



[For Immediate Release]

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SUGA ANNOUNCES FY2019/20 ANNUAL RESULTS

Suga International Holdings Limited (“SUGA” or the “Group”) today announced its annual results for the year ended 31 March 2020.

The COVID-19 outbreak has brought an unprecedented impact on the global economy, and the Group’s performance in the last quarter was inevitably affected. The Group’s turnover was HK\$1.6 billion during the year (FY2018/19: HK\$1.7 billion), representing a year-on-year mild decrease of 4.0%. Gross profit amounted to approximately HK\$206.3 million and gross profit margin was 12.8% (FY2018/19: HK\$227.0 million and 13.5%). The year-on-year decrease in gross profit was mainly attributable to decrease in revenue and increase in cost of production due to the further expansion of production facilities of the Group’s Vietnam factory, which was partially offset by the decrease in labour costs and manufacturing overheads benefited from depreciation of Renminbi against United States dollars. Profit attributable to shareholders was HK\$27.7 million and net profit margin was 1.7% (FY2018/19: HK\$55.6 million and 3.3%). Basic earnings per share were HK9.77 cents (FY2018/19: HK19.64 cents).

The Directors proposed to pay a final dividend of HK2.0 cents per share (FY2018/19: HK6.0 cents per share). Together with the interim dividend of HK6.0 cents per share already paid, the total dividend for the year would be HK8.0 cents per share (FY2018/19: HK12.0 cents per share).

Dr C H Ng, Chairman of SUGA, said, “We strived our utmost to minimise the impact of the COVID-19, including strictly following the hygiene and virus infection prevention requirements issued by related authorities. We have gradually resumed production with the safety of staff as the top priority, maintained close communications with our business partners and flexibly deployed production resources in the PRC and Vietnam, all of which helped the Group to navigate the challenges together with our business partners.”

BUSINESS REVIEW

Electronic Products

The electronic products business remained as the Group’s main revenue source, contributing revenue of HK\$1,364.4 million (FY2018/19: HK\$1,395.6 million), representing a year-on-year decrease of 2.2% and accounting for 84.5% of total sales. Telephones for the hearing-impaired and electronic payment products recorded revenue growth, but other products have been affected by the market environment, in particular some business partners postponing their orders in the last quarter of the review year. However,

no orders have been cancelled by these partners.

SUGA has been actively exploring new opportunities and achieved many advances during the year, including the Cordless Hair Straightener produced for a leading brand of personal care appliances in the US. This Cordless Hair Straightener is the Group's first product in its new smart personal care business. Delivery of the product has started during the year and received an initial positive market response. The Group is currently in discussion with the business partner on applying the patented technology to a wider range of products, hoping to offer more innovative and quality smart personal care products to consumers.

Another advance for the Group was its investment in Mobilogix, Inc. ("Mobilogix"), a startup company in the US. Mobilogix is also one of the customers of the Group. SUGA has been developing an asset tracker with Internet of Things ("IoT") technology application for Mobilogix since the previous financial year. It also invested approximately US\$2.0 million (equivalent to approximately HK\$15.6 million), which as a result, the Group currently holds approximately 22% of the shares of Mobilogix. The cooperation with Mobilogix not only enhances the strengths of both companies, but also enables SUGA to attract more quality customers.

The Group also achieved a breakthrough in the expansion of production capacity. Its highly automated factory in Vietnam commenced operation in the first half of the year. The Group has received enquiries from some customers and this has reflected the competitive advantage of the Vietnam factory. To meet the strong demand of the affected US business partners and other existing and new customers for Vietnamese production, on top of the existing factory covering more than 4,100 sq.m., the Group has rented over 6,000 sq.m. of additional space. It has also expanded the production lines to sixteen, in order to meet the needs of its business partners.

Pet Business

The pet business recorded sales of HK\$250.8 million during the year (FY2018/2019: HK\$286.3 million), representing a year-on-year decrease of 12.1% and accounting for 15.5% of total sales. With the end of the avian influenza outbreak in Belgium, the import of the Group's own brand Brabanconne pet food, which is made in Belgium, into China has resumed at the end of 2019. However, the outbreak of COVID-19 has slowed the recovery. Nonetheless, after the occurrence of avian influenza in Belgium, the management was determined to stabilise the source of the product raw materials and diversify the risks of supply. Hence, the Group concluded the cooperation with a quality pet food manufacturer in China during the year. The new brand which mainly targets the mid-range market will be launched across China during the middle of this year to capture enormous business opportunities in the pet food and product market of China.

PROSPECTS

SUGA's production facilities in Dongguan have fully resumed production, so the Group is well prepared to handle rising order volume from its business partners in the future. SUGA and its customer of smart personal care products plan to launch a series of new products. The first generation high performance cordless hair straightener has gained wide recognition in the industry, so the Group and its business

partner will investigate how to use the patented heating technology to more products with the hope to develop a series of innovative products.

As for the pet business, after SUGA's own brand Brabanconne pet food produced in Belgium resumed imports into China at the end of 2019 and the pet food produced in the PRC will be introduced domestically, the Group will flexibly arrange online and offline marketing activities to strengthen the reputation of its own pet food brands and boost related business performance. Besides, the Group will continue exploring cooperation with a producer from New Zealand to diversify the risk of supply.

The Group has received order inquiries from several new customers about production at the factory of Vietnam, which is particularly valuable to us during the pandemic, and fully demonstrates the competitive advantage of this factory. As the management expects the demand for production in Vietnam will strengthen, the Group signed an agreement with a third party at the end of April 2020 to sublease the land from the industrial park at Que Vo III Industrial Zone at Que Tan Commune, Que Vo District, Bac Ninh Province, Vietnam to construct another factory for its own use for a term of 39 years for a total consideration of approximately VND79,700,000,000 (equivalent to approximately HK\$26,300,000). The consideration is to be funded by the Group's internal resources. The land parcel is 40,251.5 sq.m., and is also located in Bac Ninh Province like of the Group's factory in Vietnam. In the future, the Group will maintain close communication with its business partners, to appropriately allocate production resources between Dongguan and Vietnam, and create an all-win situation.

Dr. Alfred Ng, Executive Director and Chief Technology Officer of SUGA, added, "SUGA has consistently expanded its business after economic cycles and market changes. Our commitment to innovation and moving forward has underpinned us to overcome one challenge after another in the past. Although the pandemic has caused dramatic changes in daily life in society, we strongly believe that there are still opportunities and challenges ahead. SUGA believes that the demand for technology products will be increasing in the market, which can present tremendous business opportunities in the future. We will continue to explore more opportunities, lead SUGA to establish new business milestones, and create value for customers and shareholders in the long run."

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