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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 2021**

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$1,003.3 million (2020: HK\$906.0 million)
- Gross profit was HK\$134.7 million (2020: HK\$122.4 million)
- Profit attributable to owners of the Company was HK\$29.1 million (2020: HK\$29.1 million)
- Basic earnings per share was HK10.22 cents (2020: HK10.25 cents)
- The Board has resolved to declare an interim dividend of HK6.0 cents per share (2020: 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 2021:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

		Six months ended	
		30 September	
		2021	2020
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	1,003,298	906,039
Cost of sales	5	(868,606)	(783,610)
Gross profit		134,692	122,429
Other income		876	4,676
Other gains / (losses) – net	4	7,267	(3,597)
Distribution and selling expenses	5	(31,994)	(28,857)
General and administrative expenses	5	(71,888)	(57,283)
Operating profit		38,953	37,368
Finance income	6	621	978
Finance costs	6	(1,871)	(1,195)
Finance costs – net		(1,250)	(217)
Share of losses of associates		(3,323)	(2,988)
Profit before income tax		34,380	34,163
Income tax expense	7	(4,873)	(4,838)
Profit for the period		29,507	29,325
Profit attributable to:			
Owners of the Company		29,103	29,062
Non-controlling interests		404	263
		29,507	29,325
Earnings per share for profit attributable to owners of the Company during the period			
– Basic (HK cents)	8	10.22	10.25
– Diluted (HK cents)	8	10.21	10.25
Dividends	9	17,087	17,009

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	29,507	29,325
Other comprehensive loss		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign subsidiaries	(3,297)	(377)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Fair value (losses) / gains on equity investments at fair value through other comprehensive income	(201)	354
Other comprehensive loss for the period	(3,498)	(23)
Total comprehensive income for the period	26,009	29,302
Total comprehensive income attributable to:		
Owners of the Company	25,605	29,039
Non-controlling interests	404	263
	26,009	29,302

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2021

	30 September	31 March
	2021	2021
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	307,425	300,910
Right-of-use assets	91,880	95,941
Goodwill	3,949	3,949
Interests in associates	23,015	26,338
Interest in a joint venture	7,809	7,862
Financial assets at fair value through other comprehensive income	5,803	6,004
Deferred income tax assets	1,076	1,950
Non-current prepayments, deposits and other receivables	<i>10</i> 4,506	8,505
	445,463	451,459
Current assets		
Inventories	392,242	344,902
Trade and other receivables	<i>10</i> 379,325	401,166
Financial assets at fair value through profit or loss	172	193
Amounts due from associates	585	1,106
Amount due from a joint venture	6,000	–
Cash and cash equivalents	126,547	127,790
	904,871	875,157
Total assets	1,350,334	1,326,616
LIABILITIES		
Non-current liabilities		
Lease liabilities	2,451	4,430
Deferred income tax liabilities	401	283
	2,852	4,713

		30 September 2021	31 March 2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	<i>11</i>	348,520	331,238
Contract liabilities		14,595	23,206
Financial guarantee contracts		2,521	2,521
Income tax payable		23,371	19,113
Lease liabilities		4,252	5,107
Bank borrowings		155,500	138,550
		548,759	519,735
Total liabilities		551,611	524,448
EQUITY			
Equity attributable to owners of the Company			
Share capital		28,479	28,349
Other reserves		121,873	124,347
Retained earnings		646,773	648,278
		797,125	800,974
Non-controlling interests		1,598	1,194
Total equity		798,723	802,168
Total equity and liabilities		1,350,334	1,326,616

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 2021, 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 2021 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 amendments to existing standards as set out below.

(a) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 April 2021 and currently relevant to the Group:

Amendments to HKFRS 16	Covid-19-related Rent Concessions
Amendments to HKFRS 16	Covid-19-related Rent Concessions beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest rate benchmark reform - Phase 2

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

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

The following new accounting standards, amendments to existing standards, interpretation and annual improvements have been issued but are not effective for the financial year beginning 1 April 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
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
Accounting Guideline 5 (Revised)	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 repayments on demand clause	1 January 2023
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	Income Taxes	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, interpretation and annual improvements is expected to have a significant effect on the condensed consolidated interim financial information of the Group in the current or future reporting periods and foreseeable future transactions.

