[For Immediate Release]

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SUGA Records Stable Growth in 2021/22 Interim Results
Production Capacity Deployment in Different Regions
Helps Customers Divert Supply Chain Risks

SUGA International Holdings Limited ("SUGA" or the "Group") today announced its interim results for the six months ended 30 September 2021.

During the period under review, the Group's turnover increased by 10.7% year-on-year to HK$1,003.3 million (1H2020/21: HK$906.0 million), owed mainly to the continuous increase in sales of pet training equipment. Gross profit rose by 10.0% to HK$134.7 million (1H2020/21: HK$122.4 million). Gross profit margin was 13.4% (1H2020/21: 13.5%). Profit attributable to shareholders was HK$29.1 million (1H2020/21: HK$29.1 million). Net profit margin was 2.9% (1H2020/21: 3.2%). Basic earnings per share were HK10.22 cents (1H2020/21: HK10.25 cents).

To share the fruitful results with shareholders, the Board has proposed to pay an interim dividend of HK6.0 cents per share (1H2020/21: interim dividend of HK6.0 cents per share).

Dr C H Ng, Chairman of SUGA, said, "During the period under review, the COVID-19 pandemic gradually brought under control, thanks in part to the increase in vaccination rates, and the global market has also shown signs of recovery. However, global material supply tensions intensified and international shipping cycles increased significantly, and these factors, together with the severe shortage of container storage space, disrupted normal market operations during the period. Nevertheless, SUGA continued to leverage its diversified product portfolio and excellent product R&D capabilities, and has been able to continuously benefit from the public's demand under the 'stay-at-home' mentality. In addition, SUGA continued to optimise the set-up of its production base in Vietnam amid the pandemic to meet strong customer demand for diversified supply chains to reduce related risks and the call for production capacities and production lines in different regions in the post-pandemic era. The Group recorded stable growth in turnover during the period."

Business Review

Electronic products business, core to the Group, remained the principal revenue source during the period under review. Sales amounted to HK$768.7 million during the period (1H2020/21: HK$722.6 million), representing a year-on-year increase of 6.4% and accounting for 76.6% of total sales of the Group.

COVID-19 has made “stay-at-home” and “work-from-home” practices the new normal. This increase in the amount of time the public is spending at home has led to strong demand for various home appliances. Such demand has not subsided in the post-pandemic era, driving stable growth in sales of the Group's related electronic products. Among them, demand for professional audio equipment achieved a record high in the second half of the previous financial year. The momentum continued to the first half of this financial year, but related demand fell from the high level previously seen. As consumers are beginning to attach greater importance to the quality of professional audio equipment, the Group has established a diversified customer portfolio, and its wide variety of professional audio equipment is expected to be well received by the market in the future.

Demand for a majority of other products has improved and orders accumulated or previously cancelled have resumed, which has helped maintain and promote the stable growth of the Group’s electronic products business.

Although the pandemic has inevitably disrupted the global supply chain of production materials and shipping logistics services, SUGA has maintained close cooperation with several business partners and has actively explored suppliers in different regions, thereby greatly mitigating the negative effects caused by the tight supply of raw materials. Moreover, the Group explored and secured orders in Mainland China at the end of 2020 and made full use of the production capacity of its Dongguan factory.

The **pet business** recorded sales of HK$234.6 million during the period (1H2020/2021: HK$183.4 million), representing a year-on-year increase of 27.9% and accounting for 23.4% of the Group’s total sales. The increase was due to people getting used to staying home in the post-pandemic era, and pet owners thus have spent more time with their pets. The phenomenon has fuelled continuous sales growth of pet training equipment and in turn continuous increase in related orders.

Regarding the pet food business, the Group started selling products of the domestic pet food brand “TeenyTiny” on the largest e-commerce platform in the country end of last year. Sales volume of the products has continued to record satisfactory growth. As pet owners have gotten used to shopping online post-pandemic, the Group has continued to strengthen online marketing and sales, which explained the consistent growth of its pet food business in Mainland China and Hong Kong.

Prospects

The pandemic has completely change people’s way of living, which created many new business opportunities in the “post-pandemic” era, on the other hand, the external economy has faced numerous challenges, including international shipping issues, which have not yet been fully resolved due to the continued impact of the pandemic, and the tight global supply of materials. Nevertheless, since the Group has established long-term partnership with most of its customers, it has been able to closely communicate with and assist them in resolving shipping problems. Some customers chose to ship products by air. Currently, with shipping conditions easing, the Group hopes to see the pace of the recovery of the shipping industry accelerating in the near future.

In addition, having been through major events like the trade war and COVID-19, more customers have realised the importance of diversifying their markets and diverting supply chain risks, thus are paying more attention to whether their partners have production facilities in different regions. The Group has adopted the “China Plus One” strategy since 2018 and a highly automated factory was built in Vietnam. And, in October, the new plant of gross floor area more than 30,000 sq. m. in Que Vo III Industrial Zone, Bac Ninh Province, Vietnam officially commenced operation to meet the strong customer demand for more cost-effective production that Vietnam affords.

Furthermore, to capture the opportunities brought by Mainland China's inner circulation policy, the Group began to focus on expanding the Chinese market last year. At present, orders are coming in steadily. In the future, the Group will make good use of the production capacity of its Dongguan plant and continue to develop business in the country, with the aims of expanding its customer base, achieving a more balanced and healthy market footprint and enhancing risk resistance. It will improve the operational efficiency of its factories in Mainland China and Vietnam, and flexibly coordinate the production lines at the two locations. Those moves are expected to help further cost-effectiveness of the Group and enable it to effectively reduce geopolitical risks.

Dr. Alfred Ng, Executive Director and Chief Technology Officer of SUGA, added, "Armed with business diversification development strategy, farsightedness in deploying production in different regions, and strong capacity to innovate, we are confident in our ability to meet changing customer demand while maintaining steady development of its businesses. Looking ahead, we will continue to expand markets in and outside the country and also our customer base, hoping to divert risks and improve cost effectiveness. We will also develop more innovative technologies and products so as to help the Group realise sustainable growth and create long-term value for shareholders."

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