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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 IN RELATION TO THE EXERCISE OF CONVERSION RIGHT AND WARRANT PURSUANT TO THE CONVERTIBLE PROMISSORY NOTE AND THE WARRANT AGREEMENT

This announcement is made pursuant to Rule 14.75(2) of the Listing Rules.

BACKGROUND

On 28 May 2018, Suga International, a wholly-owned subsidiary of the Company, (i) became the holder of the interest-bearing Convertible Promissory Note in the principal amount of up to US\$2 million and (ii) entered into the Warrant Agreement with Mobilogix for the purchase of the Warrant at a purchase price of US\$0.01.

Pursuant to the Convertible Promissory Note and subject to the terms and conditions thereof, Suga International has the right (“**Conversion Right**”) to convert all (but not a portion) of the outstanding principal amount and unpaid interest of the Convertible Promissory Note as at the time of exercise of the Conversion Right into Mobilogix Shares at a conversion price of US\$26.2158 per share (subject to adjustment).

Pursuant to the Warrant Agreement and subject to the terms and conditions thereof, Suga International may exercise the Warrant to purchase 50,860 Mobilogix Shares at an exercise price of US\$0.01 per share (subject to adjustment).

The entry into of the Convertible Promissory Note and the Warrant Agreement did not (either in aggregate or on a separate basis) constitute a notifiable transaction of the Company at the time as the relevant percentages ratios were all under 5%.

EXERCISE OF CONVERSION RIGHT AND WARRANT

On 29 October 2019 (US time, which is after the trading hours of the Stock Exchange), Suga International issued a notice to Mobilogix electing to exercise both the Conversion Right and the Warrant (collectively, the “**Exercise**”), and upon which, Mobilogix allotted and issued a total of 127,150 Mobilogix Shares to Suga International, representing approximately 22% of the entire issued and outstanding share of common stock of Mobilogix as enlarged by the allotment and issue of the said 127,150 Mobilogix Shares.

The exercise price of the Warrant was US\$508.60 (equivalent to approximately HK\$3,967) and was settled in cash.

Upon completion of the Exercise, Suga International’s approximately 22% interest in Mobilogix will be accounted for as an interest in associate in the financial statements of the Group.

Under the Convertible Promissory Note and Warrant Agreement, Suga International has agreed to abide by such dealing restrictions relating to an initial public offering as are required under applicable US laws and regulations in the event of an initial public offering of Mobilogix Shares.

THE SHAREHOLDERS AGREEMENT

Upon completion of the Exercise, on 29 October 2019 (US time, which is after the trading hours of the Stock Exchange), Suga International entered into the Shareholders Agreement with the Existing Shareholders to govern their relationship with respect to the sale and purchase of Mobilogix Shares.

The principal terms of the Shareholders Agreement are set out below.

Permitted transfer

Each shareholder has the right to transfer his/her/its shares in Mobilogix to the following permitted transferees:

- (i) another shareholder of Mobilogix;
- (ii) a trust created by, or for the benefit of, such shareholder or his/her family member or which is a settlor; or
- (iii) any entity in which such shareholder holds at least 50.01% of the ownership interest therein or, in regard to a trust, a trust in which such shareholder is either the trustor, trustee or primary beneficiary of said trust.

Transfer of shares

Without the prior written consent of Mobilogix and all other shareholders, any shareholder who wishes to transfer any of his/her/its shares in Mobilogix (“**selling shareholder**”) to any person other than the permitted transferees described above shall first notify Mobilogix of the details of the proposed transfer (“**Notice of Proposed Sale**”), upon which Mobilogix will notify the non-selling shareholders of the same. Mobilogix will be entitled to, for a period of 30 days after receipt of the Notice of Proposed Sale from the selling shareholder, exercise the option to purchase all or a portion of the shares at a price (“**Purchase Price**”) determined with reference to the fair market value of the Mobilogix Shares (either as periodically reviewed and mutually agreed by the shareholders of Mobilogix or as set by appraisal) and in accordance with the Shareholders Agreement.

If Mobilogix does not elect to purchase all of the offered shares, the non-selling shareholders will be entitled to, for a period of 20 days after Mobilogix mails to such non-selling shareholder the written notice of its non-election, purchase all or a portion of the offered shares not purchased by Mobilogix at the Purchase Price.