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 (Other than pet-related electronic products)
Pet-related products	-	Manufacture and distribution of pet-related products

The segment information provided to the CODM for the reportable segments for the six months ended 30 September 2021 and 2020 is as follows:

	Six months ended 30 September 2021			
	Electronic products	Pet-related products	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Revenue from external customers	768,726	234,572	–	1,003,298
Inter-segment revenue	209,100	154,509	(363,609)	–
	<u>977,826</u>	<u>389,081</u>	<u>(363,609)</u>	<u>1,003,298</u>
Segment results	<u>25,516</u>	<u>15,832</u>		<u>41,348</u>

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

Segment results	41,348
Unallocated expenses – net	(10,538)
Other income	876
Other gains – net	<u>7,267</u>
Operating profit	38,953
Finance income	621
Finance costs	(1,871)
Share of losses of associates	<u>(3,323)</u>
Profit before income tax	34,380
Income tax expense	<u>(4,873)</u>
Profit for the period	<u>29,507</u>

	Electronic products	Pet-related products	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other segment information				
Depreciation of property, plant and equipment	20,054	105	827	20,986
Depreciation of right-of use assets	3,500	195	805	4,500
Additions to non-current assets (other than interests in associates and a joint venture, financial assets and deferred tax assets)	<u>29,729</u>	<u>–</u>	<u>12</u>	<u>29,741</u>

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)	–
	<u>843,366</u>	<u>266,873</u>	<u>(204,200)</u>	<u>906,039</u>
Segment results	<u>32,617</u>	<u>12,187</u>		<u>44,804</u>
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				<u>29,325</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	15,435	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

The segment assets and segment liabilities as at 30 September 2021 and 31 March 2021 and the reconciliation to the total assets and total liabilities are as follows:

	As at 30 September 2021		
	Electronic products <i>HK\$'000</i> (Unaudited)	Pet-related products <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	1,129,591	115,519	1,245,110
Unallocated:			
Property, plant and equipment			24,917
Right-of-use assets			21,412
Interests in associates			23,015
Interest in a joint venture			7,809
Deferred income tax assets			1,076
Amount due from an associate			585
Amount due from a joint venture			6,000
Income tax recoverable			37
Other investments			5,975
Cash and cash equivalents			3,556
Other unallocated assets			10,842
			<hr/>
Total assets per condensed consolidated interim balance sheet			1,350,334
			<hr/> <hr/>
Segment liabilities	309,427	48,639	358,066
Unallocated:			
Bank borrowings			155,500
Lease liabilities			2,472
Deferred income tax liabilities			401
Income tax payable			23,371
Financial guarantee contracts			2,521
Other unallocated liabilities			9,280
			<hr/>
Total liabilities per condensed consolidated interim balance sheet			551,611
			<hr/> <hr/>

As at 31 March 2021

	Electronic products <i>HK\$ '000</i> (Audited)	Pet-related products <i>HK\$ '000</i> (Audited)	Total <i>HK\$ '000</i> (Audited)
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/> <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/> <hr/>

An analysis of the Group's revenue from external customers by country or region of destination for the period ended 30 September 2021 and 2020 is as follows:

	Six months ended 30 September	
	2021 <i>HK\$ '000</i> (Unaudited)	2020 <i>HK\$ '000</i> (Unaudited)
The United States of America (the "USA")	651,891	477,113
People's Republic of China (the "PRC", including Hong Kong)	126,884	71,220
Japan	63,237	84,396
Germany	35,357	49,593
France	29,097	23,098
United Kingdom	27,843	34,100
Taiwan	26,818	113,701
Australia	22,611	40,319
Others	19,560	12,499
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	1,003,298	906,039
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An analysis of the Group's non-current assets, excluding deferred income tax assets, interests in associates and interest in a joint venture, by geographical locations is as follows:

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Hong Kong	56,651	59,254
Mainland China	269,563	278,314
Vietnam	87,349	77,741
	413,563	415,309

For the six months ended 30 September 2021, external revenue of approximately HK\$317,299,000 (2020: HK\$261,784,000) was generated from two (2020: two) major customers, who accounted for more than 10% (2020: 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 2021 and 2020.

