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**HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED**

**華聯國際（控股）有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 969)**

**RENEWAL OF CAPS OF CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO 2019-2021 SUPPLY AGREEMENTS WITH CUSTOMERS  
AND SUPPLIER (FORMERLY KNOWN AS 2018-2020 SUPPLY  
AND SERVICE AGREEMENTS WITH CUSTOMERS AND SUPPLIER)  
— ENTERED INTO THE FIRST SUPPLEMENTAL AGREEMENTS**

**THE FIRST SUPPLEMENTAL AGREEMENTS**

Reference is made to the Announcements in connection with the 2019-2021 Supply Agreements with Customers and Supplier (formerly known as the 2018-2020 Supply and Service Agreements with Customers and Supplier).

In light of the delay in despatch of the circular and the holding of EGM to approve the 2019-2021 Supply Agreements with Customers and Supplier, on 4 February 2019 (after trading hours), the parties to the 2019-2021 Supply Agreements with Customers and Supplier entered into the First Supplemental Agreements.

Pursuant to the First Supplemental Agreements, certain terms of the 2019-2021 Supply Agreements with Customers and Supplier are proposed to be amended.

## **IMPLICATIONS UNDER THE LISTING RULES**

The First Supplemental Agreements constitute material changes to the terms of the 2019-2021 Supply Agreements with Customers and Supplier and are therefore subject to the same reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as the 2019-2021 Supply Agreements with Customers and Supplier.

The First Supplemental Agreements will be put forward together with the 2019-2021 Supply Agreements with Customers and Supplier for consideration by the Independent Shareholders and are conditional upon the approval of the Independent Shareholders at the EGM.

## **GENERAL**

The EGM will be held for the Independent Shareholders to consider and, if thought fit, among other things, of approving (i) the entering into of the First Supplemental Agreements; and (ii) the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier by way of ordinary resolutions.

As China Complant and COMPLANT, which are interested in 800,000,000 and 300,000,000 Shares respectively, representing approximately 36.51% and 13.69% respectively of the issued share capital of the Company as at the date of this announcement, are considered as materially interested in the 2019-2021 Supply Agreements with Customers and Supplier, the First Supplemental Agreements and the transactions contemplated therein respectively, they shall abstain from voting in respect of the resolutions approving the 2019-2021 Supply Agreements with Customers and Supplier, the First Supplemental Agreements and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier at the EGM.

A circular containing, among other things, (i) principal terms of and information relating to the First Supplemental Agreements and the 2019-2021 Supply Agreements with Customers and Supplier; (ii) information relating to the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier for the three years ending 31 December 2021; (iii) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the First Supplemental Agreement, the 2019-2021 Supply Agreements with Customers and Supplier and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier; (iv) a letter from the Independent Financial Adviser, which sets out the opinions and recommendations of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to the First Supplemental Agreements, the 2019-2021 Supply Agreements and the Revised 2019-2021 Proposed Annual Caps; and (v) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 28 February 2019 in view of the additional time required to compile and finalise the information to be contained in the circular.

## **INTRODUCTION**

Reference is made to the Announcements in connection with the 2019-2021 Supply Agreements with Customers and Supplier (formerly known as the 2018-2020 Supply and Service Agreements with Customers and Supplier).

## **BACKGROUND OF THE FIRST SUPPLEMENTAL AGREEMENTS**

On 7 November 2018, SATT and each of the customers, namely African Company 1, African Company 2 and PCSC entered the 2019-2021 Supply Agreements with Customers (formerly known as 2018-2020 Supply and Service Agreements with Customers) for the exclusive sale and purchase of Deliverable sourced in the PRC. On the same date, SATT and China Complant also entered the 2019-2021 Supply Agreement with Supplier (formerly known as 2018-2020 Supply and Service Agreements with Supplier) for the procurement of Deliverables sourced in the PRC for a term of about three years from the date of EGM to 31 December 2020.

In light of the delay in despatch of the circular and the holding of EGM to approve the 2019-2021 Supply Agreements with Customers and Supplier, on 4 February 2019 (after trading hours), the parties to the 2019-2021 Supply Agreements with Customers and Supplier entered into the First Supplemental Agreements.

