non-current liabilities			
Lease liabilities		4,430	5,112
Deferred income tax liabilities		283	426
		4,713	5,538

		31 March 2021	31 March 2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>10</i>	331,238	186,779
Contract liabilities	<i>10</i>	23,206	19,360
Financial guarantee contracts		2,521	–
Income tax payable		19,113	7,889
Lease liabilities		5,107	5,805
Bank borrowings		138,550	67,750
		<hr/> 519,735 <hr/>	<hr/> 287,583 <hr/>
Total liabilities		<hr/> 524,448 <hr/>	<hr/> 293,121 <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		28,349	28,349
Other reserves		124,347	84,810
Retained earnings		648,278	590,830
		<hr/> 800,974 <hr/>	<hr/> 703,989 <hr/>
Non-controlling interests		1,194	852
Total equity		<hr/> 802,168 <hr/>	<hr/> 704,841 <hr/>
Total equity and liabilities		<hr/> 1,326,616 <hr/>	<hr/> 997,962 <hr/>

Notes:

1. BASIS OF PREPARATION

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and 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 and conceptual framework adopted by the Group

The following amendments to existing standards and conceptual framework are mandatory for the first time for the financial year beginning 1 April 2020 and have been adopted in the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Definition of a business
Conceptual framework for financial reporting 2018	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 conceptual framework has no material effect on the preparation of the Group’s accounting policies.

(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 on 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 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest rate benchmark reform – phase 2	1 January 2021
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 Accounting Guideline 5 (Revised)	Annual improvements 2018-2020 cycle Merger accounting for common control combinations	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
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK-Interpretation 5 (2020)	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	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, amendments to existing standards and interpretation are expected to have a significant effect on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

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, fair value gains or losses of financial assets and share of results of associates 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, loans receivable, interests in and amounts due from associates, interest in a joint venture and corporate assets, all of which are managed on a central basis. Liabilities of reportable segments exclude current and deferred income tax liabilities 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 years ended 31 March 2021 and 2020 is as follows:

	2021			
	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	1,695,367	406,206	–	2,101,573
Inter-segment revenue	235,590	227,590	(463,180)	–
	1,930,957	633,796	(463,180)	2,101,573
Segment results	94,955	26,926		121,881
A reconciliation of segment results to profit for the year is as follows:				
Segment results				121,881
Unallocated expenses – net				(25,295)
Other income				5,085
Other gains – net				412
Operating profit				102,083
Finance income				1,268
Finance costs				(2,713)
Share of losses of associates				(8,634)
Profit before income tax				92,004
Income tax expense				(12,388)
Profit for the year				79,616
	Electronic products <i>HK\$'000</i>	Pet related products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information				
Depreciation of property, plant and equipment	33,251	357	2,485	36,093
Depreciation of right-of-use assets	6,180	720	3,773	10,673
Additions to non-current assets (other than interests in associates and a joint venture, financial assets and deferred tax assets)	114,359	562	4,864	119,785

2020

	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	1,364,415	250,768	–	1,615,183
Inter-segment revenue	101,613	75,466	(177,079)	–
	<u>1,466,028</u>	<u>326,234</u>	<u>(177,079)</u>	<u>1,615,183</u>
Segment results	<u>54,040</u>	<u>16,434</u>		<u>70,474</u>
A reconciliation of segment results to profit for the year is as follows:				
Segment results				70,474
Unallocated expenses – net				(39,376)
Other income				1,593
Other gains – net				1,843
Operating profit				34,534
Finance income				2,034
Finance costs				(5,562)
Share of losses of associates				(1,882)
Profit before income tax				29,124
Income tax expense				(1,586)
Profit for the year				<u>27,538</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	28,530	332	2,496	31,358
Depreciation of right-of-use assets	2,759	521	2,316	5,596
Amortisation of intangible assets	–	–	1,226	1,226
Impairment loss of intangible assets	–	–	1,455	1,455
Additions to non-current assets (other than interests in associates and a joint venture, financial assets and deferred tax assets)	<u>32,965</u>	<u>1,965</u>	<u>4,252</u>	<u>39,182</u>

The segment assets and segment liabilities as at 31 March 2021 and 2020 and the reconciliation to the total assets and total liabilities are as follows:

