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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 CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
2015-2017 SUPPLY AND SERVICE AGREEMENTS**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Resolutions will be proposed at the EGM of Hua Lien International (Holding) Company Limited to be held at Dragon II, 2/F., The Kowloon Hotel, 19-21 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 26 June 2015 at 11:00 a.m. (or so soon after the conclusion of the annual general meeting of the Company convened to be held on the same date and place at 10:30 a.m.) for the Independent Shareholders to consider and, if they think fit, approve the matters referred to in this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy enclosed with in this circular in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch registrar, Union Registrars Limited, at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong no later than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and delivery of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

28 May 2015

** For identification purpose only*

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

“2012-2014 Supply and Service Agreements”

- (i) the four legally binding supply and service agreements entered into between SATT and each of the African Company 1, African Company 2, African Company 3 African Company 4 respectively on 5 December 2012 and two legally binding supply and service agreements entered into between SATT and each of the Zheng Da Investments Limited (正達投資有限公司) and PCSC in respect of the provision of E&M and Services exclusively by SATT for an initial term of three years commencing from 1 January 2012 up to 31 December 2014;

and

- (ii) a legally binding supply and service agreement entered into between China Complant and SATT on 5 December 2012 in respect of the provision of E&M and Services by China Complant for an initial term of three years commencing from 1 January 2012 up to 31 December 2014

and 2012-2014 Supply and Service Agreement mean one of these agreements

“2015-2017 Supply and Service Agreements”

- (i) the six legally binding supply and service agreements entered into between SATT and each of the African Company 1, African Company 2, African Company 3, African Company 4, CBB and PCSC respectively on 6 May 2015 in respect of the provision of E&M and Services exclusively by SATT for an initial term of about three years commencing from approval at the EGM;

and

- (ii) a legally binding supply and service agreement entered into between China Complant and SATT on 6 May 2015 in respect of the provision of E&M and Services by China Complant for an initial term of about three years commencing from approval at the EGM

and 2015-2017 Supply and Service Agreement mean one of these agreements

DEFINITIONS

“2015-2017 Proposed Annual Caps”	a maximum aggregate annual value of the transaction contemplated under the 2015-2017 Supply and Service Agreements
“African Companies”	African Company 1, African Company 2, African Company 3 and African Company 4; all of which are subsidiaries of COMPLANT
“African Company 1”	La Sucrierie de COMPLANT de Madagascar, a company incorporated in Republic of Madagascar
“African Company 2”	COMPLANT Magbass Sugar Complex Company Limited, a company incorporated in Republic of Sierra Leone
“African Company 3”	La Sucrierie de COMPLANT du Benin, a company incorporated in Republic of Benin
“African Company 4”	Sucrierie Cote Ouest de COMPLANT de Madagascar, a company incorporated in Republic of Madagascar
“Approved Annual Cap(s)”	annual cap(s) approved at the extraordinary general meetings of the Company held on 10 January 2012 and 22 March 2013
“associate(s)”	has the meaning ascribed to it under the listing rules
“Board”	the board of directors of the Company
“Business Day”	any day from 9 am to 5 pm on which licensed banks are open in Hong Kong for general banking business, other than Saturdays, Sundays and public holidays in Hong Kong and days on which a tropical cyclone warning no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 9 am and 5 pm
“BVI”	British Virgin Islands
“CBB”	Compagnie Beninoise De Bioenergie SA, a company incorporated under the Republic of Benin with limited liability and is a 90% indirectly owned subsidiary of the Company