## THE FIRST SUPPLEMENTAL AGREEMENTS

The principal terms and conditions of the First Supplemental Agreements are materially the same and set out as follows:

### **Date:**

4 February 2019 (after trading hours)

### **Parties:**

- (i) SATT is a company incorporated in BVI and is an indirect wholly-owned subsidiary of the Company. SATT is engaged in provision of supporting services to sweetener and ethanol business;
- (ii) African Company 1 is a company incorporated in the Republic of Benin and owned by two wholly-owned subsidiaries of COMPLANT. It is principally engaged in manufacturing of sugar/sweetener products in Africa;
- (iii) African Company 2 is a company incorporated in the Republic of Madagascar and owned by two wholly-owned subsidiaries of COMPLANT. It is principally engaged in manufacturing of sugar/sweetener products in Africa;
- (iv) PCSC is a company incorporated in Jamaica and an indirectly owned subsidiary owned as to 70% by the Company and 30% by COMPLANT. It is principally engaged in sugar cane plantation and sugar manufacturing in Jamaica; and
- (v) China Complant is a state-owned company incorporated in the PRC and a wholly-owned subsidiary of State Development & Investment Corp., Ltd. (國家開發投資集團有限公司) (formerly known as State Development & Investment Corp. (國家開發投資公司)). China Complant is a Controlling Shareholder holding approximately 36.51% of the existing issued share capital of the Company and owns 30% equity interest in COMPLANT. China Complant, through its subsidiaries, is principally engaged in international cooperation projects (including China-aided foreign projects, international contracting projects, labor services, complete plant export and other related business) and offshore investment and lease operation in sugar industry.

## **Subject matters:**

### **(i) Amendments to the term**

Under the original term, the term of each of the 2019-2021 Supply Agreements with Customers and Supplier was effective from the date of approval by Independent Shareholders at the EGM to 31 December 2020.

Pursuant to the First Supplemental Agreements, SATT, African Company 1, African Company 2, PCSC and China Complant agreed to revise the term to the period starting from the date of EGM to 31 December 2021 (the “**Revised Coverage Period**”).

The Revised Coverage Period has been arrived at after arm’s length negotiations between all parties to the First Supplemental Agreements due to the delay in despatch of circular and the date of holding the EGM.

### **(ii) Amendments to the payment terms**

Under the original term, payment should be made by African Company 1, African Company 2 and PCSC to SATT in 365 days following the invoice date by bank transfer, bank draft or other mutually agreed methods.

Pursuant to the First Supplemental Agreements, SATT, African Company 1, African Company 2 and PCSC agreed that if the Deliverables are procured from independent third-party suppliers other than China Complant, payment shall be made by African Company 1, African Company 2 and PCSC to SATT in 30 days following the invoice date by bank transfer, bank draft or other mutually agreed methods. The payment term for Deliverables procured from China Complant remains to be 365 days after the invoice date (the “**Revised Payment Term**”).

The Revised Payment Term has been arrived at after arm’s length negotiations between SATT, African Company 1, African Company 2 and PCSC due to the difference of credit terms of the procurement offered to SATT by independent third-party suppliers and China Complant. The procurement from independent third-party suppliers will usually have 30 days credit period and the procurement from China Complant will have a credit period of 365 days. Therefore, SATT can only offer the same payment term it received from its suppliers to its customers. The Revised Payment Term is to align the credit terms received by SATT to payment terms offered by SATT to its customers.

**(iii) Amendments to the re-categorisation of transactions**

Under the original term and transaction structure, technical support services are priced and categorized on a stand-alone basis. The technical support services are charged at actual costs incurred by SATT for providing such services due the facts that SATT will only provide technical support services in relation to the Deliverables sold to its customers and the profit margin charged by SATT for the Deliverables has already taken into account the profit margin to be obtained by SATT for the technical support services.

Pursuant to the First Supplemental Agreements, SATT, African Company 1, African Company 2, PCSC and China Compliant agreed that the price of Deliverables sold by SATT to its customers will include the cost and gross profit of the relevant of technical support services. The price for Deliverable supplied by SATT will now be one-time charges including pre-sales service, in-sale service and after-sales service (including on-site support services for after-sales dispatch of technicians).

As there will no longer be separately priced ancillary technical support services, the transaction category of “Consumables Procurement and Technical Support Services” which will be re-categorised as “Consumables Procurement” (the “**Re-categorisation**”).

The Re-categorisation has been arrived at after arm’s length negotiations between all parties to the First Supplemental Agreements to better align the transactions and costs structure under the 2019-2021 Supply Agreements with Customers.

**(iv) Amendments to the termination condition to 2019-2021 Supply Agreements with Supplier**

As a step to reduce reliance on China Compliant, SATT has begun the process for setting up its own subsidiary in the PRC to gradually replace China Compliant for its procurement services in the PRC. Currently SATT is in the process of obtaining pre-approval of the company name which is expected to complete soon. To align with the above development, pursuant to the First Supplemental Agreements, SATT and China Compliant agreed that when SATT has established its subsidiary in the PRC and such subsidiary has obtained all the licenses required by the PRC regulators for sourcing and exporting the Deliverables in the PRC, the 2019-2021 Supply Agreements with Supplier will terminate (the “**Addition of Condition**”).

