



[For Immediate Release]

27 NOVEMBER 2019

SUGA ANNOUNCES FY2019/20 INTERIM RESULTS

* * *

Suga International Holdings Limited (“SUGA”) today announced its interim results for the six months ended 30 September 2019.

Turnover increased by 1.94% against the last corresponding period to HK\$879.8 million (1H2018/19: HK\$863.0 million). Gross profit rose by 1.2% to HK\$118.3 million (1H2018/19: HK\$116.9 million). Gross profit margin was 13.4% (1H2018/19: 13.5%). The steady gross profit margin during the period was mainly attributable to the cost effectiveness achieved due to the Group’s active effort in integrating the production lines of Suga High-tech Industrial Park in Dongguan, the PRC and its Vietnam factory. Profit attributable to shareholders was HK\$27.5 million (1H2018/19: HK\$31.6 million). Net profit margin was 3.1% (1H2018/19: 3.6%). Excluding the one-off expenses incurred in the construction of its factory in Vietnam and the establishment of the Suga Research Laboratory for Sustainable Urban Green Agriculture, the net profit margin would have increased as compared to the corresponding period last year. Basic earnings per share were HK9.68 cents (1H2018/19: HK11.17 cents).

The Board has resolved to declare an interim dividend of HK6.0 cents per share (1H2018/19: interim dividend HK6.0 cents per share).

Dr C H Ng, Chairman of SUGA, said, “Owing to the balanced and diverse product mix and the establishment of its factory in Vietnam, which we planned last year, the Group managed to cope with the challenges through flexibility, thus maintaining a growth in turnover during the period. The commencement of operations at our Vietnam factory in the first half of the year has helped us to respond to the effects of the Sino-US trade war, and therefore we maintained a relatively stable development during the period. In addition, we have received enquiries about the production of orders at our Vietnam factory from some new customers and this has been further reflected in the competitive advantage of our Vietnam factory.”

Business Review

Electronic Products

The electronic products business has continuously generated stable revenue for the Group. During the period, sales amounted to HK\$740.3 million (1H2018/19: HK\$727.0 million), representing a year-on-year increase of 1.8% and accounting for 84.1% of total sales. The growth momentum was mainly derived from the Group's new products, including an asset tracker with Internet of Things ("IoT") technology application for Mobilogix, Inc. ("Mobilogix").

Mobilogix is more than just a new customer of SUGA, but also an investment project of the Group. SUGA has actively engaged in investing in startups during recent years, with special attention to the projects with development potential and synergies with existing businesses. The cooperation with Mobilogix is a successful example of this strategy. The Group entered into an agreement with Mobilogix last May and has invested approximately US\$2.0 million in the convertible promissory notes of Mobilogix. In October of this year, it executed the conversion right and the warrant for subscription of shares of Mobilogix, and entered into a shareholder agreement, which has strengthened the business relationship between SUGA and Mobilogix. We expect that both parties can complement each other with their respective strengths and generate greater synergies.

Pet Business

The pet business recorded sales of HK\$139.5 million during the period (1H2018/2019: HK\$136.0 million), representing a slight increase of 2.6% year-on-year, and occupied 15.9% of total sales. The increase was mainly attributable to the moderate increase of orders for electronic pet products.

In recent years, the Group has strived to develop the pet food business, but an avian influenza outbreak in Belgium last year affected the import of SUGA's own brand Brabanconne pet food into China. The Group have maintained close communications with the China government during the period. Currently, Brabanconne has obtained the import approval. A new consignment of pet food from Belgium is expected to arrive at the end of this year.

The Group strongly believe that the pet food market of China presents enormous business potential and will continue to promote its own pet food. In order to stabilise the supply of its products in the future and diversify the risks of supply, the Group confirmed cooperation with a quality pet food manufacturer in China during the period, and launched a new pet food brand "TEENYTINY" that is manufactured in China and mainly targeted the mid-range market at the Pet Fair Asia held this August. High transparency, strict food specifications and safety measures contributed to its positive reception at the exhibition, and the products will be officially launched nationwide early next year.

Prospects

SUGA's factory in Vietnam has become a major competitive advantage. To meet the strong demand from the affected US customers, other existing and new customers for Vietnamese production, on top of the existing factory covering more than 4,100 sq. m, the Group have rented over 6,000 sq. m additional space, thereby expanding the scale. It also plans to increase the production lines from two at present to four to six, which will be highly automated as well. The Group will maintain close communications with customers, and allocate respective production resources in Dongguan and Vietnam appropriately. It may further expand the capacity when needed.

In addition to production capacity and layout, investment in Mobilogix is also one of the initiatives for exploring new opportunities in these years. SUGA's approximately 22% interest in Mobilogix will be recorded as interests in associates in our financial statements. At the Mobile World Congress held in October this year, Mobilogix was specially commended as one of the "Nine Companies to Watch" for its innovative use of IoT technology. The Group's cooperation with Mobilogix enhances the strengths of both companies and has attracted the attention of other customers.

The Group have also achieved a breakthrough in new business development. Its "Cordless Hair Straightener", produced for one of leading brands of personal care appliances in the USA, has won the Gold Prize in the Personal Electronics category and is a Winner in the Components category at the Electronic Industries Awards 2019, acknowledging SUGA's outstanding capability in technological innovation. This high performance cordless hair straightener combines the patented Micro Heater Matrix Technology with an exceptional cordless performance, which is the first product in the Group's smart personal care business. The Group are currently in discussion with the customer on applying the patented technology to a wider range of products, hoping to offer a series of innovative and quality smart personal care products.

As for the pet business, SUGA's own brand Brabanconne pet food produced in Belgium is expected to resume its import into China by the end of this year. Nevertheless, the Group will continue to explore opportunities to cooperate with a producer in New Zealand in order to mitigate risks to its supply chain. With the Brabanconne brand resuming its import into China and SUGA's nationwide launch of its new brand "TEENYTINY" early next year, the pet food business is expected to recover and deliver a satisfactory performance in the second half of the year.

In relation to the land in Huizhou, the application to change its purpose to commercial and residential use has been approved. Subsequently, the Group has entered into a cooperation agreement in September 2019 to undertake a development project in collaboration with Guangdong Fuchuan Investment Co., Ltd. (廣東富川投資有限公司), which is experienced in property development in China. The Group believe the cooperation will enhance the prospects for success of the development project and reduce the risks, and, ultimately, generate long-term revenue for the Group.

Dr. NG Man Cheuk, Alfred, Executive Director and Chief Technology Officer of SUGA, said, “In the past two decades, capitalising on the spirit of innovation and strong capabilities of our management team, we has constantly explored new opportunities including developing new business, actively investing in start-ups and setting up a production base in Vietnam, enabling the Group to overcome different economic cycles and market shifts, ride through the wind and waves, and continue to advance. Going forward, we will continue to implement stable development strategies, aiming to lead SUGA to new heights in its business development and create long-term value for customers and shareholders.

– End –