



*[For Immediate Release]*

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## **SUGA Announces FY2022/23 Interim Results**

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### **Continuous Improvement in the Efficiency of Factories in Mainland China and Vietnam; “China Plus One” Strategy Attracts Customers**

**SUGA International Holdings Limited** (“SUGA” or the “Group”) (stock code: 912), a leading electronics total solutions provider that also operates a pet food and pet accessories business, today announced its interim results for the six months ended 30 September 2022.

During the period under review, the Group's turnover decreased by 25.9% year-on-year to HK\$743.6 million (1H 2021/22: HK\$1,003.3 million). Gross profit was HK\$107.9 million (1H 2021/22: HK\$134.7 million). Benefiting from the continuous improvement in the efficiency of the Group's factories in Mainland China and Vietnam, the gross profit margin rose to 14.5 % (1H 2021/22: 13.4%). Profit attributable to shareholders was HK\$26.7 million (1H 2021/22: HK\$29.1 million). The net profit margin was 3.6% (1H 2021/22: 2.9%). Basic earnings per share were HK9.36 cents (1H 2021/22: HK10.22 cents).

To share the fruitful results with shareholders, the Board has proposed to pay an interim dividend of HK5.0 cents per share (1H 2021/22: interim dividend of HK6.0 cents per share).

**Dr C H Ng, Chairman of SUGA**, said, “During the period under review, the business environment became more complex and challenging due to the continued resurgence of the COVID-19 pandemic, coupled with rising global inflation and interest rate hikes by the U.S. Federal Reserve and the European Central Bank. However, owing to SUGA's diversified product portfolio strategy and strong product development capabilities, we were able to overcome challenges and advance our businesses during the period.”

## **Business Review**

**Electronic products**, the Group's core business, continued to be the main source of revenue during the period under review. Sales amounted to HK\$640.8 million during the period (1H 2021/22: HK\$768.7 million), representing a year-on-year decrease of 16.6% and accounting for 86.2% of the Group's total sales.

During the period, some of the electronic products performed well, such as telephones for the hearing-impaired, smart cards and near-field communication ("NFC") products, and orders for telecommunications products from Japanese customers continued to recover, while orders for asset trackers from a new customer acquired last year also saw a substantial increase. Orders for electronic products, which benefited from the booming "stay-at-home economy" amid the COVID-19 pandemic, declined after reaching a peak, while the global production material supply chain and shipping logistics services gradually recovered, resulting in a shift towards a more cautious ordering strategy to reduce inventory pressure. The order volume of professional audio equipment slowed noticeably, which offset the increase in order volume of other electronic products. However, the Group has built up a diversified product portfolio and focused on developing unique products. This business development strategy has been effective and enabled the Group to grow steadily in a complex market environment.

Despite the challenging business environment, the Group has actively developed and sought potential cooperation opportunities. During the period, the Group entered into a partnership with a new customer in the professional audio equipment field, further expanding the customer base and revenue stream for this product. In addition, the Group also started the production of Single-Board Computer ("SBC") for a new customer during the period, further enriching its product portfolio. The Group looks forward to deepening its working relations with new and existing business partners in a bid to explore more business opportunities.

The **pet business** recorded sales of HK\$102.8 million during the period (1H 2021/22: HK\$234.6 million), representing a year-on-year decrease of 56.2% and accounting for 13.8% of the Group's total sales.

Regarding pet electronic products, pet training equipment was affected by the economic downturn in overseas markets. Moreover, the Group's customer increased its inventory levels when the supply chain of raw materials was tight and shipping was disrupted, so it strategically reduced orders under the current market situation. Consequently, the performance of the pet training equipment segment was weaker.

The pet food business recorded a stable performance. The Group's own pet food brand "Brabanconne" continued to focus on the Hong Kong and Japanese markets, with encouraging sales results. The Group's other in-house pet food brand "TeenyTiny" has been gaining momentum since its launch in the Mainland China market and has received positive feedback from customers, providing a strong boost for the Group's development in the Mainland's pet food market.

## Prospects

Entering 2023, COVID-19 has not yet fully subsided, but increasingly more countries are relaxing their anti-pandemic measures, which will provide a boost to consumption sentiment. While factors such as geopolitical tensions, interest rate hikes and high inflation will continue to add uncertainties to the operating environment, SUGA remains cautiously optimistic about its business prospects in the second half of the financial year.

The Group expects to see solid development in its core electronic products business, which will continue to bring stable revenue. In particular, the Group intends to further expand the product range of professional audio products, which provide the main source of revenue for the electronic products business segment, from the existing professional audio products to a wider range of applications, with the aim of broadening its customer base. In addition, the Group received orders for audio products and SBC from new customers during the period under review, which is expected to start providing profit contributions in the second half of the financial year. Looking ahead, the Group will continue to actively expand its customer network and foster mutually fruitful collaborations with its business partners.

As for the pet business, the Group's experienced team has been working diligently to develop a variety of nutritious and interesting pet food products and other practical products to meet the demand of the pet consumer market. During COVID-19, people spent more time with their pets, and as a result, have come to regard pets as family members. This has stimulated strong demand from consumers for natural and healthy pet food and premium pet nutrition products. The humanization of pets has also further boosted the diversification of pet food and the trend of feeding pets with snacks as staple food. Therefore, the Group is actively developing new product lines for its pet food brands, including high-quality pet healthcare products and freeze-dried snacks which are expected to be launched in the coming year.

In view of the general downturn in the property market in Guangdong Province and Mainland China as a whole due to the ongoing and recurring COVID-19 pandemic, the Group announced on 14 September 2022 that it agreed to sell its entire 50% equity interest in Huizhou Jiayifu Real Estate Development Co., Ltd. (a joint venture held by the Group) to Guangdong Fuchuan Investment Co., Ltd. at a consideration of RMB45.9 million so as to withdraw from Huizhou Jiayifu Real Estate Development Co., Ltd. and the development project. Pursuant to the termination agreement, Guangdong Investment Co., Ltd also agreed to undertake to procure the release of the Group from the financial guarantee and share charge for the bank facility granted to Huizhou Jiayifu Real Estate Development Co., Ltd (“Release”). Upon the Release, the carrying amount of the financial guarantee of approximately HK\$4.3 million will be derecognized and the respective loss allowance recognised in prior year of approximately HK\$4.3 million will be reversed. The related profit is expected to be booked in the second half of the financial year and the net proceeds from the disposal will be used as general working capital of the Group. The disposal will enhance the Group's financial strength, allowing it to quickly seize potential opportunities in the future.

**Dr Alfred Ng, Executive Director and Chief Technology Officer of SUGA**, concluded, “The Group believes that the execution of the ‘China Plus One’ strategy will help promote its steady development. Our factories in Mainland China and Vietnam complement each other, which has not only allowed the Group to flexibly allocate production capacity, but also helped customers diversify their supply chain risks. Many new customers have taken an interest in the Group due to our unique advantage of having production lines in both Mainland China and Vietnam, and actively liaised with the Group about potential business cooperation. The Group expects that it will continue to benefit from the advantageous ‘China Plus One’ strategy going forward, helping it maintain cost effectiveness and expand its customer base. SUGA will move forward collaboratively with all parties to promote the Group’s sustainable development and create more favorable returns for our shareholders.”

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