DEFINITIONS

“China Complant”	China National Complete Plant Import & Export Corporation (Group) (中國成套設備進出口(集團)總公司), a state owned company incorporated in the PRC and is a wholly-owned subsidiary of State Development & Investment Corp. (國家開發投資公司) and owns 70% equity interest in COMPLANT and a Controlling Shareholder holding 36.51% issued share capital of the Company
“Company”	Hua Lien International (Holding) Company Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“COMPLANT”	COMPLANT International Sugar Industry Co., Ltd. (中成國際糖業股份有限公司), a company incorporated in the Cayman Islands with limited liability and a Substantial Shareholder holding 13.69% issued share capital of the Company
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the 2015-2017 Supply and Service Agreements
“Controlling Shareholder(s)”	controlling shareholder(s) of the Company, having the meanings ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“E&M and Services”	consumables, chemicals, fertilizers and fixed assets with origin of source from the PRC as well as ancillary services for engineering, for construction, for repair and maintenance, for training and for technical supports
“EGM”	an extraordinary general meeting to be convened on 26 June 2015 by the Company to consider and, if thought fit, approve the Continuing Connected Transactions and the proposed annual caps for the three financial years ending 2017 under the 2015-2017 Supply and Service Agreements
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising three independent non-executive Directors, namely, Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei, which has been formed for the purpose of advising the Independent Shareholders in respect of the Continuing Connected Transactions and the proposed annual cap for three financial years ending 31 December 2017 under the 2015-2017 Supply and Service Agreements
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO
“Independent Shareholders”	Shareholders other than China Complant, COMPLANT and its associates
“Independent Third Party(ies)”	a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company
“Latest Practicable Date”	22 May 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PCSC”	Pan-Caribbean Sugar Company Limited, a company incorporated in Jamaica with limited liability and a 70% indirectly owned subsidiary of the Company
“PRC”	the People’s Republic of China
“SATT”	Sino-Africa Technology & Trading Limited (中非技術貿易有限公司), a company incorporated in BVI with limited liability and is an indirect wholly-owned subsidiary of the Company
“SFO”	Securities and Future Ordinance Chapter 571 of the Laws of Hong Kong as amended and supplemented from time to time
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Substantial Shareholder(s)”	substantial shareholder(s) of the Company, having the meanings ascribed to it in the Listing Rules
“US\$” and “cents”	United States dollars and cents respectively, the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Liu Xueyi
Mr. Han Hong
Mr. Hu Yebi
Mr. Hu Zhirong
Mr. Wang Zhaohui

Independent Non-executive Directors:

Dr. Zheng Liu
Mr. Yu Chi Jui
Ms. Li Xiao Wei

Principal Place of Business

in Hong Kong:
Units 1910-1912, 19/F.
Hutchison House
10 Harcourt Road
Central
Hong Kong

Registered Office:

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

28 May 2015

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
2015-2017 SUPPLY AND SERVICE AGREEMENTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 6 May 2015. The purpose of this circular is to provide the Independent Shareholders, among other things, (1) the information regarding the Continuing Connected Transactions under 2015-2017 Supply and Service Agreements; (2) the advice of the Independent Financial Adviser on the terms of the Continuing Connected Transactions; (3) the recommendations of the Independent Board Committee on the terms of the Continuing Connected Transactions; and (4) the notice of the EGM.

** For identification purpose only*

LETTER FROM THE BOARD

I. THE 2015-2017 SUPPLY AND SERVICE AGREEMENTS

1. Background

Reference is made to the announcement and circular of the Company dated 5 December 2011 and 21 December 2011 respectively on among other things the continuing connected transactions of the Company in respect of the 2012-2014 Supply and Service Agreements. The extraordinary general meeting of the Company on 10 January 2012 duly passed by way of poll of resolutions to approve, among others, the 2012-2014 Supply and Service Agreements and the annual caps for the three years ended 31 December 2014. Reference is also made to announcement and circular of the Company dated 6 February 2013 and 4 March 2013 on among other things the Approved Annual Caps in respect of 2012-2014 Supply and Service Agreements for the two years ended 31 December 2014 be increased with the terms and conditions of the 2012-2014 Supply and Service Agreements remaining effective and unchanged. At the extraordinary general meeting of the Company on 22 March 2013 duly passed by way of poll of resolutions to approve, among others, the increase of annual caps for the two years ended 31 December 2014.

The Company would continue such continuing connected transactions after 31 December 2014 and therefore will, in accordance with the Listing Rules, comply with the provisions of Chapter 14A of the Listing Rules in relation to the Continuing Connected Transactions for the three years ending 31 December 2017, including disclosing further information thereof in this circular and seeking approvals from the Independent Shareholders for the Continuing Connected Transactions (including the 2015-2017 Proposed Annual Caps).

2. THE 2015-2017 SUPPLY AND SERVICE AGREEMENTS BETWEEN SATT AND EACH OF THE AFRICAN COMPANIES , CBB AND PCSC

The SATT and each of the African Company 1, African Company 2, African Company 3, African Company 4, CBB and PCSC entered into exclusive 2015-2017 Supply and Service Agreement on 6 May 2015. This agreement is subject to and conditional upon the approval by the Independent Shareholders at the EGM to be held in accordance with the requirements under the Listing Rules, which is effective from approval from Independent Shareholders at the EGM and valid for a term of about three years ending 31 December 2017.

2.1. E&M and Services to be provided by SATT

The E&M and Services to be provided by SATT to African Companies, CBB and PCSC are expected to be numerous, both in terms of quantity and variety. As defined below, E&M and Services are categorised into three categories for determination of the 2015-2017 Proposed Annual Caps.

