



[For Immediate Release]

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SUGA Achieves Record High FY2020/21 Interim Results amid Pandemic Turnover and Net Profit Reach HK\$906 Million and HK\$29 Million Respectively

Suga International Holdings Limited (“SUGA” or the “Group”) today announced its interim results for the six months ended 30 September 2020.

During the period under review, turnover grew by 3.0% against the last corresponding period to HK\$906.0 million (1H2019/20: HK\$879.8 million). Gross profit rose by 3.5% to HK\$122.4 million (1H2019/20: HK\$118.3 million). Gross profit margin was 13.5% (1H2019/20: 13.4%). The rebound of gross profit margin was mainly attributable to cost effectiveness achieved by the Group due to its revenue growth, production capacity expansion in Vietnam and effective cost control measures. Profit attributable to shareholders was up by 5.8% to HK\$29.1 million (1H2019/20: HK\$27.5 million). Net profit margin was 3.2% (1H2019/20: 3.1%). Basic earnings per share were HK10.25 cents (1H2019/20: HK9.68 cents).

To share the fruitful results with shareholders, The Board proposed to pay an interim dividend of HK6.0 cents per share (1H2019/20: interim dividend HK6.0 cents per share).

Dr C H Ng, Chairman of SUGA, said, “COVID-19 has brought tough challenges to the business environment worldwide. However, in every crisis, there is opportunity. The pandemic has led to various stay-at-home demand, thus benefitting some of our products and in turn bringing overall business back on the right track. Owing to SUGA’s diverse product mix and its persisting effort in developing new products amid the pandemic as well as the setting up of its production base in Vietnam, we managed to overcome these challenges with flexibility. Consequently, the turnover increased slightly year-on-year during the period, and rose even more significantly when compared with the second half of the last financial year. It’s encouraging to see we have achieved record high results in such a challenging time, thanks to our business partners and shareholders for their support all along. I also wish to express my heartfelt appreciation to our staff for their contributions.”

Business Review

As the Group’s core business, the **electronic products business** continuously generated stable revenue during the period. Sales amounted to HK\$722.6 million (1H2019/20: HK\$740.3 million), representing a year-on-year decrease of 2.4% and accounting for 79.8% of total sales.

COVID-19 has started the trend of remote working and learning from home that has benefitted the sales of the Group’s professional audio equipment, with a particular surge in orders of wireless microphones. During the pandemic, consumers spent more time at home than in the past, resulting in significant growth in the demand for professional audio equipment for entertainment. As the trend is expected to continue, demand for the related electronic products will rise. In addition, the clientele of professional audio equipment includes a number of its business partners. The Group believes that this will enable it to build a healthier revenue mix.

With regard to other products, as its customers have gradually coped with the new normal amid the pandemic, the orders, which were postponed earlier, have resumed. Some of the product orders were still postponed due to the pandemic, but part of the orders were planned to be delivered in the second half of the year, which could lead to better business performance again.

During the period, the **pet business** recorded sales of HK\$183.4 million (1H2019/20: HK\$139.5 million), representing year-on-year growth of 31.5% and accounting for 20.2% of total sales. Revenue growth of this segment was mainly due to sustaining sales growth from its pet training equipment customers despite the pandemic and replenishing of its stocks in the first half of the financial year to meet a hike in demand for pet-related products. With regard to pet food, as the Group's own brand Brabanconne pet food made in Belgium has resumed its import to China at the end of 2019 and the Group has flexibly arranged online marketing activities to raise the recognition of its own brand pet food, the pet food business reported growth in both Mainland China and Hong Kong.

Prospects

2021 is on the doorstep, as the markets have gradually adapted to the new normal amid the pandemic, part of the orders and cooperation projects are already scheduled to commence in the second half, which is set to get business growth back on track. To meet the rebound demand for new products from customers when the economy revives, the Group continues to develop innovative products amid the pandemic. Such efforts have started bearing fruits. The number of R&D projects has remarkably increased amid the pandemic, and won the hearts of customers, including professional audio equipment and new hair styling products developed for a smart personal care product customer. This will strengthen the profitability of the Group, a testament to the Group's correct move of transforming into a solution provider.

Across various markets, China is the first to get COVID-19 under control with a rapid economic recovery. The Group is optimistic about the market potential there. During the past half year, it strengthened the expansion and secured more orders from the mainland market so as to mitigate the impact on business from the pandemic, expand its clientele and market layout to a healthier mix, and enhance its resilience against risks.

In light of keen demand for more cost-effective production in Vietnam from US business partners affected by Sino-US trade war, as well as other existing and new customers, the Group is building a highly automated factory of over 30,000 sq.m. in Que Vo III Industrial Zone at Que Tan Commune, Que Vo District, Bac Ninh Province, Vietnam, which is expected to commence production in 2021. After the completion of the construction of its new factory, the Group can further capitalise and cut down on production costs. After moving part of the production to Vietnam, the capacity saved at Dongguan factory will be used to support the Group's business expansion plan in Mainland China, so as to tap the opportunities emerging from internal circulation policy. At the same time, the Group will strengthen the operating efficiency in China and Vietnam to further enhance effectiveness.

In terms of pet business, to seize enormous business opportunities in the mainland pet food and product market, the Group's domestic pet food brand "TeenyTiny" was launched on the largest e-commerce platform in China at the beginning of November, which was also the first "Double 11" shopping festival after the pandemic. It received an overwhelming response, showing that the mainland market has strong demand for quality pet food. In the future, the Group will strengthen the exposure of this new brand by organising more online promotions. People working-from-home will have more time with pets and stimulate demand for pet products, so this trend is expected to benefit the Group's pet business.

Dr. Alfred Ng, Executive Director and Chief Technology Officer of SUGA, added, “Customers have started to diversify their regional markets and production layouts for risk aversion after COVID-19. We believe opportunities can be found among challenges. Capitalising on SUGA’s diverse business development strategy and the layout of production facilities across different regions, the Group will be able to battle against strong headwinds, maintain stable business development. We will continue to seize new opportunities, bring the Group towards new heights, and create long-term value for our customers and shareholders.”

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