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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 COOPERATION AGREEMENT RELATING TO THE ACQUISITION OF LAND USE RIGHTS IN HUIZHOU CITY, THE PRC

COOPERATION AGREEMENT

The Company is pleased to announce that on 9 September 2019 (after trading hours), Nodic-Matsumoto (an indirect wholly-owned subsidiary of the Company), Guangdong Fuchuan, Mr. Zhuang, Mr. Xu, Precise Computer Tooling and Huizhou Jiayifu entered into the Cooperation Agreement, pursuant which, among other things, Nodic-Matsumoto and Guangdong Fuchuan agreed to jointly invest in Huizhou Jiayifu by way of Capital Contributions and Shareholders' Loans to develop the Land.

IMPLICATIONS UNDER THE LISTING RULES

Huizhou Jiayifu is an indirect non wholly-owned subsidiary of the Company in which Nodic-Matsumoto has a 90% equity interest and Guangdong Fuchuan has a 10% equity interest. The entering into of the Cooperation Agreement and the transactions contemplated thereunder constitute a joint arrangement between the Group and the other parties to the Cooperation Agreement. Moreover, following the completion of the Capital Contributions, Nodic-Matsumoto's equity interest in Huizhou Jiayifu will be reduced from 90% to 50%. Therefore, the entering into of the Cooperation Agreement and the transactions contemplated thereunder also constitute a deemed disposal by the Company pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in relation to the transactions contemplated under the Cooperation Agreement exceeds 5% but is less than 25%, the entering into of the Cooperation Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Although Guangdong Fuchuan is a substantial shareholder of Huizhou Jiayifu, as Huizhou Jiayifu is an insignificant subsidiary of the Company for the purposes of Rule 14A.09 of the Listing Rules, Guangdong Fuchuan is not regarded as a connected person of the Company and hence the entering into of the Cooperation Agreement does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 16 August 2019 in relation to the acquisition of the land use (commercial and residential uses) rights to the Land by Huizhou Jiayifu from the Bureau under the Land Transfer Contract (the “**Announcement**”).

The Company is pleased to announce that on 9 September 2019 (after trading hours), Nodic-Matsumoto, Guangdong Fuchuan, Mr. Zhuang, Mr. Xu, Precise Computer Tooling and Huizhou Jiayifu entered into the Cooperation Agreement, pursuant which, among other things, Nodic-Matsumoto and Guangdong Fuchuan agreed to jointly invest in Huizhou Jiayifu by way of Capital Contributions and Shareholders’ Loans to develop the Land.

THE COOPERATION AGREEMENT

Summarised below are the principal terms of the Cooperation Agreement:

Date of entering into of the Cooperation Agreement

9 September 2019 (after trading hours)

Parties

- (1) Nodic-Matsumoto, a direct wholly-owned subsidiary of Precise Computer Tooling owning 90% of the equity interests in Huizhou Jiayifu as at the date of this announcement;
- (2) Guangdong Fuchuan, a company wholly and jointly owned by Mr. Zhuang and Mr. Xu, which in turn owns 10% of the equity interests in Huizhou Jiayifu as at the date of this announcement;
- (3) Mr. Zhuang;
- (4) Mr. Xu;
- (5) Precise Computer Tooling, a wholly-owned subsidiary of the Company; and
- (6) Huizhou Jiayifu, an indirect non wholly-owned subsidiary of the Company.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of Mr. Zhuang and Mr. Xu is a third party independent of the Company and its connected persons.

Capital Contributions and Shareholders' Loans

Capital Contributions

As at the date of this announcement and immediately prior to the entering into of the Cooperation Agreement, the registered capital and paid-up capital of Huizhou Jiayifu are as follows:

	Registered capital (RMB'000)	Paid-up capital (RMB'000)	Proportion (%)
Nodic-Matsumoto	900	0	90
Guangdong Fuchuan	100	0	10
Total	1,000	0	100

Pursuant to the Cooperation Agreement, the registered capital of Huizhou Jiayifu shall be increased to RMB1,800,000, which shall be contributed by Nodic-Matsumoto and Guangdong Fuchuan as follows:

	Registered capital (RMB'000)	Paid-up capital (RMB'000)	Proportion (%)
Nodic-Matsumoto	900	900	50
Guangdong Fuchuan	900	900	50
Total	1,800	1,800	100

Nodic-Matsumoto and Guangdong Fuchuan shall each contribute RMB0.9 million to Huizhou Jiayifu as paid-up registered capital on or before 11 September 2019.

