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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)

VOLUNTARY ANNOUNCEMENT

UPDATE ON DEVELOPMENT PROJECT OF HUIZHOU JIAYIFU

INTRODUCTION

Reference is made to (1) the announcement of the Company dated 9 September 2019 (the “**2019 Announcement**”) in relation to, amongst other things, the Cooperation Agreement pursuant to which Nodic-Matsumoto (an indirect wholly-owned subsidiary of the Company) and Guangdong Fuchuan agreed to jointly invest in Huizhou Jiayifu to develop the Land in Huizhou; and (2) the announcement of the Company dated 7 July 2021 (the “**2021 Announcement**”) and the circular of the Company dated 23 August 2021 (the “**Circular**”) in relation to, amongst other things, the 2021 Supplemental Cooperation Agreement regarding the respective funding obligations of Nodic-Matsumoto and Guangdong Fuchuan to Huizhou Jiayifu and the Development Project. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

The board of directors of the Company (the “**Board**”) is pleased to provide the following update to shareholders and potential investors of the Company on the progress of the Development Project and the Cooperation Agreement.

UPDATE ON THE DEVELOPMENT PROJECT

The Development Project has been proceeding in line with the Company’s expectations. As at 2 March 2022, it was approximately 46.9% complete and has fulfilled conditions to apply for the commercial housing pre-sale permit* (商品房預售許可證).

However, in view of the (1) recent increase in property market regulation by the relevant governmental departments in Huizhou; (2) fluctuation in market prices of properties in the Zhongkai area of Huizhou City where the Development Project is situated; (3) continuation and waves of the COVID-19 pandemic which have contributed to a downturn in the property market in Guangdong Province; and (4) relevant requirements that a holder of the commercial housing pre-sale permit* (商品房預售許可證) must announce the information relating to the pre-sale within a certain number of days after receipt of such permit and commence the pre-sale, and cannot sell at prices above those set out in the permit application, both Guangdong Fuchuan and Nodic-Matsumoto are of the view that it would be in the best interest of Huizhou Jiayifu to wait for a few months before applying for the commercial housing pre-sale permit* (商品房預售許可證), but not later than 9 September 2022 (the “**Wait**”).

As was disclosed in the 2019 Announcement, under the Cooperation Agreement, Nodic-Matsumoto has an option (the “**Put Option**”) to require Guangdong Fuchuan to purchase Nodic-Matsumoto’s entire equity interests in Huizhou Jiayifu in the event that, among other things, (1) Huizhou Jiayifu failed to obtain the commercial housing pre-sale permit* (商品房預售許可證) within 30 months of the date of the Cooperation Agreement (i.e. on or before 9 March 2022) for reasons unrelated to Nodic-Matsumoto, and (2) Guangdong Fuchuan failed to remedy such situation within 30 days after receiving notice from Nodic-Matsumoto or Precise Computer Tooling.

To remove any doubt and confirm that the Wait would not constitute a waiver of Nodic-Matsumoto’s rights under the Put Option, the parties to the 2021 Supplemental Cooperation Agreement, namely Nodic-Matsumoto, Guangdong Fuchuan, Mr. Zhuang, Mr. Xu, Mr. Liu, Precise Computer Tooling and Huizhou Jiayifu, entered into the second supplemental agreement to the Cooperation Agreement on 9 March 2022 (the “**2022 Supplemental Cooperation Agreement**”), whereby the parties agreed, among other things, that:

1. Nodic-Matsumoto has the right to exercise the Put Option in accordance with the terms of the Cooperation Agreement at any time at its discretion;
2. any delay in the exercise of the Put Option or any other rights or power of Nodic-Matsumoto or Precise Computer Tooling under the Cooperation Agreement and 2021 Supplemental Cooperation Agreement shall not constitute a waiver of any such rights by Nodic-Matsumoto or Precise Computer Tooling; and
3. all of the terms of the Cooperation Agreement and the 2021 Supplemental Cooperation Agreement shall remain in full force and effect in all respects.