	2021		
	Electronic products	Pet related products	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	1,121,318	75,490	1,196,808
Unallocated:			
Property, plant and equipment			24,379
Right-of-use assets			47,656
Interests in associates			26,338
Interest in a joint venture			7,862
Deferred income tax assets			1,950
Amounts due from associates			1,106
Income tax recoverable			77
Other investments			6,197
Cash and cash equivalents			5,240
Other unallocated assets			9,003
			<hr/>
Total assets per consolidated balance sheet			1,326,616
			<hr/>
Segment liabilities	313,472	40,245	353,717
Unallocated:			
Bank borrowings			138,550
Lease liabilities			3,269
Deferred income tax liabilities			283
Income tax payable			19,113
Financial guarantee contracts			2,521
Other unallocated liabilities			6,995
			<hr/>
Total liabilities per consolidated balance sheet			524,448
			<hr/>

	2020		
	Electronic products <i>HK\$ '000</i>	Pet related products <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
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			<u>997,962</u>
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			<u>293,121</u>

An analysis of the Group's revenue from external customers by country/region of destination for the years ended 31 March 2021 and 2020 is as follows:

	2021 <i>HK\$ '000</i>	2020 <i>HK\$ '000</i>
The United States of America (the "USA")	1,222,232	769,079
Taiwan	236,440	105,914
The People's Republic of China (the "PRC", including Hong Kong)	202,981	151,967
Japan	152,147	181,948
Germany	88,629	60,835
Australia	56,883	93,169
France	47,067	110,516
United Kingdom	24,934	64,406
Others	70,260	77,349
	<u>2,101,573</u>	<u>1,615,183</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	59,254	76,039
Mainland China	278,314	242,649
Vietnam	77,741	14,803
Others	–	111
	415,309	333,602

For the year ended 31 March 2021, external revenue of approximately HK\$935,083,000 (2020: HK\$224,489,000) was generated from three (2020: one) major customers. Each of these three customers accounted for more than 10% (2020: 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 2021 and 2020.

3. OTHER GAINS – NET

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net foreign currency exchange loss	(693)	(311)
Gain on disposal of a land use right to a joint venture	–	4,785
Impairment loss of intangible assets	–	(1,455)
Net fair value gains/(losses) on financial assets at fair value through profit or loss	150	(1,176)
Gain on disposals of property, plant and equipment	955	–
	412	1,843

4. EXPENSES BY NATURE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories	1,549,863	1,209,990
Depreciation of property, plant and equipment	36,093	31,358
Depreciation of right-of-use assets	10,673	5,596
Amortisation of intangible assets	–	1,226
Operating lease rental for short-term leases	4,665	3,976
Employee benefit expense (including directors' emoluments)	263,777	212,266
Auditor's remuneration		
– Audit services	3,250	3,250
– Non-audit services	405	300
Commission expense	15,520	13,392
Donations	2,157	6,516
Legal & professional fee	4,071	6,163
Advertising	3,110	6,993
Repairs and maintenance	4,790	4,825
Entertainment	3,209	2,918
Insurance	1,439	1,154
Other expenses	101,745	73,048
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses and general and administrative expenses	2,004,767	1,582,971

5. FINANCE COSTS – NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income from:		
– bank deposits	190	410
– overdue interests received from customers	864	1,314
– others	214	310
	<hr/>	<hr/>
Finance income	1,268	2,034
	<hr/>	-----
Interest expense on:		
– bank borrowings	(2,034)	(5,185)
– lease liabilities	(679)	(377)
	<hr/>	<hr/>
Finance costs	(2,713)	(5,562)
	<hr/>	-----
Finance costs – net	(1,445)	(3,528)

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

Hong Kong profits tax has been provided for at 16.5% (2020:16.5%) on the estimated assessable profit for the year ended 31 March 2021.

(c) PRC corporate income tax

The Group's subsidiaries in Mainland China are subject to corporate income tax at 25% (2020: 25%) effective from 1 January 2008.

(d) Vietnam taxation

The Group's subsidiary incorporated in Vietnam is 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. During the current year, there are no assessable profits being generated by Suga Bac Ninh Company Limited and Suga International (Vietnam) Company Limited (2020:Nil).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	12,052	2,219
– Taxation outside Hong Kong	1,533	–
– Over-provision in prior years	(510)	(1,685)
Deferred income tax charge	(687)	1,052
	<hr/>	<hr/>
Total income tax expense	12,388	1,586
	<hr/>	<hr/>

- (f) The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate in Hong Kong as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax	<u>92,004</u>	<u>29,124</u>
Calculated at a taxation rate of 16.5% (2020: 16.5%)	15,181	4,805
Effect of different income tax rates on income arising outside Hong Kong	1,921	(2,146)
Tax loss not recognised	5,446	8,651
Expenses not deductible for income tax purpose	4,669	4,071
Income not subject to income tax	(3,064)	(6,521)
Tax concession and incentives	(5,487)	(3,713)
Over-provision in prior years	(510)	(1,685)
Recognition of deferred income tax assets on previously unrecognised tax losses	(845)	–
Utilisation of previously unrecognised tax losses	<u>(4,923)</u>	<u>(1,876)</u>
Income tax expense	<u>12,388</u>	<u>1,586</u>

There is no tax charge relating to components of other comprehensive income.