LETTER FROM THE BOARD

2.1.1. Consumables Procurement and Technical Support Services

The consumables procurement includes but not limited to procurement for general supplies for daily operations including labour protection products, supplies for yearly factory overhauls including consumptive spare parts for plant and machinery and fixture, steels pipes and plates as well as other hardware accessories for replacement etc. (the “Consumables Procurement”), while, technical support services include but not limited to technical consulting services, engineering contracting services, construction and installation services, repair and maintenance services, training services and labour supply services, etc. (the “Technical Support Services”).

2.1.2. Chemicals and Fertilizer Procurement

The chemicals procurement includes but not limited to procurement for lime, sulfuric acid, biocides etc. for industrial and agricultural operations (the “Chemicals Procurement”), while fertilizer procurement includes but not limited to procurement for Nitrogen, Phosphorous, Potassium, Calcium, Sulfur, Magnesium, etc. for agricultural operations (the “Fertilizer Procurement”).

2.1.3. Fixed Asset Procurement

The fixed asset procurement includes but not limited to procurement for EPC (Engineering, Procurement and Construction), motor vehicle as well as agricultural and industrial machinery, etc. (the “Fixed Asset Procurement”).

2.2. General Principles

The 2015-2017 Supply and Service Agreements with African Companies, CBB and PCSC are the master agreements which set out the principles upon which the supply of E&M and Services by SATT to African Companies, CBB and PCSC are to be carried out.

2.2.1. Exclusivity

Pursuant to which, each of the African Company 1, African Company 2, African Company 3, African Company 4, CBB and PCSC has agreed to order E&M and Services exclusively from SATT for a term of about three years ending 31 December 2017.

LETTER FROM THE BOARD

2.2.2. Detailed Terms on Definitive Agreements

Pursuant to the 2015-2017 Supply and Service Agreements, SATT will enter into definitive agreements with each of the African Company 1, African Company 2, African Company 3, African Company 4, CBB and PCSC from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in each of the 2015-2017 Supply and Service Agreements. Such detailed terms include but not limited to prices, payment terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of E&M and Services required.

2.2.3. Normal Commercial Terms

SATT and each of the African Companies, CBB and PCSC agree that such detailed terms shall be on normal commercial terms or, if there is no sufficient comparable transactions to judge whether they are on normal commercial terms, fair and reasonable to the Company, the terms offered to each of the African Companies, CBB and PCSC shall be no less favourable to SATT than those offered by SATT to Independent Third Parties in the market where those companies are located.

Below paragraphs 2.3. to 2.6. set forth further particulars on pricing determination, payment terms, and quantity and quality mechanism.

2.3. Pricing determination

The prices at which E&M and Services are to be provided must be fair and reasonable. The 2015-2017 Supply and Service Agreements detail specific pricing principles of E&M and Services. The pricing determination of the 2015-2017 Supply and Service Agreements primarily remains consistent with that of the 2012-2014 Supply and Service Agreements, except for those provisions required to be detailed pursuant to the guidance letters of the Stock Exchange. The price will be determined in accordance with the following order:

2.3.1. Where same or similar local price available, determining on basis of local market price

The local market price is defined as the price of same E&M and Services prevail in the local market.

LETTER FROM THE BOARD

- (1) Situation where local price of same E&M and Services obtainable

Local market price shall be determined according to normal commercial terms based on the price at which the same or similar type of E&M and Services are to be provided by Independent Third Parties on normal commercial terms in the ordinary course of their businesses in the same area or in the vicinity. For country like Jamaica where PCSC enjoy tax-free import, the local imported price will further adjust the import duty tax. The local imported price will first adjust import duty free. The local market price of PCSC will adjust import duty in accordance with the below formula.

Consideration = Local market price of same E&M and Services *
Imported duty adjustment (only applicable to PCSC)

- (2) Situation where only local price of similar E&M and Services obtainable

If, for any reason, the local market prices of same E&M and Services prevail in the local market cannot be obtained. Then, the average price offered by at least one Independent Third Party in the local market price of similar E&M and Services will be used to determine the price for a particular E&M and Services. The local price, if it is in Jamaica it will adjust the import duty tax as described in above paragraph first and then will further adjust it with the percentage difference in quality attributes which include, among others, the difference in durability of consumables, the chemical composition of chemicals and fertilizer, and the estimated useful life, processing capacity, operation efficiency and repair, maintenance and fuel requirement for fixed assets. Below is the formula used for similar E&M and Services.