The Company will closely monitor the development of the property market in the Zhongkai area of Huizhou City and the appropriate timing for Huizhou Jiayifu to apply for the commercial housing pre-sale permit* (商品房預售許可證).

UPDATE ON THE COOPERATION AGREEMENT AND 2021 SUPPLEMENTAL COOPERATION AGREEMENT

Both the Cooperation Agreement and 2021 Supplemental Cooperation Agreement are in full force and effect.

In the 2021 Supplemental Cooperation Agreement, the parties thereto agreed among other things that Huizhou Jiayifu shall obtain the Proposed Second Bank Loan in the amount of RMB114 million from the Bank, and in support of such loan,

1. Huizhou Jiayifu shall pledge the Land and the properties thereon in favour of the Bank;
2. each of Nodic-Matsumoto, Guangdong Fuchuan, Mr. Zhuang, Mr. Xu and Mr. Liu shall grant a joint and several guarantee in favour of the Bank; and
3. each of Nodic-Matsumoto and Guangdong Fuchuan shall charge its 50% equity interest in Huizhou Jiayifu in favour of the Bank.

The proposed grants of security to the Bank by Nodic-Matsumoto described at items (2) and (3) above constituted financial assistance on the part of the Group for the benefit of Huizhou Jiayifu and were approved by the shareholders of the Company pursuant to Rule 14.44 of the Listing Rules by way of a written shareholders' approval dated 7 July 2021.

Huizhou Jiayifu subsequently decided that instead of obtaining one loan in the principal amount of RMB114 million, it would obtain more than one loan with smaller principal amounts but aggregating to not more than RMB114 million.

Accordingly, Huizhou Jiayifu entered into loan agreements with the Bank on 2 September 2021 and 10 February 2022 respectively to obtain the following loans (the “**September 2021 and February 2022 Bank Loans**”):

Loan agreement date	2 September 2021	10 February 2022
Principal	RMB8.7 million	RMB10 million
Interest	8.5% per annum	9.2% per annum
Loan term	From 27 September 2021 to 1 September 2024	From 21 February 2022 to 1 September 2024
Repayment schedule	RMB435,000 per quarter from the second year of the bank loan and interest to be paid monthly, and all outstanding payment and interest to be paid at the end of the loan term	RMB500,000 per quarter from the second year of the bank loan and interest to be paid monthly, and all outstanding payment and interest to be paid at the end of the loan term
Purpose of the Loan	Payment of development costs of the Development Project	Payment of development costs of the Development Project

A total amount of RMB5 million from the principal amounts of the September 2021 and February 2022 Bank Loans has been applied by Huizhou Jiayifu to partially repay the principal amount under the 2020 Loan Agreement and the 2020 Loan Supplemental Agreement (the “**First Bank Loan**”). As at the date of this announcement, the outstanding principal amount of the First Bank Loan was RMB68 million.

To provide security for the September 2021 and February 2022 Bank Loans, charge agreements and guarantee agreements similar to those made in respect of the First Bank Loan were executed on 2 September 2021 and 10 February 2022 respectively, such that the outstanding balance of the First Bank Loan and the September 2021 and February 2022 Bank Loans are now secured by:

1. a mortgage of the Land and the properties thereon granted by Huizhou Jiayifu in favour of the Bank; and
2. a joint and several guarantee granted by Nodic-Matsumoto, Guangdong Fuchuan, Mr. Zhuang, Mr. Xu and Mr. Liu in favour of the Bank,

whilst the outstanding balance of the First Bank Loan continues to be secured by the charge of 50% equity interest in Huizhou Jiayifu granted by each of Nodic-Matsumoto and Guangdong Fuchuan in favour of the Bank.

The Company may issue further update announcement(s) on the Development Project, Cooperation Agreement and/or 2021 Supplemental Cooperation Agreement as and when appropriate.

In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “” is for identification purpose only.*

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

Hong Kong, 9 March 2022

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.