The Addition of Condition has been arrived at after arm’s length negotiations between SATT and China Compliant to align with SATT’s effect to reduce reliance on China Compliant for its procurement service in the PRC.

**(v) Revision to the 2018-2020 Proposed Annual Caps with Customers and Supplier**

To align with the Revised Coverage Period, pursuant to the First Supplemental Agreements, the parties to the 2019-2021 Supply Agreements with Customers and Supplier agree to revise the 2018-2020 Proposed Annual Caps with Customers and Supplier. The Revised 2019-2021 Proposed Annual Caps will be put-forward and considered at the EGM. For details, please refer to the section headed “The Revised Annual Caps” below.

**(vi) Amendments to rename the agreements**

In order to align with the above changes and to better reflect the contents of the agreements, the 2018-2020 Supply and Service Agreements with Customers will be renamed to 2019-2021 Supply Agreements with Customers and the 2018-2020 Supply and Service Agreements with Supplier will be renamed to 2019-2021 Supply Agreement with Supplier.

Save as set out above, all other terms and conditions in the 2019-2021 Supply Agreements with Customers and Supplier remain unchanged and continue in full force and effect.

**THE REVISED ANNUAL CAPS**

Under the First Supplemental Agreement, the annual caps for the transactions contemplated under the 2019-2021 Supply Agreements with Customers and Supplier will be revised as follows:

***Original 2018-2020 Proposed Annual Caps with Customers***

<b>Transaction categories</b>	<b>Year ending 31 December 2018</b>	<b>Year ending 31 December 2019</b>	<b>Year ending 31 December 2020</b>
Consumables Procurement and Technical Support Services (now re-categorised as “Consumables Procurement”)	US\$7,996,000 (approximately HK\$62,004,000)	US\$8,264,000 (approximately HK\$64,079,000)	US\$8,504,000 (approximately HK\$65,938,000)
Chemicals and Fertilizer procurement	US\$7,267,000 (approximately HK\$56,347,000)	US\$7,678,000 (approximately HK\$59,533,000)	US\$8,020,000 (approximately HK\$62,189,000)
Fixed Asset Procurement	US\$1,534,000 (approximately HK\$11,895,000)	US\$1,564,000 (approximately HK\$12,131,000)	US\$1,583,000 (approximately HK\$12,276,000)
<b>Total</b>	<b>US\$16,797,000 (approximately HK\$130,246,000)</b>	<b>US\$17,506,000 (approximately HK\$135,744,000)</b>	<b>US\$18,107,000 (approximately HK\$140,402,000)</b>

***Revised 2019-2021 Proposed Annual Caps with Customers***

<b>Transaction categories</b>	<b>Year ending 31 December 2019</b>	<b>Year ending 31 December 2020</b>	<b>Year ending 31 December 2021</b>
Consumables Procurement	US\$7,996,000 (approximately HK\$62,004,000)	US\$8,264,000 (approximately HK\$64,079,000)	US\$8,504,000 (approximately HK\$65,938,000)
Chemicals and Fertilizer procurement	US\$7,267,000 (approximately HK\$56,347,000)	US\$7,678,000 (approximately HK\$59,533,000)	US\$8,020,000 (approximately HK\$62,189,000)
Fixed Asset Procurement	US\$1,534,000 (approximately HK\$11,895,000)	US\$1,564,000 (approximately HK\$12,131,000)	US\$1,583,000 (approximately HK\$12,276,000)
<b>Total</b>	<b>US\$16,797,000 (approximately HK\$130,246,000)</b>	<b>US\$17,506,000 (approximately HK\$135,744,000)</b>	<b>US\$18,107,000 (approximately HK\$140,402,000)</b>



***Original 2018-2020 Proposed Annual Caps with Supplier***

<b>Transaction categories</b>	<b>Year ending 31 December 2018</b>	<b>Year ending 31 December 2019</b>	<b>Year ending 31 December 2020</b>
Consumables Procurement and Technical Support Services (now re-categorised as “Consumables Procurement”)	US\$4,292,000 (approximately HK\$33,284,000)	US\$4,343,000 (approximately HK\$33,674,000)	US\$4,394,000 (approximately HK\$34,073,000)
Chemicals and Fertilizer procurement	US\$6,202,000 (approximately HK\$48,088,000)	US\$6,511,000 (approximately HK\$50,487,000)	US\$6,815,000 (approximately HK\$52,847,000)
Fixed Asset Procurement	US\$941,000 (approximately HK\$7,298,000)	US\$961,000 (approximately HK\$7,448,000)	US\$973,000 (approximately HK\$7,548,000)
<b>Total</b>	<b>US\$11,435,000 (approximately HK\$88,669,000)</b>	<b>US\$11,815,000 (approximately HK\$91,610,000)</b>	<b>US\$12,182,000 (approximately HK\$94,468,000)</b>