Shareholders' Loans

Pursuant to the Cooperation Agreement, Nodic-Matsumoto and Guangdong Fuchuan shall each provide RMB46.48 million to Huizhou Jiayifu in the form of shareholder's loan on or before 11 September 2019.

Use of Capital Contributions and Shareholders' Loans

Huizhou Jiayifu shall use all the Capital Contributions and Shareholders' Loans for paying the Consideration under the Land Transfer Contract and relevant taxes to the Bureau.

The total commitment and consideration payable by Nodic-Matsumoto pursuant to the Cooperation Agreement shall be RMB47.38 million, which shall comprise (i) the Capital Contribution by Nodic-Matsumoto of RMB0.9 million and (ii) the Shareholder's Loan by Nodic-Matsumoto of RMB46.48 million. It is expected that the said RMB47.38 million payable by Nodic-Matsumoto will be funded by the internal resources of the Group.

If Huizhou Jiayifu requires additional funding for the Development Project, Guangdong Fuchuan shall (i) advance shareholder's loan(s) to Huizhou Jiayifu at an interest rate not higher than the People's Bank of China's benchmark lending rate or (ii) procure Huizhou Jiayifu to obtain bank loans.

Within 90 days from the date on which Huizhou Jiayifu receives the land use right certificate(s) in respect of the Land, Guangdong Fuchuan shall procure third-party financing for Huizhou Jiayifu which shall be used by Huizhou Jiayifu firstly to repay the Shareholder's Loan by Nodic-Matsumoto.

Any funding advanced by Guangdong Fuchuan subsequent to the Capital Contributions and Shareholders' Loans shall not dilute the proportion of Nodic-Matsumoto's equity interest in Huizhou Jiayifu or affect any of its shareholder's rights.

Board of directors and management

Nodic-Matsumoto and Guangdong Fuchuan shall be entitled to appoint two and three directors to the board of directors of Huizhou Jiayifu, respectively. The legal representative of Huizhou Jiayifu shall be appointed by Guangdong Fuchuan.

The quorum for a meeting of the board of directors of Huizhou Jiayifu shall be two-thirds or more of the members of the board, which shall include at least one director appointed by Nodic-Matsumoto and one director appointed by Guangdong Fuchuan.

Profit sharing and guarantee

The net profit (after contribution to provident funds and tax) of Huizhou Jiayifu shall be distributed among Nodic-Matsumoto and Guangdong Fuchuan in the ratio of 56:44. Such profit distribution to Nodic-Matsumoto takes into account the Demolition Cost.

Guangdong Fuchuan guarantees to Nodic-Matsumoto that within 36 months from the date of the Cooperation Agreement, the aggregate profit distributed to Nodic-Matsumoto shall not be less than RMB45 million, failing which, Guangdong Fuchuan shall be responsible for repaying any shortfall to Nodic-Matsumoto.

Put option in favour of Nodic-Matsumoto

Guangdong Fuchuan grants to Nodic-Matsumoto an option to require Guangdong Fuchuan to purchase Nodic Matsumoto's entire equity interests in Huizhou Jiayifu at a consideration to be calculated in accordance with the formula below:

$$(A - B) + (C - D) \times 110\%$$

where A = all capital contribution and shareholder's loan that Nodic-Matsumoto has paid to Huizhou Jiayifu

B = any repayment of shareholder's loan made by Huizhou Jiayifu to Nodic-Matsumoto

C = the minimum guaranteed profit of RMB45 million

D = any Demolition Cost and profit separately paid by Huizhou Jiayifu to Nodic-Matsumoto,

in the event that Guangdong Fuchuan fails to remedy the situation within 30 days after receiving notice from Nodic-Matsumoto or Precise Computer Tooling of the occurrence of any of the following events:

- (1) there is any breach of the provisions of the Cooperation Agreement by Guangdong Fuchuan;
- (2) the Development Project has not commenced within 18 months after the date of the Cooperation Agreement for reasons unrelated to Nodic-Matsumoto;
- (3) Huizhou Jiayifu has not obtained a commercial housing pre-sale permit* (商品房預售許可證) within 30 months after the date of the Cooperation Agreement for reasons unrelated to Nodic-Matsumoto; and
- (4) there is a change in control in Guangdong Fuchuan (as defined in the Cooperation Agreement) without the prior written consent of Nodic-Matsumoto.