If Mobilogix and the non-selling shareholders do not purchase all of the shares offered by the selling shareholder, the selling shareholder is under no obligation to sell any of the offered shares to Mobilogix or the non-selling shareholders and may instead sell the offered shares to the proposed transferee specified in the Notice of Proposed Sale on the terms contained therein.

INFORMATION ON THE GROUP

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. Suga International is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

INFORMATION ON MOBILOGIX

Mobilogix is a California-based Software as a service (SaaS) provider and original design manufacturer (ODM) specializing in providing turnkey solutions and engineering solutions for the Internet of Things (IoT), including connectivity, cloud and IoT data services. Mobilogix has a demonstrated track record in transportation, medical, commercial and industrial sectors.

Since the issuance of the Convertible Promissory Note and Warrant, Mobilogix has been a customer of the IoT products manufactured by the Group. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, save as disclosed, Mobilogix and each of the Existing Shareholders are third parties independent of the Company and its connected persons.

Financial information on Mobilogix

Set out below is the unaudited consolidated financial information of Mobilogix for the two years ended 31 December 2018 prepared in accordance with the accounting principles generally accepted in the United States:

	For the year ended 31 December 2018 US\$	For the year ended 31 December 2017 US\$
Revenue	31,672,422	2,548,934
Net profit/(loss) before taxation	3,445,332	(548,795)
Net profit/(loss) after taxation	3,161,390	(569,576)

The unaudited net asset value of Mobilogix as at 30 September 2019, prepared in accordance with the accounting principles generally accepted in the United States, was US\$5,760,161.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The electronic products business is one of the Group's two principal businesses, accounting for 83.0% of the Group's total revenue for the year ended 31 March 2019 ("FY2019"). The allocation of Group's resources to incorporate IoT technology within different products in recent years resulted in a significant increase of 18.3% in the revenue from the electronic products segment for FY2019 as compared to that of the previous financial year. This initiative gained not only the recognition of the Group's existing customers, but also helped the Group in securing a new economy customer in the United States for FY2019.

As disclosed in the annual report for FY 2019, the incorporation of IoT technology within products has already brought contribution to the Group, and the Board believes such business has growth potential even though it is currently at a cultivation stage and carries a lower gross profit margin than the Group's average gross profit margin. Prior to the Exercise, being a holder of the Convertible Promissory Notes has given Suga International a right to match the best offers from third parties to manufacture Mobilogix's products and thus a competitive advantage in securing Mobilogix as a customer. In view of the potential of IoT technology and Mobilogix's business focus in IoT, the Directors believe that the Exercise and the entry into of the Shareholders Agreement would strengthen the business relationship between the Group and Mobilogix, complement the Group's existing initiative relating to IoT technology and provide synergistic benefits as well as a way to establish vertical integration of the Group's electronics products business.

Accordingly, the Directors believe that the Exercise and the entry into of the Shareholders Agreement by Suga International are fair and reasonable and are 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 Exercise exceeds 5% but all of them are less than 25%, the Exercise 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:

“Board”	the board of Directors
“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
“Convertible Promissory Note”	the interest-bearing convertible promissory note in the principal amount of up to US\$2 million issued by Mobilogix in favour of Suga International
“Director(s)”	the director(s) of the Company
“Exercise”	the exercise of both the Conversion Right and the Warrant
“Existing Shareholders”	collectively, the 15 existing shareholders of Mobilogix immediately prior to Suga International’s entry into of the Shareholders Agreement
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mobilogix”	Mobilogix, Inc., a company incorporated in the State of Nevada, the United States
“Mobilogix Shares”	fully paid and nonassessable shares of common stock of Mobilogix

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders Agreement”	the shareholder buy-sell agreement dated 29 October 2019 and entered into between Suga International and the Existing Shareholders to govern their relationship with respect to the sale and purchase of Mobilogix Shares
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suga International”	Suga International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“United States”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States
“Warrant Agreement”	the warrant agreement dated 28 May 2018 and entered into between Suga International and Mobilogix in relation to the sale and purchase of the Warrant at a purchase price of US\$0.01
“Warrant”	the warrant to purchase 50,860 Mobilogix Shares pursuant to the Warrant Agreement
“%”	per cent

Unless otherwise specified in this announcement and for the purpose of illustration only, US\$ is translated into HK\$ at the rate of US\$1.00 = HK\$7.80.

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

Hong Kong, 29 October 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