***Revised 2019-2021 Proposed Annual Caps with Supplier***

<b>Transaction categories</b>	<b>Year ending 31 December 2019</b>	<b>Year ending 31 December 2020</b>	<b>Year ending 31 December 2021</b>
Consumables Procurement	US\$4,292,000 (approximately HK\$33,284,000)	US\$4,343,000 (approximately HK\$33,674,000)	US\$4,394,000 (approximately HK\$34,073,000)
Chemicals and Fertilizer procurement	US\$6,202,000 (approximately HK\$48,088,000)	US\$6,511,000 (approximately HK\$50,487,000)	US\$6,815,000 (approximately HK\$52,847,000)
Fixed Asset Procurement	US\$941,000 (approximately HK\$7,298,000)	US\$961,000 (approximately HK\$7,448,000)	US\$973,000 (approximately HK\$7,548,000)
<b>Total</b>	<b>US\$11,435,000 (approximately HK\$88,669,000)</b>	<b>US\$11,815,000 (approximately HK\$91,610,000)</b>	<b>US\$12,182,000 (approximately HK\$94,468,000)</b>

## **Basis of determination of the Revised 2019-2021 Proposed Annual Caps**

The total value under Revised 2019-2021 Proposed Annual Caps for three years ending 31 December 2021 under the 2019-2021 Supply Agreements with Customers and Supplier remain the same. The annual caps for respective years from 2018 to 2020 have been rolled forward by one-year. The reasons for such revision is to accommodate the changes in annual caps requirement to match the backlog orders relating to the unfulfilled Deliverables in 2018 which is now rescheduled to be delivered in 2019 and by the same token the budgeted Deliverables for the 2019 and 2020 will now be rescheduled for delivery in 2020 and 2021 respectively.

The Company has not conducted any transactions with its Connected Persons or its Controlling Shareholders after the expiry of the 2015-2017 Supply and Service Agreements with the Customers and Suppliers (i.e. during the period from 1 January 2018 to the date of this announcement). As disclosed in 2017 annual report dated 29 March 2018 and the profit warning announcement dated 21 August 2018, the Group has, since 1 January 2018, suspended those continuing connected transactions until all requirements under Listing Rules has been complied with and the Revised 2019-2021 Proposed Annual Caps are granted. According to the Directors' knowledge, in the relevant period, African 1, African 2 and PCSC have been using their safety stock inventories and currently those safety inventories are running low and need to be replenished from SATT.

## **CONDITIONS PRECEDENT**

The taking effect of the First Supplemental Agreements is conditional upon the Company having obtained the approval by the Independent Shareholders at the EGM on the First Supplemental Agreements and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier.

## **REASONS FOR AND BENEFITS OF THE FIRST SUPPLEMENTAL AGREEMENTS**

The Group is principally engaged in the provision of supporting services for sweeteners business as well as sugar cane plantation and sugar manufacturing in Jamaica. The terms of the First Supplemental Agreements were arrived at after arm's length negotiations between the parties to the 2019-2021 Supply Agreements with Customers and Supplier. The First Supplemental Agreements better align the contractual terms of the 2019-2021 Supply Agreements with Customers and Supplier with the real intentions of the parties and the situations. The Revised Coverage Period and the Revised 2019-2021 Proposed Annual Caps also mitigate the impact caused by the delay in despatch of the circular and the holding of the EGM to approve the 2019-2021 Supply Agreements with Customers and Supplier. The Addition of Condition builds in an exit mechanism for SATT when the Group has successfully started its own procurement services in the PRC and is an essential step to reduce reliance on its connected person.

The Directors (excluding the independent non-executive Directors who will opine after taking into account the opinion of the Independent Financial Adviser) are of the view that the terms of the First Supplemental Agreements and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier are on normal commercial terms, fair and reasonable, in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

The First Supplemental Agreements constitute material changes to the terms of the 2019-2021 Supply Agreements with Customers and Supplier and are therefore subject to the same reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as the 2019-2021 Supply Agreements with Customers and Supplier.

