

[For Immediate Release]

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SUGA Announces 2021/22 Annual Results Flexible Coordination of Production Capacity in Mainland China and Vietnam Helps the Group Tap New Customers

SUGA International Holdings Limited (“SUGA” or the “Group”) (stock code: 912), a leading electronics total solutions provider also operating a pet food and pet accessories business, today announced its annual results for the financial year ended 31 March 2022.

The Group’s turnover amounted to HK\$1,855.9 million for the year (FY2020/21: HK\$2,101.6 million), representing a decrease of approximately 11.7% against the previous year. This decline was mainly due to tightened COVID-19 pandemic prevention and control measures at the Group’s two major production bases located in Dongguan and Vietnam, which affected production and operations, resumption of work and recruitment of staff, raw material supply as well as the logistics of the Group. Gross profit was HK\$257.7 million and the gross profit margin increased to 13.9% (FY2020/21: HK\$286.6 million and 13.6%), mainly attributable to an increase in production capacity at the Vietnam plant, plus the continuous effective implemented of cost control measures. Profit attributable to shareholders declined to HK\$56.5 million (FY2020/21: HK\$79.3 million), mainly due to the drop in revenue as a result of the COVID-19 pandemic. Net profit margin was 3.1% (FY2020/21: 3.8%). Basic earnings per share were HK19.83 cents (FY2020/21: HK27.96 cents).

The Board has proposed the payment of a final dividend of HK6.0 cents per share (FY2020/21: final dividend of HK8.0 cents per share and special dividend of HK3.0 cents per share). Together with an interim dividend of HK6.0 cents per share already paid, the total dividend for the year will be HK12.0 cents per share (FY2020/21: HK17.0 cents per share).

Dr. C H Ng, Chairman of SUGA, said, “Although the pandemic has posed significant challenges to the global production material supply chain and shipping and logistics services, SUGA has maintained close cooperation with its business partners and actively prospected for suppliers in different regions to mitigate the adverse effects of the tight supply of raw materials. In addition, the Group has secured more orders from Mainland China during the year, and more fully utilized the production capacity of its Dongguan facilities.”

Business Review

The **electronic products business** remained the Group's main source of revenue, contributing HK\$ 1,413.0 million (FY2020/21: HK\$1,695.4 million) for the year, down by 16.7% year-on-year and accounting for 76.1% of total sales.

The COVID-19 pandemic has led to the thriving development of the “stay-at-home economy” which has driven strong demand from customers for the Group's professional audio equipment. However, the market demand has declined slightly after the peak of the pandemic. Besides, as the global markets have been affected by the spread of the Omicron variant of COVID-19 and supply chain congestion, the Group's orders for these products slowed down in the second half of the year. Orders for other products have gradually recovered. The Group has created a diversified product portfolio and focused on developing niche products. This business development strategy has proven to be effective, enabling the Group to withstand the challenging market environment and continue to steadily progress.

In recent years, the Group has actively expanded the technologies and applications in the Internet of things (“IoT”). This strategic advance has been welcomed by existing customers and the Group has also received enquiries from potential new customers. During the year, the Group successfully secured orders from a new customer, an innovative IoT company focusing on the European and the US markets, which manufactures and provides IoT-based products and solutions, including asset trackers.

The **pet business** recorded sales of HK\$ 442.9 million (FY2020/21: HK\$406.2 million), representing a year-on-year increase of 9.0% and accounting for 23.9% of the Group's total sales. Pet training equipment, one of the Group's core products, continued to be an important revenue source of the pet business and recorded growth in sales volume during the year under review.

Leveraging its excellent experience in building its own pet food brand “Brabanconne”, the Group launched its domestic pet food brand “TeenyTiny” targeting the mid-range market in Mainland China at the end of 2020, generating an enthusiastic market response. Consequently, the brand achieved a satisfactory business performance in the one and a half years since its launch. Currently, “Brabanconne” is sold mainly in the Hong Kong and Japanese markets and has enjoyed a good market response. In view of the strong demand for pet food in the Mainland China market, the Group believes that the domestic market remains the pet market with the greatest development potential. Hence, the Group expects that after the “Brabanconne” pet food brand resumes import to the Mainland China market, the two pet food brands can develop and flourish in a two-pronged approach and seize a greater share of the mid-range to high-end market.

Prospects

The Group began executing its “China Plus One” strategy in 2018 and opened an automated factory in Vietnam and coordinating operations with its factory in China. This has not only enabled the Group to more optimally allocate production, but has also clarified for new customers in the electronic business segment the advantage of factories in two countries, market diversification and reduced supply chain risks amid the pandemic, and the Group proactively negotiated with these customers during the year. Moreover, the Group believes that such advantages can be maintained and will help it win more new customers and attract more new orders. Therefore, it will continue to flexibly allocate production consignments between the two countries in the future.

In the past, the orders of most customers were generally relatively urgent and short-term. However, amidst the pandemic, due to the tight supply of raw materials and containers, customers have to set a mid- to long-term strategy and significantly push back the time of placing an order beforehand. The changes in the way of placing an order allow the Group to more flexibly and effectively plan its resources allocation internally and thus further enhance its operational efficiency. The Group will continue to maintain good relations and close communication with customers to ensure that customers enjoy the best services and logistics arrangements.

Meanwhile, the Huizhou Jiayifu development project, co-developed by the Group and Guangdong Fuchuan Investment Co., Ltd., is nearly 70% completed. Part of the project has obtained the pre-sale permit for commercial housing. Due to the erratic impacts of the pandemic and real estate policies, the real estate market in Mainland China faces great uncertainty. The Group will continue to closely monitor the development of the property market in Zhongkai District, Huizhou City, and will launch the project into the market at an appropriate time.

Dr. Alfred Ng, Executive Director and Chief Technology Officer of SUGA, added, “The global economy is still uncertain in the second half of 2022. However, as many countries have begun easing their pandemic restrictions, the global economy is expected to gradually improve after the resumption of free movement between countries. The Group will closely monitor the latest trends in the economy and the pandemic and will also adopt appropriate strategies in a flexible manner to respond to different situations while adopting a prudent approach to ensure that the overall business maintains stable development. In fact, with sufficient cash on hand and banking facilities, the Group will seek and seize suitable investment opportunities in the market, so as to bring long-term value to shareholders.”

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