



SUGA ANNOUNCES FY2016/17 ANNUAL RESULTS

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GROSS PROFIT MARGIN INCREASES TO 15.8% PET BUSINESS MAKES BREAKTHROUGHS

(Hong Kong, 29 June 2017) – **Suga International Holdings Limited** (“SUGA” or the “Group”) (stock code: 912), a leading electronics total solutions provider, today announced its annual results for the year ended 31 March 2017 (“FY2016/17”).

SUGA recorded turnover of approximately HK\$1,414.1 million for FY2016/17, representing a year-on-year growth of about 3.4% (FY2015/16: HK\$1,368.1 million), attributable mainly to the increase in orders for some of the Group’s specialised electronic products. Gross profit rose by 11.3% to HK\$223.6 million (FY2015/16: HK\$200.8 million) and gross profit margin climbed to 15.8% (FY2015/16: 14.7%). The improved gross profit margin was owed mainly to the increase in orders for products of higher gross profit margin and the success of the Group in consolidating production facilities at its High-tech Industrial Park in Dongguan during the year, which helped enhance overall operational efficiency.

If excluding other gains in FY2015/16 of approximately HK\$11.3 million from the release of exchange reserve upon deregistration of a subsidiary¹, and the payment of relocation costs of approximately HK\$5.6 million incurred from moving the Huizhou plant into the High-tech Industrial Park in Dongguan and the non-cash impairment of the Huizhou factory building of approximately HK\$7.5 million due to change of land use of the Huizhou plant site during the year under review, profit attributable to shareholders would be up by 9.0% year-on-year, reflecting the continued growth of the Group’s core businesses. Profit attributable to shareholders was approximately HK\$61.7 million (FY2015/16: HK\$80.0 million). Net profit margin was 4.4% (FY2015/16: 5.9%) and basic earnings per share were HK22.12 cents (FY2015/16: HK28.94 cents).

The Directors have proposed to pay a final dividend of HK8.0 cents per share (FY2015/16: HK8.0 cents per share). Together with the interim dividend of HK7.0 cents per share declared, total dividend for the year would amount to HK15.0 cents per share (FY2015/16: HK15.0 cents per share).

Dr C H Ng, Chairman of SUGA, said, “Electronic products, the Group’s core business, have continued to generate stable revenue and strong cash flow for the Group, which has allowed the Group to grow steadily, continue to innovate and give its business the energy to develop over the long term. We are pleased to see the business continuing to grow during the period and with a wider gross profit margin. Our strategic focus is to pursue targeted upgrade and transformation by empowering our major products with IoT (Internet of Things) technology, cooperating with customers and business partners to develop new products and upgrading existing products with enhanced functions, in order to help customers expand their business base and at the same time, allow partners to share the fruit of growth with us and achieve win-win outcomes. Furthermore, in recent years, SUGA has been actively developing business in the growing pet care market in mainland China and Hong Kong and an innovative ecosystem has been created for the business. During the year under review, our pet business has made encouraging progress with a number of breakthroughs.”

Business Overview

Electronic products are the Group’s core business. In recent years, SUGA has incorporated IoT technology into its different electronic products, and the professional audio equipment product market responded especially well and that translated into satisfactory income growth during the year under

¹ During the year ended 31 March 2016, a subsidiary was deregistered. In this connection, the cumulative amount of the exchange reserve of this subsidiary of HK\$11.3 million, previously recognised in other comprehensive income and accumulated in equity, was reclassified to the consolidated income statement upon the deregistration of this subsidiary.

review. The Group's business partners are mainly in professional stage audio equipment business and their demand for upgraded products has increased notably. The key markets of such products include the US, UK and Germany.

Moreover, SUGA's telephones for hearing-impaired elderly managed steady growth during the year under review. They boasted a better gross profit margin, which helped drive growth of the Group's overall turnover and gross profit margin. SUGA and its business partner will keep working together in exploring new functions to add to the products, in order to enhance the quality of life for the elderly and reinforce SUGA's position in the specialised product market. In addition, pet training devices, one of the Group's core products, also maintained stable growth during the period.