4. OTHER GAINS / (LOSSES) – NET

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net fair value (losses) / gains on financial assets at fair value through profit or loss	(21)	80
Net foreign currency exchange gains / (losses)	7,288	(3,677)
Total other gains / (losses) – net	7,267	(3,597)

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories	720,938	676,985
Depreciation of property, plant and equipment	20,986	16,451
Depreciation of right-of-use assets	4,500	4,109
Employee benefit expense (including directors' emoluments)	151,443	103,445
Other expenses	74,621	68,760
Total cost of sales, distribution and selling expenses and general and administrative expenses	972,488	869,750

6. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest income from:		
– bank deposits	478	35
– overdue interests received from customers	143	892
– others	–	51
	<hr/>	<hr/>
Finance income	621	978
	<hr/>	<hr/>
Interest expense on:		
– bank borrowings	(1,689)	(925)
– lease liabilities	(182)	(270)
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Finance costs	(1,871)	(1,195)
	<hr/>	<hr/>
Finance costs – net	(1,250)	(217)
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7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current income tax		
– Hong Kong profits tax	3,802	4,811
– Income tax outside Hong Kong	110	–
Deferred income tax relating to the origination and reversal of temporary differences	961	27
	<hr/>	<hr/>
	4,873	4,838
	<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	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	29,103	29,062
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue ('000)	284,790	283,490
	<hr/>	<hr/>
Basic earnings per share (HK cents)	10.22	10.25
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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	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company (HK\$ '000)	<u>29,103</u>	<u>29,062</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	284,790	283,490
Adjustments for share option ('000)	<u>338</u>	<u>–</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	285,128	283,490
Diluted earnings per share (HK cents)	<u>10.21</u>	<u>10.25</u>

9. DIVIDENDS

	Six months ended 30 September	
	2021 HK\$ '000 (Unaudited)	2020 HK\$ '000 (Unaudited)
Interim dividend, declared, of HK6.0 cents (2020: HK6.0 cents) per ordinary share	<u>17,087</u>	<u>17,009</u>

Dividend of HK\$31,327,000 (2020: HK\$5,670,000) that relates to the period to 31 March 2021 was paid on 27 August 2021.

On 25 November 2021, the board of directors resolved to declare an interim dividend of HK6.0 cents per share (2020: HK6.0 cents per share), which is payable on or before 22 December 2021 to shareholders whose names appear on the Company's register of shareholders on 13 December 2021. This interim dividend, amounting to HK\$17,087,000 (2020: 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 2021 and 31 March 2021, the ageing analysis of net trade receivables based on invoice date is as follows:

	As at 30 September 2021 <i>HK\$ '000</i> (Unaudited)	As at 31 March 2021 <i>HK\$ '000</i> (Audited)
0 to 30 days	298,837	350,610
31 to 60 days	27,356	7,856
61 to 90 days	8,328	1,836
91 to 180 days	166	1,371
Over 180 days	6,324	6,423
	<hr/>	<hr/>
	341,011	368,096
Less: Loss allowance	(4,545)	(4,545)
	<hr/>	<hr/>
Trade receivables, net	336,466	363,551
Prepayments to vendors	18,664	15,048
Prepayments for plant and equipment	1,506	5,095
Other prepayments	3,921	5,028
Rental and other deposits	2,190	2,559
Value added tax receivables	12,293	11,005
Income tax recoverable	37	77
Other receivables	8,754	7,308
	<hr/>	<hr/>
	383,831	409,671
Less: Non-current prepayments, deposits and other receivables	(4,506)	(8,505)
	<hr/>	<hr/>
Current portion of trade and other receivables	379,325	401,166
	<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 to 90 days to its customers.

