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SUGA INTERNATIONAL HOLDINGS LIMITED

信佳國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 912)

DISCLOSEABLE TRANSACTION SUBLEASE OF LAND IN VIETNAM

THE SUBLEASE

The Company is pleased to announce that on 28 April 2020 (after trading hours), Suga Vietnam (an indirect wholly-owned subsidiary of the Company) and Eco Industrial Park entered into the Agreement, pursuant to which, among other things, Suga Vietnam agreed to sublease the Land from Eco Industrial Park for a term of 39 years for a total consideration of approximately VND79,696,359,940 (equivalent to approximately HKD26,299,799).

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in relation to the Sublease exceeds 5% but is less than 25%, the Sublease constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Company is pleased to announce that on 28 April 2020 (after trading hours), Suga Vietnam (an indirect wholly-owned subsidiary of the Company) and Eco Industrial Park entered into the Agreement, pursuant to which, among other things, Suga Vietnam agreed to sublease the Land from Eco Industrial Park for a term of 39 years for a total consideration of approximately VND79,696,359,940 (equivalent to approximately HKD26,299,799).

THE AGREEMENT

Date

28 April 2020 (after trading hours)

Parties

- (i) Eco Industrial Park; and
- (ii) Suga Vietnam.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, each of Eco Industrial Park and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

Subject matter

The Land has a site area of 40,251.5 square meters, and is situated at the Industrial Park. The land on which the Industrial Park is situated (including the Land) is leased by the People's Committee of Bac Ninh Province to Eco Industrial Park to be developed and managed as an industrial park for a term of 50 years starting from 2009.

Consideration and payment terms

The Consideration of approximately VND79,696,359,940 (equivalent to approximately HKD26,299,799) comprises:

1. A lump sum infrastructure rental amount of VND70,116,502,940 (equivalent to approximately HKD23,138,446); and
2. an annual land rental payable for the period from 1 November 2024 to 9 March 2059 at such rate as shall be set from time to time by the relevant Vietnamese authority, the rate for the current year being approximately VND6,800 per square meter (equivalent to approximately HKD2 per square meter), totalling approximately VND273,710,200 (equivalent to approximately HKD90,324) for the Land. On the assumption that the rate of land rental will remain unchanged, the total land rental for the period from 1 November 2024 to 9 March 2059 will be approximately VND9,579,857,000 (equivalent to approximately HKD3,161,353).

The Consideration is payable by Suga Vietnam to Eco Industrial Park in the following manner:

1. A non-refundable deposit in the amount of VND21,034,950,882 (equivalent to approximately HKD6,941,534), being 30% of the infrastructure rental, has been paid on 24 October 2019;
2. VND28,046,601,176 (equivalent to approximately HKD9,255,378), being 40% of the infrastructure rental, will be paid within 10 days from the date of the Agreement;
3. VND21,034,950,882 (equivalent to approximately HKD6,941,534), being the balance of the infrastructure rental, will be paid within 10 days of the Handover; and
4. an annual land rental at such rate as shall be set from time to time by the relevant Vietnamese authority will be paid for the period from 1 November 2024 to 9 March 2059.

The Consideration will be funded by the Group's internal resources. The Consideration was arrived at after arm's length negotiations between Eco Industrial Park and Suga Vietnam with reference to the price per square meter of comparable industrial land in the same district.

The Handover of the Land

Upon the payment of the Consideration by Suga Vietnam to Eco Industrial Park, and upon satisfaction of the conditions on handover of the Land as stipulated in the Agreement, Eco Industrial Park will hand over the Land to Suga Vietnam.

Other principal terms of the Agreement

Subject to the provision by Suga Vietnam of the necessary documents, Eco Industrial Park will assist Suga Vietnam in applying for a Land Use Right Certificate of Vietnam in respect of the Land within 12 months of the Handover.