The First Supplemental Agreements will be put forward together with the 2019-2021 Supply Agreements with Customers and Supplier for consideration by the Independent Shareholders and are conditional upon the approval of the Independent Shareholders at the EGM.

## **GENERAL**

The EGM will be held for the Independent Shareholders to consider and, if thought fit, among other things, of approving (i) the entering into of the First Supplemental Agreements; and (ii) the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier by way of ordinary resolutions.

As China Complant and COMPLANT, which are interested in 800,000,000 and 300,000,000 Shares respectively, representing approximately 36.51% and 13.69% respectively of the issued share capital of the Company as at the date of this announcement are considered as materially interested in the 2019-2021 Supply Agreements with Customers and Supplier, the First Supplemental Agreements and the transactions contemplated therein respectively, they shall abstain from voting in respect of the resolutions approving the 2019-2021 Supply Agreements with Customers and Supplier, the First Supplemental Agreements and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier at the EGM.

A circular containing, among other things, (i) principal terms of and information relating to the First Supplemental Agreements and the 2019-2021 Supply Agreements with Customers and Supplier; (ii) information relating to the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier for the three years ending 31 December 2021; (iii) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the First Supplemental Agreement, the 2019-2021 Supply Agreements with Customers and Supplier and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier; (iv) a letter from the Independent Financial Adviser, which sets out the opinions and recommendations of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to the First Supplemental Agreements, the 2019-2021 Supply Agreements and the Revised 2019-2021 Proposed Annual Caps; and (v) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 28 February 2019 in view of the additional time required to compile and finalise the information to be contained in the circular.

## DEFINITIONS

In this announcement, save for the following terms which shall have the meanings set opposite to them below, defined terms used shall have the same meaning as given to them in the Announcement:

- “2019-2021 Supply Agreements with Customers and Supplier” means collectively:
- (i) the three legally binding supply agreements with customers entered into between SATT and each of the African Company 1, African Company 2 and PCSC on 7 November 2018, as amended by the First Supplemental Agreements, in respect of the provision of Deliverables sourced in the PRC exclusively by SATT for a term of about three years ending 31 December 2021 (the “**2019-2021 Supply Agreement with Customers**”); and
  - (ii) a legally binding supply agreement with supplier entered into between China Complant and SATT on 7 November 2018, as amended by the First Supplemental Agreement, in respect of the provision of Deliverables sourced in the PRC by China Complant for a term of about three years ending 31 December 2021 (the “**2019-2021 Supply Agreement with Supplier**”)

and 2019-2021 Supply Agreement(s) with Customers and Supplier shall mean all or any one of these agreements

“Announcements”	the announcement of the Company dated 7 November 2018, 28 November 2018 and 11 December 2018 in connection with the renewal of caps of continuing connected transactions in relation to 2019-2021 Supply Agreements with the Customers and the Supplier
“Company”	Hua Lien International (Holding) Company Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the Main Board of the Stock Exchange
“First Supplemental Agreements”	the four legally binding supplemental agreements entered into between SATT and each of African Company 1, African Company 2, PCSC and China Compliant respectively on 4 February 2019 in relation to, among other things, the amendments, variations and additions to certain terms and conditions of the 2019-2021 Supply Agreements with Customers and Supplier.
“Revised 2019-2021 Proposed Annual Cap(s) with Customers and Supplier”	<p>means collectively:</p> <ul style="list-style-type: none"> <li>(i) the maximum aggregate annual value of the transaction contemplated under 2019-2021 Supply Agreements with Customers as amended and revised by the First Supplemental Agreement (“<b>Revised 2019-2021 Proposed Annual Cap(s) with Customers</b>”); and</li> <li>(ii) the maximum aggregate annual value of the transaction contemplated under 2019-2021 Supply Agreement with Supplier as amended and revised by the First Supplemental Agreement (“<b>Revised 2019-2021 Proposed Annual Cap(s) with Supplier</b>”)</li> </ul>

By order of the Board  
**Hua Lien International (Holding) Company Limited**  
**Liu Yan**  
*Chairman*

Hong Kong, 4 February 2019

*As at the date of this announcement, the board of directors comprises eight directors, of which three are executive directors, namely Mr. Liu Xueyi, Mr. Han Hong, and Mr. Wang Zhaohui, two are non-executive directors, namely Ms. Liu Yan and Mr. Zhang Jian, and three are independent non-executive directors, namely Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry.*

*For the purpose of illustration only and unless otherwise stated, conversions of USD to Hong Kong dollars in this announcement is based on the exchange rate of USD1.00 to HK\$7.7541. Such conversions should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.*

*\* For identification purpose only*