11. TRADE AND OTHER PAYABLES

As at 30 September 2021 and 31 March 2021, the ageing analysis of trade payables based on invoice date is as follows:

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	285,471	259,171
31 to 60 days	10,182	12,396
61 to 90 days	1,861	6,352
91 to 180 days	3,001	5,256
Over 180 days	8,336	5,288
	<hr/>	<hr/>
Trade payables	308,851	288,463
Salaries and staff welfare payable	18,017	19,467
Accrued expenses	4,131	4,694
Others	17,521	18,614
	<hr/>	<hr/>
Total trade and others payables	348,520	331,238
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CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I hereby present the interim results of Suga International Holdings Limited (the "Company") and its subsidiaries ("SUGA" or the "Group") for the six months ended 30 September 2021.

FINANCIAL PERFORMANCE

During the period under review, the COVID-19 pandemic was gradually brought under control, thanks in part to the increase in vaccination rates, and the global market has also shown signs of recovery. However, global material supply tensions intensified and international shipping cycles increased significantly, and these factors, together with the severe shortage of container storage space, disrupted normal market operations during the period. Nevertheless, SUGA continued to leverage its diversified product portfolio and excellent product R&D capabilities, and has been able to continuously benefit from the public's demand under the "stay-at-home" mentality. In addition, SUGA continued to optimise the set-up of its production base in Vietnam amid the pandemic to meet strong customer demand for diversified supply chains to reduce related risks and the call for production capacities and production lines in different regions in the post-pandemic era. The Group recorded stable growth in turnover during the period.

The Group's turnover increased by 10.7% year-on-year to HK\$1,003.3 million (1H2020/21: HK\$906.0 million), mainly due to the continuous increase in sales of pet training equipment. Gross profit rose by 10.0% to HK\$134.7 million (1H2020/21: HK\$122.4 million). Gross profit margin was 13.4% (1H2020/21: 13.5%). Profit attributable to shareholders was HK\$29.1 million (1H2020/21: HK\$29.1 million). Net profit margin was 2.9% (1H2020/21: 3.2%). Basic earnings per share were HK10.22 cents (1H2020/21: HK10.25 cents).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK6.0 cents per share (1H2020/21: interim dividend of HK6.0 cents per share) for the six months ended 30 September 2021, payable to shareholders whose names appear on the Company's register of shareholders on 13 December 2021. The interim dividend is to be paid on or before 22 December 2021.

REVIEW

Electronic Products

The Group's core electronic products business remained the principal revenue source during the period under review. Sales amounted to HK\$768.7 million during the period (1H2020/21: HK\$722.6 million), representing a year-on-year increase of 6.4% and accounting for 76.6% of total sales.

COVID-19 has made "stay-at-home" and "work-from-home" practices the new normal. This increase in the amount of time the public is spending at home has led to strong demand for various home appliances. Such demand has not subsided in the post-pandemic era, driving stable growth in sales of the Group's related electronic products. Among them, demand for professional audio equipment achieved a record high in the second half of the previous financial year. The momentum continued to the first half of this financial year, but related demand fell from the high level previously seen. As consumers are beginning to attach greater importance to the quality of professional audio equipment, the Group has established a diversified customer portfolio, and its wide variety of professional audio equipment is expected to be well received by the market in the future.

Demand for a majority of other products has improved and orders accumulated or previously cancelled have resumed, which has helped maintain and promote the stable growth of the Group's electronic products business.

Although the pandemic has inevitably disrupted the global supply chain of production materials and shipping logistics services, SUGA has maintained close cooperation with several business partners and has actively explored suppliers in different regions, thereby greatly mitigating the negative effects caused by the tight supply of raw materials. Moreover, the Group explored and secured orders in Mainland China at the end of 2020 and made full use of the production capacity of its Dongguan factory.

Pet Business

The pet business recorded sales of HK\$234.6 million during the period (1H2020/2021: HK\$183.4 million), representing a year-on-year increase of 27.9% and accounting for 23.4% of total sales. As the public has become accustomed to staying at home in the post-pandemic era, pet owners have spent more time with their pets. This has stimulated the continuous sales growth of pet training equipment and led to a continuous increase in related orders.