During the term of the Sublease, Suga Vietnam will pay to Eco Industrial Park an annual management fee on or before 30 January in each year, pro-rated for the first and last year of the term based on the actual number of days elapsed. The management fee may be increased every two years by up to 15%, and the management fee for each of the first two years of the term shall be VND426,384,140 (equivalent to approximately HKD140,707). The pro-rated management fee for the first year shall be paid within 15 days of the Handover.

Eco Industrial Park shall be liable for, among other things, completing the following works prior to the Handover: (i) completing, maintaining and repairing the internal traffic system, and (ii) installing a public sewerage system for rain water and wastewater.

INFORMATION ON THE PARTIES

Eco Industrial Park is a company incorporated in Vietnam the principal business of which is the selling and leasing of land, and the managing and operating of underground infrastructure for the Industrial Park.

The Group is principally engaged in the research and development, manufacturing and sale of electronic and other products and sale of pet food and pet related products. The Company is principally engaged in investment holding.

Suga Vietnam is an indirect wholly-owned subsidiary of the Company incorporated in Vietnam, the principal business of which is the manufacturing of electronic products.

REASONS FOR AND BENEFITS OF THE SUBLEASE

As disclosed in the 2018/19 annual report and the 2019/20 interim report of the Company, the commencement of operations at the Company's Bac Ninh Province Factory has helped the Group respond to the effects of the Sino-US trade war and rising costs in Mainland China. The Company has received enquiries about the production of orders at its Bac Ninh Province Factory from some new customers, further reflecting the competitive advantage of the Company's operations in Vietnam. In light of the above, the Company envisages an ongoing increase in the demand for its production in Vietnam. In the circumstances, the Company plans to utilise the Land to construct an additional factory for its own use, so as to meet the Company's future operational demands.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sublease are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in relation to the Sublease exceeds 5% but is less than 25%, the Sublease constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Agreement”	the agreement entitled “Contract on sub-lease of land with infrastructure attached” entered into between Suga Vietnam and Eco Industrial Park and on 28 April 2020 for the Sublease
“Bac Ninh Province Factory”	the Company’s production plant located in the Dai Dong-Hoan Son Industrial Park, Bac Ninh Province, Vietnam
“Board”	the board of Directors
“Company”	Suga International Holdings Limited (信佳國際集團有限公司*), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 912)
“Consideration”	the total consideration for the Sublease in the amount of approximately VND79,696,359,940 (equivalent to approximately HKD26,299,799)
“Director(s)”	the director(s) of the Company
“Eco Industrial Park”	Eco Industrial Park Company Limited, a company incorporated in Vietnam the principal business of which is the selling and leasing of land, and the managing and operating of underground infrastructure for the Industrial Park
“Group”	collectively, the Company and its subsidiaries
“Handover”	the handover of the Land from Eco Industrial Park to Suga Vietnam

“HKD”	Hong Kong dollars, the legal currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Industrial Park”	the industrial park at Que Vo III Industrial Zone at Que Tan Commune, Que Vo district, Bac Ninh province, Vietnam
“Land”	Lot number CN11-3, Que Vo III Industrial Zone at Que Tan Commune, Que Vo district, Bac Ninh province, Vietnam
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sublease”	the sublease of the Land by Suga Vietnam from Eco Industrial Park
“Suga Vietnam”	Suga International (Vietnam) Company Limited, a company incorporated in Vietnam and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Vietnam”	the Socialist Republic of Vietnam
“VND”	Vietnamese Dong, the legal currency of Vietnam
“%”	per cent

Unless otherwise specified in this announcement and for the purpose of illustration only, VND is translated into HKD at the rate of VND1 = HKD0.00033.

By Order of the Board
Suga International Holdings Limited
NG Chi Ho
Chairman

Hong Kong, 28 April 2020

As at the date this announcement, the executive Directors are Dr. NG Chi Ho, Mr. MA Fung On and Dr. NG Man Cheuk, the non-executive Directors are Mr. LEE Kam Hung and Prof. LUK Wing Ching and the independent non-executive Directors are Mr. LEUNG Yu Ming, Steven, Mr. CHAN Kit Wang and Dr. CHEUNG Nim Kwan.

* *For identification purpose only*