Restriction on transfer

Neither Nodic-Matsumoto nor Guangdong Fuchuan may transfer or create any security interest over its equity interests in Huizhou Jiayifu, without the prior written consent of the other party.

Any change in control in Nodic-Matsumoto or Guangdong Fuchuan will require the prior written consent of Guangdong Fuchuan or Nodic-Matsumoto, as the case may be.

General performance guarantees

Mr. Xu and Mr. Zhang jointly and severally guarantee to Nodic-Matsumoto and Precise Computer Tooling the performance by Guangdong Fuchuan and Huizhou Jiayifu of their respective obligations under the Cooperation Agreement.

Precise Computer Tooling guarantees the performance by obligations by Nodic-Matsumoto of its obligations under the Cooperation Agreement.

INFORMATION ON THE PARTIES

The Group is principally engaged in the research and development, manufacturing and sales of electronic products, moulds and plastic products. The Company is principally engaged in investment holding.

Huizhou Jiayifu is a company established in the PRC and its principal business activity is investment holding. It is an insignificant 90%-owned subsidiary of the Company as at the date of this announcement. For the financial year ended 31 December 2018, Huizhou Jiayifu reported a net liability value of RMB1,744.07 and net loss of RMB1,644.07.

Guangdong Fuchuan is a company established in the PRC and it has experience in property development.

Mr. Zhuang and Mr. Xu are PRC citizens and the shareholders of Guangdong Fuchuan.

Precise Computer Tooling is a company established in Hong Kong and its principal business activity is trading of moulds and plastic products in Hong Kong. It is a wholly owned subsidiary of the Company as at the date of this announcement.

FINANCIAL EFFECT OF THE DEEMED DISPOSAL ON THE GROUP

Following the completion of the Capital Contributions, the Group's equity interest in Huizhou Jiayifu will be reduced from 90% to 50%. Therefore, Huizhou Jiayifu will cease to be a subsidiary of the Company and its financial results will no longer be consolidated with the Group's results.

It is estimated that the Group will record a gain of approximately HK\$3,700,000 on the deemed disposal of 40% equity interest in Huizhou Jiayifu, being the difference of the Demolition Cost and the net asset value of the Land. The Company intends to apply the net proceeds from the deemed disposal as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT

Pursuant to the Land Transfer Contract, Huizhou Jiayifu has the right to obtain the land use rights to the Land and develop the Land as a commercial and residential project. As Guangdong Fuchuan is experienced in property development in the PRC, the Company believes that the strategic cooperation with Guangdong Fuchuan to jointly undertake the Development Project through Huizhou Jiayifu will enhance the success of the Development Project and reduce the risks to the Group in respect thereof.

The terms of the Cooperation Agreement were determined after arm's length negotiations between the parties taking into account the amount payable by Huizhou Jiayifu to the Bureau for the land use rights to the Land (RMB92 million) under the Land Transfer Contract and the respective proportion of equity interests of Nodic-Matsumoto and Guangdong Fuchuan in Huizhou Jiayifu upon completion of the Capital Contributions.