Regarding pet food, the Group began to sell products from the domestic pet food brand “TeenyTiny” on the largest e-commerce platform in the country at the end of last year. The sales volume of such products has continued to record satisfactory growth. As pet owners have become used to online shopping during the post-pandemic period, the Group has continued to strengthen its online marketing and sales, which has led to the ongoing growth of its pet food business in Mainland China and Hong Kong.

AWARDS

During the period under review, the Group was named “EcoPartner” at the BOCHK Corporate Environmental Leadership Awards 2020 in recognition of its outstanding contributions to environmental protection and pollution and carbon emission reduction. In the future, the Group will continue to promote environmental protection and sustainable development through different channels and fulfil its corporate social responsibility.

PROSPECTS

The pandemic has completely altered the way of life of the public. While many new business opportunities have been created in the “post-pandemic” era, the external economy has faced numerous challenges, including international shipping issues, which have not yet been fully resolved due to the continued impact of the pandemic, and the tight global supply of materials. However, with its diversified business development strategy, farsightedness in deploying production in different regions, and strong capacity to innovate, the Group is confident in its ability to meet changing customer demand while maintaining steady development of its businesses.

The international shipping crisis has not yet fully subsided. Nevertheless, since the Group has established long-term partnerships with the majority of its customers, it has been able to assist them in resolving shipping problems through close communication. Some customers chose to ship products by air freight. Currently, with the easing of shipping conditions, the Group hopes to see the pace of the recovery of the shipping industry accelerating in the near future.

In addition, after experiencing major events such as the trade war and COVID-19, many customers have realised the importance of market diversification and mitigating supply chain risks, and have thus paid more attention to whether their partners have production facilities in different regions. The Group began adopting the “China Plus One” strategy in 2018 and subsequently established a highly automated factory in Vietnam. With a floor area of more than 30,000 sq. m., the new plant in Que Vo III Industrial Zone, Bac Ninh Province, Vietnam officially commenced operation this October to meet the strong customer demand for more cost-effective production that Vietnam affords.

To capture the opportunities presented by Mainland China’s inner circulation policy, the Group began to focus on expanding the Chinese market last year. At present, the volume of orders is stable. In the future, the Group will make good use of the production capacity of its Dongguan plant and continue to develop its business in the country, with the aims of expanding its customer base, achieving a more balanced and healthy market layout, and enhancing its risk resistance. The Group will improve the operational efficiency of its factories in Mainland China and Vietnam, and flexibly coordinate the production lines at the two locations. It is believed that this will help further consolidate cost-effectiveness and effectively reduce geopolitical risks.

To meet the increasing customer demand for smart and big data-related products seen in recent years, and in anticipation of the increasing demand for these products in the future, the Group plans to devote more R&D resources to associated projects. The Group showcased several innovative technologies at the Hong Kong Electronics Fair (Autumn Edition) organised by the Hong Kong Trade Development Council in October this year, including pet facial recognition technology, artificial intelligence (AI) solutions and customer flow statistics software as a service (SaaS). The Group has been actively cooperating with local research centres and tertiary institutions to promote the development of academic and innovative technology research and development in Hong Kong, while also nurturing talent in the field of innovative technology and fulfilling its corporate social responsibilities.

The Huizhou property project jointly developed with the Guangdong Fuchuan Investment Co., Ltd. is making good progress. The development and progress of the entire project are in line with expectations. If there are any new developments pertaining to the project, the Group will announce them in due course. The management will pay close attention to macroeconomic and market trends and adjust its strategies in a timely manner as the new normal commands, in a bid to elevate SUGA's businesses to the next level and create long-term value for customers and shareholders.