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.

	2021	2020
Profit attributable to owners of the Company (HK\$'000)	<u>79,274</u>	27,705
Weighted average number of ordinary shares in issue ('000)	<u>283,490</u>	283,490
Basic earnings per share (HK cents)	<u>27.96</u>	<u>9.77</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 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.

	2021	2020
Profit attributable to owners of the Company (HK\$'000)	79,274	27,705
Weighted average number of ordinary shares in issue ('000)	283,490	283,490
Adjustments for share options ('000)	20	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	283,510	283,490
Diluted earnings per share (HK cents)	27.96	9.77

8. DIVIDENDS

Dividends paid during the period ended 30 September 2020 and the year ended 31 March 2020 were HK\$17,009,000 (HK6.0 cents per share) and HK\$5,670,000 (HK2.0 cents per share), respectively. A dividend in respect of the year ended 31 March 2021 of HK8.0 cents per share and a special dividend of HK3.0 cents per share, totalling HK\$31,184,000, is to be proposed at the annual general meeting on 13 August 2021. These financial statements do not reflect this dividend payable.

	2021	2020
	HK\$'000	HK\$'000
Interim dividend, paid, of HK6.0 cents (2020: HK6.0 cents) per ordinary share	17,009	17,009
Final dividend, proposed, of HK8.0 cents (2020: HK2.0 cents) per ordinary share	22,679	5,670
Special dividend, proposed, of HK3.0 cents (2020: Nil) per ordinary share	8,505	–
	48,193	22,679

9. TRADE AND OTHER RECEIVABLES

As at 31 March 2021, the ageing analysis of trade receivables based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	350,610	146,921
31 to 60 days	7,856	24,193
61 to 90 days	1,836	8,849
91 to 180 days	1,371	6,463
Over 180 days	6,423	5,579
	<hr/>	<hr/>
	368,096	192,005
Less: Loss allowance	(4,545)	(8,698)
	<hr/>	<hr/>
Trade receivables, net	363,551	183,307
Prepayments to vendors	15,048	38,262
Prepayments for plant and equipment	5,095	4,177
Other prepayments	5,028	4,869
Deposit for right-of-use assets	–	6,970
Rental and other deposits	2,559	3,042
Value added tax receivables	11,005	3,778
Income tax recoverable	77	620
Others receivables	7,308	9,093
	<hr/>	<hr/>
	409,671	254,118
Less: Non-current prepayments, deposit and other receivables	(8,505)	(13,897)
	<hr/>	<hr/>
Current portion of trade and other receivables	401,166	240,221

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.

10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	259,171	105,280
31 to 60 days	12,396	28,330
61 to 90 days	6,352	11,520
91 to 180 days	5,256	7,423
Over 180 days	5,288	1,793
	<hr/>	<hr/>
Trade payables	288,463	154,346
Salaries and staff welfare payable	19,467	12,540
Accrued expenses	4,694	5,071
Contract liabilities	23,206	19,360
Others	18,614	14,822
	<hr/>	<hr/>
Total trade, other payables and contract liabilities	354,444	206,139

CHAIRMAN'S MESSAGE

During the year, COVID-19 continued to wreak havoc worldwide and brought unprecedented challenges to all industries. However, the pandemic has also given rise of the “stay-at-home economy” and online shopping, with companies responsive, highly adaptable, and well-prepared able to stand out among its peers. SUGA has a diversified product portfolio, and has insisted on developing new products and deploying its production base in Vietnam amid the pandemic, allowing it to seize new opportunities stemming out of COVID-19, with some products in demand because of the “stay-at-home” phenomenon and as such its turnover reached record high.

