

[For Immediate Release]

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SUGA Announces 2023/24 Interim Results

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Complementary Coordination of Factories in Mainland China and Vietnam Expanding the Source of Income with New Products

SUGA International Holdings Limited (“SUGA” or the “Group”) (stock code: 912), a leading electronics total solutions provider also operating a pet food and pet accessories business, today announced its interim results for the six months ended 30 September 2023.

Benefiting from the pandemic easing and recovery of the global economy and consumer market, however, confidence in consumption was still affected by a number of uncertainties and, as a result, the Group recorded turnover of HK\$717.5 million (1H 2022/23: HK\$743.6 million), a slight decrease of 3.5% compared to first half of 2022/2023. Gross profit was HK\$104.1 million (1H 2022/23: HK\$107.9 million), and gross profit margin was 14.5% (1H 2022/23: 14.5%). Profit attributable to shareholders was HK\$19.7 million (1H 2022/23: HK\$26.7 million). The decrease was mainly due to the absence of the non-recurring gain from the release of exchange reserve upon deregistration of subsidiaries recorded in the six months ended 30 September 2022. For the six months ended 30 September 2023, net profit margin was 2.7% (1H 2022/23: 3.6%). Basic earnings per share were HK6.90 cents (1H 2022/23: HK9.36 cents).

To share the fruitful results with shareholders, the Board has proposed to pay an interim dividend of HK4.0 cents per share (1H 2022/23: interim dividend of HK5.0 cents per share).

Dr Alfred Ng, Chief Executive Officer and Executive Director of SUGA, said, “During the period under review, the global market gradually emerged from under the shadow of the COVID-19 pandemic, with raw material supply and logistics network operation returning to normal levels and market consumer confidence starting to rebound, driving growth in overall demand in society. The Group took advantage of the general recovery of the market to digest inventories piled up during the pandemic, and its plants in China and Vietnam were well-prepared and had ample capacities for production. With inventory at a healthy level, sufficient cash flow, a diversified product portfolio and outstanding product R&D capabilities, the Group recorded steady development during the period under review.”

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\$590.2 million during the period (1H 2022/23:HK\$640.8 million), representing a year-on-year decrease of 7.9% and accounting for 82.3% of the Group's total sales.

During the period, revenue from professional audio equipment products rebounded, mainly because customers began to replenish stocks during the period after inventories built up amid the pandemic were basically all digested. However, orders for telephones for the hearing-impaired and communications products from Japanese customers saw a decline. Since the end of the previous financial year, the Group has been collaborating with a new Internet of Things ("IoT") client, whose electronic paper displays have commenced production at the Vietnam plant, and the production line has operated smoothly and pushed up relevant revenue. The customer has become one of SUGA's important partners. In addition, the diversified product portfolio and "China Plus One" production layout of the Group have continued to leverage obvious production advantages, drawing new customers looking to cooperate with it. With production efficiency of its Vietnam plant improving, well-trained professionals and an interconnected production management system, the Group has ample capacity for processing orders. The plant in China has received more local orders, and the facilities in China and Vietnam can complement each other in production, thereby enabling the Group to further enhance production efficiency.

In recent years, SUGA has strengthened its IoT equipment product layout. It has also established an IoT department, which is mainly responsible for developing a diversified IoT product portfolio. Hence, the Group is able to provide business partners with one-stop solutions covering product design, development, production, assembly and shipment to fully meet their needs.

Pet business recorded sales of HK\$127.3 million during the period (1H 2022/23: HK\$102.8 million), representing a year-on-year increase of 23.8% and accounting for 17.7% of the Group's total sales.

Regarding pet electronic products, the Group received new orders from customers with inventories built-up during the pandemic all digested by the consumption market. As a result, production of pet-related electronic products moved on a growth track during the period.

As for the pet food business, sales in Hong Kong and Japan have been steadily improving. At the beginning of the year, the Group launched pet foods containing CS4 polysaccharide selenium nanoparticles (CS4 SeNP), a key active ingredient of caterpillar fungus. The products have gained market recognition and afforded satisfactory sales performance.

Prospects

Stepping into the second half of 2023, social and economic activities around the world are resuming, there are more opportunities for regional business exchange and communication, and global consumption sentiment is improving. However, at the impact of geopolitical tension, interest rate hikes and high inflation, the global business environment will continue to be filled with uncertainties. Albeit the complex external environment, SUGA remains cautiously optimistic about its business prospects in the second half of the financial year.

Electronic products, the Group's core business, are expected to continue to grow steadily and contribute stable revenue. The effort of the Group to deploy ahead for IoT technology and related business in recent years has started to bear fruit. The Group's electronic paper displays have won the hearts of customers and related orders have become an important revenue source. The Group is confident of receiving more orders in the IoT field in the future. Moreover, the "China Plus One" strategy, which the Group started mapping out years ago, will continue to drive steady business development. Currently, the Vietnam factory boasts markedly improved production efficiency and the Group's edge of having production lines in both China and Vietnam continues to appeal to customers. The Group expects the advantage of its "China Plus One" strategy to prevail, which will enable it to consolidate its edges while exploring ties with more new customers.

For pet business, the Group's seasoned team has been striving for years to build a pet health ecosystem through investing in and developing advanced technologies. Heeding the growing consumer demand for natural and healthy pet food and premium pet nutrition products, the Group will continue to promote pet food products containing CS4 polysaccharide selenium nanoparticles (CS4 SeNP), a key active ingredient of caterpillar fungus.

In Addition, the Group will actively strengthen its diversified business layout. The rapid development of the mobile Internet and streaming media platforms has seen alongside the livestreaming industry expanding quickly in recent years, breeding strong demand for hardware equipment in related fields. The Group has timely seized this opportunity to develop the audio and video streaming interface Stream Desk, which made its debut recently at the Hong Kong Electronics Fair and received positive initial market response. Stream Desk not only reflects the strong development capability of SUGA, but also agrees with its development goals. SUGA looks forward to making professional audio and recording equipment more popular, so that consumers can, with its equipment, enjoy audio experiences of recording studio quality.

Dr C H Ng, Chairman of SUGA, concluded, “The Group believes with its diversified business strategy, “China Plus One” production capacity layout and strong R&D capabilities, it can effectively defend itself in the volatile market, develop business steadily and achieve better results when market conditions become clearer. Looking ahead, the Group will continue to seize the advantages of its ‘China Plus One’ production layout and make use of its networks in China and Vietnam to expand its diversified product portfolio, plus provide customers with better quality and more efficient services, so as to consolidate its leadership in the industry as a new generation total electronic solutions provider and strive for sustainable value growth for shareholders.”

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