APPRECIATION

The continued growth of the Group's business performance is attributable to the long-term support of its business partners and shareholders, as well as the vigilance and persistence of all staff amid the pandemic. On behalf of the Group, I would like to express my sincere gratitude to all of the aforementioned. We will continue to work with all parties and strive to create higher investment value for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the current assets and current liabilities of the Group were approximately HK\$904.9 million (31 March 2021: HK\$875.2 million) and approximately HK\$548.8 million (31 March 2021: HK\$519.7 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was 1.65 times as at 30 September 2021, as compared to that of 1.68 times as at 31 March 2021.

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 2021, the Group maintained cash and bank balances at approximately HK\$126.5 million (31 March 2021: HK\$127.8 million). The Group's bank borrowings were HK\$155.5 million as at 30 September 2021 (31 March 2021: HK\$138.6 million). Gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 19.5% (31 March 2021: 17.3%).

The Group's total assets and total liabilities as at 30 September 2021 amounted to approximately HK\$1,350.3 million (31 March 2021: HK\$1,326.6 million) and HK\$551.6 million (31 March 2021: HK\$524.4 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.41 times as at 30 September 2021, as compared to that of approximately 0.40 times as at 31 March 2021.

The net asset value of the Group decreased from HK\$802.2 million as at 31 March 2021 to HK\$798.7 million as at 30 September 2021, the decrease is mainly due to the net effect of dividends paid and the total comprehensive income for the period.

As at 30 September 2021, the Group had aggregate banking facilities of approximately HK\$696.5 million (31 March 2021: HK\$710.5 million) from its principal bankers for overdrafts, loans and trade financing, with unused facilities of HK\$534.3 million (31 March 2021: HK\$519.9 million).

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi, Hong Kong dollars, United States dollars and Vietnamese Dong. As Hong Kong dollars is pegged against United States dollars, the Group mainly exposed to foreign currency risk with respect to Renminbi and Vietnamese Dong. The Group monitors foreign currency exchange exposure and will use forward foreign exchange contracts as appropriate to hedge the foreign exchange risk in the ordinary course of business.

As at 30 September 2021 and 31 March 2021, the Group has not used any financial instruments to hedge against foreign currency risk. It is the Group's policy not to enter into derivative transactions for speculative purposes.

PLEDGE OF ASSETS

As at 30 September 2021 and 31 March 2021, the Group's interest in a joint venture was pledged in favour of a bank to secure facility granted to its joint venture. The Group did not pledge any of its assets as securities for the banking facilities granted to the Group as at 30 September 2021 and 31 March 2021.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2021, the Group had a capital commitment of HK\$7.8 million for property, plant and equipment and investment in Huizhou Jiayifu Real Estate Development Co., Ltd. (31 March 2021: HK\$23.0 million).

Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2021 amounted to HK\$162.2 million (31 March 2021: HK\$138.6 million). As at 30 September 2021, the Group provided financial guarantees of HK\$10.0 million and RMB78.0 million for banking facilities granted to its associate and joint venture respectively (31 March 2021: same). As at 30 September 2021, the bank facilities utilised by an associate and a joint venture was HK\$5.0 million (31 March 2021: HK\$6.5 million) and RMB78.0 million (31 March 2021: RMB78.0 million) respectively. The Group assesses the risk of default of an associate and a joint venture at the end of the reporting period and recognised financial guarantee liabilities of HK\$2,521,000 as at 30 September 2021 (31 March 2021: HK\$2,521,000).

HUMAN RESOURCES

As at 30 September 2021 the Group has approximately 2,896 employees, of which 69 were based in Hong Kong while the rest were mainly in Mainland China and Vietnam. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the individual and company performance. In addition to salaries and other usual benefits like annual leave, medical insurance and various mandatory pension schemes, the Group also provides educational sponsorship subsidies, discretionary performance bonus and share options.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code 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 "CG 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.

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.

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 2021.

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 2021.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK6.0 cents per share for the six months ended 30 September 2021 (1H2020/21: interim dividend of HK6.0 cents per share) payable to shareholders whose names appear on the Register of Shareholders of the Company on 13 December 2021. The interim dividend will be paid on or before 22 December 2021.

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 13 December 2021 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, 10 December 2021.

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, 25 November 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.