



[For Immediate Release]

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SUGA Announces 2022/23 Annual Results China and Vietnam Plants Operating Cohesively Contributions from New Customers Start to Appear

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 2023.

Revenue for the year was HK\$1,443.5 million (FY 2021/22: HK\$1,855.9 million), a decrease of approximately 22.2% compared with last year, mainly due to a slowdown in order intake after customers adopted a cautious ordering strategy during the year. However, the annual gross profit for the year was HK\$202.9 million and the gross profit margin increased to 14.1% (FY 2021/22: HK\$257.7 million and 13.9%), benefiting from the improved production efficiency of the Dongguan and Vietnam plants. Profit attributable to shareholders increased by 5.9% to HK\$59.8 million (FY 2021/22: HK\$56.5 million), which was mainly attributable to the profit contribution from the disposal of entire 50% equity interests in Huizhou Jiayifu Real Estate Development Co., Ltd. (“Huizhou Jiayifu”) during the year. The net profit margin was 4.2% (FY2021/22: 3.1%). Basic earnings per share were HK21.00 cents (FY2021/2022: HK19.83 cents).

The Directors have proposed the payment of a final dividend of HK4.0 cents per share (FY2021/22: final dividend of HK6.0 cents per share) and a special dividend of HK3.0 cents per ordinary share (FY2021/22: Nil) to shareholders. Together with the interim dividend of HK5.0 cents per share already paid, the total dividend for the year would be HK12.0 cents per share (FY2021/22: HK12.0 cents per share).

Dr. C H Ng, Chairman of SUGA, said, “Although the challenges in the operating environment have not been overcome, the Group has been committed to exploring new customers, actively conducting R&D and seeking potential cooperation opportunities over the past few years, which brought results to the Group during the year. In addition, the increase in order volumes in the Mainland China during the year enabled the Group to fully utilize the production capacity of the Dongguan plant, while the Vietnam plant gradually received new business opportunities, laying a foundation for future long-term development.”

Business Review

The **electronic products business** remained the Group's main source of revenue, contributing HK\$1,243.9 million (FY2021/22: HK\$1,413.0 million) in the year under review, a decrease of 12% year-on-year and accounting for 86.2% of total sales.

The order volume of professional audio equipment and telephones for the hearing impaired fell from its peak during the year, mainly due to a significant increase in inventories kept by customers during the pandemic. And customers became more cautious in placing orders as the global economy was hit by various factors last year, especially as shipping and raw material supplies stabilized, which prompted customers to reduce inventory. However, orders for products that were hit hard during the pandemic have gradually returned to normal. In addition, in the first half year, the Group's cooperation with new customers in the production of Single-Board Computer ("SBC") and professional audio equipment began to deliver significant revenue contributions in the second half year. The creation of a diversified product portfolio and its focus on developing niche products enabled the Group to withstand the pressure and make steady progress in a challenging market environment.

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

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

Business partners of pet training equipment of the Group adopted a more prudent operating strategy and reduced inventory during the year, consequently, related orders recorded a decline. The performance of the pet food business was relatively stable, the Group's own pet food brand "Brabanconne" continued to achieve good sales performance in the Hong Kong and Japanese market. In Mainland China, the Group's own brand "Teeny Tiny" launched a new range of fresh and grain-free cat food during the year, which is one of the few cat foods that meet 83 international, US, and European standards, the product has brought higher quality choices to the domestic cat food market. In addition, to keep up with the e-commerce trend in recent years, the Group has also strengthened its online sales in Hong Kong, Japan and Mainland China and started to lay out diversified e-commerce channels.

Other

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

Prospect

In the second half of 2023, the COVID-19 pandemic largely subsided, social and economic activities resumed in an orderly manner, and opportunities for regional exchange and communication increased. The Group seized the opportunity for economic recovery and actively expanded its customer network. However, unfavorable factors such as the US Federal Reserve's interest rate hikes and high inflation remained, placing some pressure on the Group's business operations.

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

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

Dr. Alfred Ng, Executive Director and Chief Technology Officer of SUGA, concluded “Despite the complex business environment, SUGA remains cautious about the business outlook for FY2023/24. The Group will continue to promote business diversification and capitalize on the advantages of the “China Plus One” production layout to ensure the steady development of its overall business. After withdrawing from the Huizhou Jiayifu real estate project, the net proceeds from its sale have strengthened the Group’s financial position and cash liquidity, enabling it to reserve sufficient funds for new investments. We will seize the opportune time to explore investment opportunities in the market and continue to attract more customers in the hope of bringing long-term value to shareholders.”

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