Its turnover amounted to HK\$2,101.6 million for the year (FY2019/20: HK\$1,615.2 million), representing an increase of 30.1% against the previous year. Gross profit increased by 38.9% to HK\$286.6 million and gross profit margin rose to 13.6% (FY2019/20: HK\$206.3 million and 12.8%), mainly due to the increase in revenue and production capacity in Vietnam, plus effective cost control measures, boosting cost-effectiveness. Profit attributable to shareholders was HK\$79.3 million (FY2019/20: HK\$27.7 million). Net profit margin was 3.8% (FY2019/20: 1.7%). Basic earnings per share were HK27.96 cents (FY2019/20: HK9.77 cents).

BUSINESS OVERVIEW

Electronic Products

Electronic products business remained as the Group's main revenue source, contributing HK\$1,695.4 million (FY2019/20: HK\$1,364.4 million), up 24.3% year-on-year, accounting for 80.7% of total sales.

The Group has been committed to developing innovative products over the years, no exception even amid the pandemic, and these efforts paid off during the extraordinary year. With the working and studying at home modes prevailing because of COVID-19, there was a strong demand from many business partners of the Group for its professional audio equipment, particularly wireless microphones which orders increased notably. As consumers have had to stay at home more, the demand for professional audio equipment for entertainment also increased markedly, as such related sales recorded satisfactory growth during the year, and along with that a diversified and stable customer base was established. Orders for other products were delayed at the impact of the pandemic, but some showed signs of improvement in the second half year.

By market, the Chinese economy quickly rebounded with the pandemic effectively under control. Focusing on tapping the development potential of this huge market, the Group secured more orders there during the year, mainly for general consumer electronics. New orders landed in China were enough to fill the production capacity vacated of the Dongguan factory, which was relocated to Vietnam.

Pet Business

The pet business contributed revenue of approximately HK\$406.2 million (FY2019/2020: HK\$250.8 million), representing a year-on-year increase of 62.0%, accounting for 19.3% of the Group's total revenue. The growth was mainly attributable to the significant increase in sales of pet training devices. As people are spending more time at home and with their pets because of the pandemic, demand for pet-related products had a strong push.

Regarding the pet food business, to seize the enormous business opportunities in the mainland China market, in early November 2020, the Group started selling the domestic pet food brand “TeenyTiny” on the largest e-commerce platform in the country and received enthusiastic consumer response, reflective of the strong demand for quality pet food in the mainland market. To enhance awareness of its own-brand pet food and grasp the online shopping trend amid the pandemic, the Group strengthened online marketing and sales, which resulted in growth of its pet food business in both Mainland China and Hong Kong. Turnover of its subsidiary Espetsso Limited climbed more than 30% last year. Happypaws, another online store of the Group, commenced operation to provide all-round services including online pet products retail and wholesale, and online vet consultation.

PROSPECTS

As more and more people get vaccinated, the pandemic is expected to gradually come under control which will boost confidence in the economic recovery. COVID-19, however, has completely changed the lifestyle of people, and trends such as working and learning at home and shopping online will not be reversible. Capitalising on diverse business development strategy, forward-looking deployment of production facilities in different regions and strong innovative capability and adaptability, SUGA has overcome challenges, such as trade wars and the COVID-19 pandemic, in the past three decades and seen its business climbing to new heights. Hence, the Group has strong confidence in seizing opportunities in the new normal.

SUGA has a diversified product portfolio. Among all its products, professional audio equipment has become an expertise area of SUGA, securing for it a number of business partners. Demand for those products is expected to sustain. The Group will continue to grow its R&D team and strive to develop for customers more products with strong demand potential, including professional audio equipment and hair styling products co-developed with a smart personal care product customers in recent years, all to the end of creating more room for the Group to grow profit. As for other products of the Group, orders and cooperation plans gradually improved in the second half year and hopefully will be back on the right track in the coming year.

In terms of market, China, the fastest among countries to have the pandemic under control, has become the engine of global economic growth. To capture the opportunities presented by China’s inner circulation policy, the Group started to focus on expanding the China market last year and reaped initial results. In the future, it will make good use of the production capacity of its Dongguan plant and continue to develop its business in China, aiming to expand its customer base, achieve a more balance and healthy market layout, and enhance its risk resistance.

Similarly, the Group’s customers are also recognising the importance of market diversification and dispersing supply chain risks, thus tend to prefer to work with partners with production capacity in different regions. The Group started adopting the “China Plus One” strategy in 2018 and established a highly automated factory in Vietnam to meet customers' need for more cost-effective production that Vietnam affords. With that demand increasing, the Group has since kept expanding its production capacity in Vietnam. It is building a more than 30,000 sq.m. new plant in Que Vo III Industrial Zone, Bac Ninh Province, Vietnam, which is expected to commence production in second half of 2021. With operation of its existing plant maturing and when the new plant is finished, the Group expects to enjoy strong economies of scale and achieve higher yet cost-effectiveness in production.

