



[For Immediate Release]

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SUGA ANNOUNCES FY2018/19 ANNUAL RESULTS

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Suga International Holdings Limited (“SUGA” / the “Group”) (stock code: 912), a leading electronics total solutions provider with pet food and accessories business, today announced its annual results for the year ended 31 March 2019 (“FY2018/19”).

During FY2018/19, the Group secured new electronics product customers, hence it was able to maintain turnover growth. Its turnover was approximately HK\$1.7 billion, representing a year-on-year rise of about 11.3% (FY2017/18: HK\$1.5 billion). Gross profit amounted to approximately HK\$227.0 million (FY2017/18: HK\$231.1 million) and gross profit margin was 13.5% (FY2017/18: 15.3%). The decrease was mainly due to the higher product value of the new customer but lower gross profit margin of these products compared with the Group’s other products and the initial investment in the Vietnam plant lowered the gross profit margin which will nonetheless be recouped in the long run. Profit attributable to shareholders was approximately HK\$55.6 million (FY2017/18: HK\$74.1 million). Net profit margin was 3.3% (FY2017/18: 4.9%) and basic earnings per share were HK19.64 cents (FY2017/18: HK26.29 cents).

The Directors proposed to pay a final dividend of HK6.0 cents per share (FY2017/18: HK8.0 cents per share). Together with the interim dividend of HK6.0 cents per share already paid, the total dividend for the year would be HK12.0 cents per share (FY2017/18: HK15.0 cents per share).

Dr. C. H. Ng, Chairman of SUGA, said, “Through our continuous active efforts in diversifying our business and expediting innovation, SUGA has managed to maintain steady business development despite the challenging macro environment. During the year, we have established a manufacturing facility in Bac Ninh Province, Vietnam. We will capitalize on the preferential tax rates, competitive labor cost, stable labor market and strategic location there, in order to mitigate the pressure from the US-China trade war and rising costs in Mainland China. Two production lines have commenced operation this February, to meet the strong demand for production out of China from partners.”

BUSINESS REVIEW

Electronic Products

The electronic products business has generated stable revenue for the Group. During the year, sales amounted to approximately HK\$1.4 billion (FY2017/18: HK\$1.2 billion), representing a year-on-year increase of 18.3% and accounting for 83.0% of total sales. Among all products, professional audio equipment performed particularly well.

It is worth noting that SUGA has allocated resources to incorporate the Internet of Things (“IoT”) technology within different products in recent years. This initiative not only has gained the recognition of its current business partners, but also secured a new economy customer in the US during the year. The Group has developed an assets tracker with IoT technology for this customer. Although this business is still at the cultivation stage, it has brought a contribution within the year, so the Group believes this product has potential of growth. Although the product carries a gross profit margin lower than its average gross profit margin, it enables the Group to access different types of customers. Therefore, the Group will strike a balance between seeking opportunities and maintaining gross profit margin at a reasonable level.

Pet Business

The pet business started to be designated as a separate business segment last financial year. Sales amounted to HK\$286.3 million (FY2017/18: HK\$330.4 million) in the year, accounting for 17.0% of total sales. The drop of the sales was mainly due to the declining orders of pet training devices as a result of the reduction of inventory by its business partners.

The Group has strived to develop the pet food business in recent years, but an avian influenza outbreak last year affected the import into China of SUGA’s own brand Brabanconne pet food produced in Belgium. The epidemic has since subsided, and now the Group has to wait for the resumption of import approval by China’s government. The Group’s determination to develop the pet food business remains unshaken. The Group has continued raising the awareness of the Brabanconne brand, so this arm still managed to record revenue growth in the year. SUGA has actively participated in different types of domestic and overseas pet exhibitions and fairs, such as Interpets in Tokyo and the Spring All Pet Supplies Fair in Osaka for the first time at the end of March 2019, aiming to enter the market in Japan, so as to satisfy the strong demand for quality pet food among local consumers and help the Group to diversify market risk.

Targeting the enormous potential of pet insurance, SUGA and its partners have launched PetbleCare, an online pet insurance platform, in September 2018, which covers the pets’ medical illness, accident, third party liability and other protection, in order to provide a more comprehensive service to pet owners and their beloved animals. The platform can generate synergies with the Group’s existing pet business, so the Group believes that it can hugely benefit its pet business ecosystem.

PROSPECTS

Looking ahead, customers will still adopt a prudent approach before the resolution of the trade war between China and the U.S. becomes clear. The Group will closely monitor the development of the situation. SUGA will also maintain close communications with its business partners and work together to face the challenges in line with its common interests.

SUGA's Vietnam plant has completed trial production during the year under review. At present, the Group has mainly shifted the manufacturing of the products affected by the trade war to its Vietnam factory and advanced the extent of automated production processes, mainly non-labor intensive parts. The Group has received some enquiries from new customers, expressing wishes for its Vietnam plant to produce their products, so as to mitigate the effects of the trade war on them. The Group will flexibly allocate resources according to its customers' needs and can adjust its production scale as needed.

In addition, although the avian influenza outbreak in Belgium was just an isolated sudden instance, it has affected the development of SUGA's own pet food brand Brabanconne. Thus the management has actively and comprehensively considered how to secure stable supply sources in the future in order to diversify the risks of supply and meet the needs of its customers. During the year, the Group has studied various options and explored the feasibility of cooperation with other suppliers such as overseas and domestic quality pet food producers. The related plans will be confirmed as soon as possible to avoid a slowdown of the Group's development pace due to changing external conditions.

The Group earnestly believes that the positioning of Brabanconne, which is customized for pets in Asia, will attract lots of pet owners. The brand has gained a certain degree of recognition in mainland China, hence we will continue to grasp opportunities to further penetrate other Asian markets. The Group has received positive feedback after it participated in the exhibitions in Japan. SUGA will expedite the development of its pet food business based on indicators of market acceptance.

Dr. Alfred Ng, Executive Director and Chief Technology Officer of SUGA, added, "We will continue to evaluate potential development projects and look for new opportunities amidst the challenges. Moreover, the Group has maintained a net cash position, which allow us with greater flexibility to capture suitable opportunities so as to create value for our shareholders. We thus have full confidence in the Group's long-term business prospects."

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