



[For Immediate Release]

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## SUGA ANNOUNCES 2016/17 INTERIM RESULTS

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### NEW PET PRODUCT BUSINESS BOASTS SIGNIFICANT PROGRESS

**Suga International Holdings Limited** (“SUGA” / the “Group”) (stock code: 912) today announced its interim results for the six months ended 30 September 2016 (“the period under review”).

SUGA recorded a turnover of HK\$709.0 million (1H2015/16: HK\$703.8 million) in the period under review. Gross profit rose by 12.1% to HK\$110.9 million (1H2015/16: HK\$98.9 million). Gross profit margin climbed to 15.6% (1H2015/16: 14.1%), a reflection of the success of the Group’s ongoing effort to integrate production facilities at its High-tech Industrial Park in Dongguan, which has enhanced its overall operational efficiency.

After payment of expenses of HK\$5.6 million for relocating the Group’s Huizhou plant to Dongguan during the review period, profit attributable to shareholders was HK\$40.1 million (1H2015/16: HK\$39.0 million). Net profit margin was 5.6% (1H2015/16: 5.5%). Basic earnings per share were HK14.47 cents (1H2015/16: HK14.16 cents).

The Board recommended the payment of an interim dividend of HK7.0 cents per share (1H2015/16: HK7.0 cents per share).

**Dr. C. H. Ng, Chairman of SUGA**, said, “We are delighted to be able to deliver stable results despite the prevailing uncertain business environment. Most of the Group’s core products maintained steady growth and we are particularly glad with the significant progress our new pet product business made. In addition, Phase II of our High-tech Industrial Park commenced operation during the review period and facilities of the Huizhou plant were relocated to the industrial park in July. By centralising our production facilities, we can further improve overall production efficiency.”

#### **Business Review**

The electronics products segment has been generating stable revenue and strong cash flow for the Group. Among the different products in the segment, professional audio equipment and telephone for the hearing impaired stood out in performance. The Group succeeded in applying “Internet of things” (“IoT”) technology in its professional audio equipment products, enabling it to expand the corresponding customer base and boost business performance. In addition, the telephone for the hearing impaired produced for a US business partner, which matches the needs of users in the US market, has maintained satisfactory growth momentum. The Group plans to cooperate with the business partner in exploring other possible functions to add to its telephone products, in the hope to enhance the quality of living of the elderly and also to open up more business opportunities.

The Group has been prudent in operating its business in the interactive educational product market. Performance of this business segment has remained weak during the period under review, which was mainly attributable to a change in the development direction of a customer after it was acquired last year by a new buyer who decided to focus on the software market. However, the drop in sales of the segment was offset by the sales growth of other products, evidence that having a diverse product mix can reduce risks and help it maintain a stable performance.

The Group has more than two decades of experience in production and R&D of pet training devices. A few years ago the Group decided to tap the pet product market in China and Hong Kong. During the period, the Group has been putting more effort into promoting its own pet food brand “Brabanconne 爸媽寵”, preparing to enter the pet product market in China. It hopes to see sales of related products increase quickly when they are officially launched in December this year. Though currently in the investment phase, it believes the business has tremendous growth potential in China. The Group is striving to seize business opportunities that can help it claim an important position in the pet product market in China.

### **Prospects**

Electronic products have given SUGA a strong business foundation and have also been a source of satisfactory returns for the Group over the years. The product category is expected to maintain a stable performance in the second half of the financial year. At the same time, the Group is stepping up cooperation with business partners and continuing to innovate based on the firm foundation it has already attained. Taking reference of its successful performance in professional audio equipment, the Group plans to explore IoT applications in different products, and upgrade and transform existing products to help it secure more prominent customers. Even though the revenue from interactive educational products has been declining, the Group, which has years of relevant experience, is discussing with potential partners about transferring its manufacturing expertise to related products.

At the same time, SUGA has been looking for opportunities to diversify its business and generate added value and the pet product business will present it with new opportunities. Using IoT technology, the Group is to develop a creative ecosystem for its pet product business.

On the offline business front, in addition to distributing pet food and products in Hong Kong, the Group has also established subsidiaries in the free trade zones in Tianjin and Nansha to serve markets in Northern and Southern China respectively. SUGA plans to also launch its own pet food brand “Brabanconne 爸媽寵”, a product series tailored for pets in Asia by veterinarians graduated from the University of Cambridge in the UK and manufactured in Europe by the Group's Belgian partner. The Group has been granted recently a licence to import the 19 series of Brabanconne pet food into China by the Ministry of Agriculture of the People's Republic of China. Products of the brand are expected to be officially launched by the end of this year and start contributing revenue to the Group in the fourth quarter of this financial year.

As for online business, the Group's self-developed applications, namely Chongmi and PetNfans, offer pet owners in China and Hong Kong an online advisory and exchange platform. In fact, PetNfans has won for the Group a number of top technology awards, testimony to the widespread market recognition it enjoys.

In the media market, the Group's Beijing arm uses digital media for broadcasting, including micro films to promote its brands and the market has responded very well to them. Applying its proven edge in electronics technology, the Group has developed a series of smart electronic pet products including the smart pet feeder PETBLE<sup>®</sup> SmartBowl and the wearable gauging device PETBLE<sup>®</sup> SmartTag to help improve pets' lives and health, and at the same time enable it to collect and build relevant Big Data. Looking ahead, SUGA sees the pet product business becoming one of its core pursuits and, as such, it is determined to stand out as a market leader in China and Hong Kong.

“With a solid foundation thus laid by our long-standing electronic product business and new opportunities brought by the pet product business, SUGA now boasts unparalleled advantages. The Group has decided to use the land previously occupied by its Huizhou plant for investment purposes. The management is initiating in-depth evaluation of related plans and options with the aim of maximising returns for shareholders.” **Dr. Ng** concluded.

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