As for pet business, the Group believes the business will continue to benefit from “stay-at-home” new normal. Thus, it will not only pursue online marketing to boost recognition of its domestic pet food brand “TeenyTiny”, but also look for producers for “Brabanconne” in other regions to disperse supply risks. In addition, the Group will source more brands for its online stores to avail to customers diverse high-quality products, and also continue to launch new features aiming to enhance user experience.

The Huizhou property project jointly developed with Guangdong Fuchuan Investment Co., Ltd. is in good progress, with pre-sale expected to start at the end of 2021. The management will pay close attention to macroeconomic and market trends and timely adjust strategies as the new normal commands, in its bid to bring SUGA's businesses to the next level and create long-term value for customers and shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the current assets and current liabilities of the Group were approximately HK\$875.2 million (31 March 2020: HK\$630.8 million) and approximately HK\$519.7 million (31 March 2020: HK\$287.6 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was 1.68 times as at 31 March 2021, 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 and term loans, which are primarily on floating interest rates basis. As at 31 March 2021, the Group maintained cash and bank balances at approximately HK\$127.8 million (31 March 2020: 128.5 million), similar to that of previous financial year. The Group's bank borrowings were HK\$138.6 million as at 31 March 2021 (31 March 2020: HK\$67.8 million). Gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 17.3% (31 March 2020: 9.6%).

The Group's total assets and total liabilities as at 31 March 2021 amounted to approximately HK\$1,326.6 million (31 March 2020: HK\$998.0 million) and HK\$524.4 million (31 March 2020: HK\$293.1 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.40 times as at 31 March 2021, 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\$802.2 million as at 31 March 2021, the increase is mainly attributable by the profit for the year.

As at 31 March 2021, the Group had aggregate banking facilities of approximately HK\$710.5 million (31 March 2020: HK\$785.8 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$519.9 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.

During the year, 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 31 March 2021 and 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 31 March 2021, the Group had a capital commitment of HK\$23.0 million for property, plant and equipment and investment in Huizhou Jiayifu Real Estate Development Co., Ltd. (31 March 2020: HK\$5.7 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 31 March 2021 amounted to HK\$138.6 million (31 March 2020: HK\$67.8 million). As at 31 March 2021, the Group had contingent liabilities in respect of financial guarantees of HK\$10,000,000 and RMB78,000,000 for banking facilities granted to its associate and joint venture respectively. The Group assessed the risk of default of an associate and a joint venture at the end of the reporting period and recognised an aggregate loss allowance of HK\$2,521,000 was recognised as at 31 March 2021.

HUMAN RESOURCES

As at 31 March 2021, the Group has approximately 2,890 employees, of which 73 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 of Directors (the "Board") and management of Suga International Holdings Limited (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 2021, the Company has complied with 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 CG Code A.2.1.

CG Code A.2.1 stipulates that 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 Group 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.

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 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 2020/21.

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 financial statements of the Group for the year ended 31 March 2021.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The financial figures in this announcement of the Group's results for the year ended 31 March 2021 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 HK8.0 cents per ordinary share for the financial year ended 31 March 2021 (FY2019/20: HK2.0 cents) and a special dividend of HK3.0 cents per ordinary share (FY2019/20: Nil) to the shareholders whose names appears on the Register of Shareholders of the Company on 19 August 2021. Together with an interim dividend of HK6.0 cents per share distributed previously, the dividend for the year would amount to HK17.0 cents per share (FY2019/20: HK8.0 cents per share). Subject to approval by shareholders at the 2021 Annual General Meeting, the proposed final dividend and special dividend will be paid on or before 27 August 2021.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from 10 August 2021 to 13 August 2021 (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 2021 Annual General Meeting. In order to qualify to attend and vote at the meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 9 August 2021.

The Register of Shareholders of the Company will be closed on 19 August 2021 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 2021 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 19 August 2021. 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 18 August 2021.

ANNUAL GENERAL MEETING

The 2021 Annual General Meeting will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 13 August 2021 at 3:00 p.m.. For details of the 2021 Annual General Meeting, please refer to the notice of such meeting which is expected to be published on or about 14 July 2021.

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 2021

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.