Accordingly, the Directors believe that the terms of the Cooperation Agreement are fair and reasonable and that the entering into of the Cooperation Agreement is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Huizhou Jiayifu is an indirect non wholly-owned subsidiary of the Company in which Nodic-Matsumoto has a 90% equity interest and Guangdong Fuchuan has a 10% equity interest. The entering into of the Cooperation Agreement and the transactions contemplated thereunder constitute a joint arrangement between the Group and the other parties to the Cooperation Agreement. Moreover, following the completion of the Capital Contributions, Nodic-Matsumoto's equity interest in Huizhou Jiayifu will be reduced from 90% to 50%. Therefore, the entering into of the Cooperation Agreement and the transactions contemplated thereunder also constitute a deemed disposal by the Company pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in relation to the transactions contemplated under the Cooperation Agreement exceeds 5% but is less than 25%, the entering into of the Cooperation Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Although Guangdong Fuchuan is a substantial shareholder of Huizhou Jiayifu, as Huizhou Jiayifu is an insignificant subsidiary of the Company for the purposes of Rule 14A.09 of the Listing Rules, Guangdong Fuchuan is not regarded as a connected person of the Company and hence the entering into of the Cooperation Agreement does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the land use right to the Land by Huizhou Jiayifu from the Bureau under the Land Transfer Contract
“Board”	the board of Directors
“Bureau”	Huizhou Natural Resources Bureau (惠州市自然資源局)
“Capital Contributions”	comprises (i) Capital Contribution by Guangdong Fuchuan and (ii) Capital Contribution by Nodic-Matsumoto

“Capital Contribution by Guangdong Fuchuan”	the capital contribution of RMB0.9 million to be made by Guangdong Fuchuan pursuant to the Cooperation Agreement
“Capital Contribution by Nodic-Matsumoto”	the capital contribution of RMB0.9 million to be made by Nodic-Matsumoto pursuant to the Cooperation Agreement
“Company”	Suga International Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00912)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition
“Cooperation Agreement”	the cooperation agreement entered into between Nodic-Matsumoto, Guangdong Fuchuan, Mr. Zhuang, Mr. Xu and Precise Computer Tooling, in relation to, among other things, the Capital Contribution and the Shareholder’s Loans
“Demolition Cost”	the sum of RMB8 million payable by Huizhou Jiayifu to Nodic-Matsumoto, which relates to the costs of demolishing and relocating the Group’s former Huizhou plants by Nodic-Matsumoto
“Development Project”	the project to be undertaken by Huizhou Jiayifu for developing the Land in accordance with the “Three Olds Renovation Plan” (i.e. a plan on the renovation of the old urban areas, old villages and old plants approved by the People’s Government of Guangdong Province)
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries
“Guangdong Fuchuan”	Guangdong Fuchuan Investment Co., Ltd.* (廣東富川投資有限公司), a limited liability company established in the PRC which is wholly and jointly owned by Mr. Xu and Mr. Zhuang
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Huizhou Jiayifu”	Huizhou Jiayifu Real Estate Development Co., Ltd.* (惠州佳宜富房地產開發有限公司), a company established in the PRC and an indirect 90%-owned subsidiary of the Company as at the date of this announcement
“Land”	a parcel of land situated at Huihuan Street, Zhongkai High-tech Zone, Huizhou City, the PRC (land parcel no. ZKA-008-01) (中國惠州仲愷高新區惠環街道ZKA-008-01號地塊), occupying a site area of 9,806 square metres
“Land Transfer Contract”	the contract entered into between the Bureau as transferor and Huizhou Jiayifu as transferee on 16 August 2019 for the transfer of land use right to the Land
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu”	Mr. Xu Weihong* (許偉鴻)
“Mr. Zhuang”	Mr. Zhuang Ziyuan* (莊子遠)
“Nodic-Matsumoto”	Nodic-Matsumoto Tooling and Plastic Injection (Huizhou) Co., Limited* (腦力一松本模具注塑(惠州)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Precise Computer Tooling”	Precise Computer Tooling Co., Limited (精工電腦制模有限公司), a company established in Hong Kong with limited liability, a wholly-owned subsidiary of the Company and the holding company of Nodic-Matsumoto
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Loans”	comprises (i) Shareholder’s Loan by Guangdong Fuchuan and (ii) Shareholder’s Loan by Nodic-Matsumoto

“Shareholder’s Loan by Guangdong Fuchuan”	the funding of RMB46.48 million to be provided by Guangdong Fuchuan pursuant to the Cooperation Agreement
“Shareholder’s Loan by Nodic-Matsumoto”	the funding of RMB46.48 million to be provided by Nodic-Matsumoto pursuant to the Cooperation Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

Unless otherwise specified in this announcement and for the purpose of illustration only, RMB is translated into HK\$ at the rate of HK\$1.00 = RMB0.915.

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

Hong Kong, 9 September 2019

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*