Other products continued to develop on steady pace during the year, with that of the smart card and NFC products and interactive educational products slightly lagging behind the rest. The drop in sales of these two types of products was however offset by the growth in sales of other products, a reflection of the effectiveness of the Group's strategy of maintaining a diverse product mix that has helped disperse risks and brace steady growth of our business.

As for pet care business, SUGA's own pet food brand "Brabanconne" was granted an import licence by the Ministry of Agriculture of the People's Republic of China during the period under review and was officially launched to market in mainland China and Hong Kong in March 2017 and received good response. The product has its formula tailored for pets in Asia by a veterinarian graduated from the University of Cambridge in the UK and is manufactured in Europe by the Group's Belgian partner. It meets the nutritional needs of pets in Asia.

Prospects

The Group places much importance on developing new markets and looking for opportunities to diversify and add value to its business. Apart from focusing on its core electronics business, the Group is optimistic about the growth potential of the pet care market in mainland China and Hong Kong, and is dedicated to developing a comprehensive pet care ecosystem comprising on-and-offline operations. With a higher gross profit margin than electronic products, the pet product business is expected to give SUGA a stronger impetus to grow. The Group's own pet food brand "Brabanconne" has started generating revenue since its debut in March 2017. The product is expected to bring good contribution to the Group's annual sales in FY2017/18. This year, Brabanconne products will be sold mainly in 11 first-tier mainland cities via a sales network comprising more than 100 physical stores. At the same time, the products are also available at various popular online stores. The online plus offline pet product sales network of the Group is gradually taking shape, giving the Group a strong foundation for development in the future.

The Group's self-developed smart pet feeder PETBLE[®] SmartBowl and the wearable gauging device PETBLE[®] SmartTag started taking orders at the Pet Show held in the first quarter of the year and the market responded positively. PETBLE[®] SmartTag can detect activities of a pet and PETBLE[®] SmartBowl can record food intake by a pet, allowing pet owners to closely track the habits of their pets, so as to improve their pets' health. Meanwhile, the PETBLE[®] App, which is capable of gathering and building big data, can help the Group constantly improve the quality and functions of its products, and through analysing the data gathered understand in depth the eating habits of pets and how they relate to a pet's health, thereby contribute to the development of scientific research in related fields. Furthermore, the Group's self-developed pet social media apps "Chongmi (寵米)" and "PetNfans" have accumulatively over 100,000 and 10,000 users respectively in mainland China and Hong Kong, which can potentially be translated into huge consumption demand for pet products.

Dr. Ng concluded, "SUGA completed consolidation of its production facilities at the High-tech Industrial Park in Dongguan in July 2016 and the facilities have since been in full operation, boosting the Group's production capacity markedly. The Group is applying to change the purpose of the land on which its former Huizhou plant stood to commercial and residential use. The slots surrounding the land parcel have already been changed to commercial and residential lands and development has gone well. We will consider development plans which promise to generate maximum value to the Group and shareholders and will announce the status of development in due course."

About Suga International Holdings Limited (stock code: 912)

SUGA is a technology-based electronics total solutions provider, and was listed on the Main Board of the Stock Exchange of Hong Kong in September 2002. SUGA is mainly engaged in the research and development,

manufacturing and sale of electronic products, including pet electronic devices, professional audio equipment, digital A/V products, interactive educational products, Wi-Fi and RF products, telecommunication products, consumer electronic products, smart cards and NFC-enabled products. SUGA also strives to build an innovative pet ecosystem by IoT technology and provide pet owners with a wide range of products and services. Its services include product manufacturing, sales and distribution, and provide a community for pet owners. Besides, the Group also invests in companies which create synergies with its businesses. SUGA has obtained green certification including ISO 14001, QC 080000, RoHS & WEEE Compliance, GPMS and Green Mark certificates. From R&D to logistics arrangements, SUGA provides customers with a total and proactive solution. Currently, SUGA has many well-known customers spread across the US, Japan, the UK, China and Hong Kong, Australia, etc. In addition, the Group's subsidiary SGI Venture Limited has won the "Silver Award for Youth Square – The Most Creative Award" and the "Advertising and Marketing Certificate of Merit" at the Asia Smartphone Apps Competition 2015 with its creative smartphone app "PetNfans". The Group has received the "Outstanding Solution/ Product Award" at the Asian Electronics Forum for its innovative PETBLE® pet care solutions.

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