Consideration = Local market price of similar E&M and Services *
Imported duty adjustment (only applicable to PCSC) *
Percentage difference in quality attributes

For example, the local price quote for heavy duty tractor head is US\$120,000 in Jamaica with estimated useful life of 10 years. If similar heavy duty tractor head, having all the same quality attributes except shorter estimated useful life of 7 years, can source through SATT without import duty of 20%, the consideration for this, after taken the local market price, import duty and difference in quality attributes into consideration, is US\$70,000 (i.e. US\$120,000 * 1/1.20 * 7/10).

LETTER FROM THE BOARD

(3) Internal control measures for determination of local market price

The sales department of SATT and its designated persons are mainly responsible for coordinating with African Companies, CBB and PCSC for checking the average price offered by at least one Independent Third Party, in local country generally through obtaining quotations via emails, fax or phone and tenders by publishing tender notice via various media resources such as local newspapers to determine the local market price in the local areas where such type of service is provided and on normal commercial terms in the local area where the service of comparable scale is being provided at that time; or with reference to the price charged, by at least one Independent Third Parties, in nearby areas where such type of service is provided on normal commercial terms in the area or country adjacent to the local area where the service of comparable scale is being provided at that time. The local market price shall be calculated and estimated before each accounting year end and the sales department of SATT will update the relevant information from time to time according to the procurement demand and will continue to monitor the local market price to ensure that each transaction is conducted in accordance with the pricing policy set out above.

2.3.2. Where 2.3.1. not applicable, determining on basis of cost-plus profit margin

(1) Cost-plus profit margin in the PRC

Where the local market price principle is not applicable as there is no same or similar E&M and Service in local market, it is determined on the basis of the principle of “cost plus” as the profit margin of same or similar type of E&M and Services are to be provided by Independent Third Parties on normal commercial terms in the ordinary course of their businesses in the PRC.

Under cost plus pricing term, it is determined based on the cost of the E&M and Services purchased from the China Complant and the margin to be obtained by SATT. Those margins will make reference to average margin earned by the PRC listed companies engaged in the trading of same or similar E&M and Services. The selection of PRC listed companies for benchmarks is because they are in same habitat at which SATT is operating.

(2) Internal control measures for determination of profit margin

The margin shall be calculated and estimated before each accounting year end and the sales department of the SATT will update the relevant information yearly (to avoid the seasonal effect) in accordance to the most recent published annual financial statements of the listed companies in the PRC.

LETTER FROM THE BOARD

The guiding principles for the cost-plus profit margin shall be that the price should not be higher than the prices available for the provision of similar products and services in the international market.

(3) Profit margins of each category

For year 2015, the profit margin which agreed between the SATT and the African Companies, CBB and PCSC to add on the cost of the E&M and Services from China Complant will fall within below percentage range of each category. The gross margins vary among product lines in each category, e.g. about 3% for steel and about 13% for spare parts for category in Consumables Procurement.

<u>Transaction categories</u>	<u>Profit margin %</u>
Consumables Procurement	3%-13%
Chemicals and Fertilizer Procurement	3%-8%
Fixed Asset Procurement	3%-14%

These percentages would receive annual updates when applying to year 2016 and year 2017.

2.3.3. Where 2.3.1. and 2.3.2. not applicable, determining on basis of cost

For the Technical Support Services, it will be determined at actual cost incurred for such services. In light of fact that it is the ancillary services provided with the Consumables or Fixed Asset Procurements, therefore reasonable profit should have obtained from sale of those related E&M and Services and the Technical Support Services will therefore transact at cost.

2.4. Payment terms

Invoices will be issued after the E&M and Services reached designated port and passed the quality inspection. Payment should be made in 180 days following the invoice date by bank transfer, bank draft or other mutually agreed methods. The payment terms under 2015-2017 Supply and Service Agreements are after due consideration of the bearing capability of financial cost for the credit period on the profit margin generating from those transactions.

2.5. Quantity of E&M and Services

In last quarter of each year, African Companies, CBB and PCSC will provide to SATT an annual assessment of the E&M and Services that they require for coming year and both parties shall agree on quantity of E&M and Services under this yearly plan.

LETTER FROM THE BOARD

2.6. Quality of E&M and Services

The quality of E&M and Services to be provided should be satisfactory to the recipient.

2.7. The 2015-2017 Proposed Annual Caps with African Companies, CBB and PCSC

The actual transactions under the 2015-2017 Supply and Service Agreements with African Companies, CBB and PCSC since 1 January 2015 up to the Latest Practicable Date are approximately HK\$2,850,000 and the size of the actual transactions is still within the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules of less than 5% and the total consideration is less than HK\$3,000,000. The Board will control the size of actual transactions not exceeding the de minimis threshold before the Continuing Connected Transactions are approved at the EGM.

The Board has considered and proposed that the following proposed maximum values in respects of each of the three categories of E&M and Services will serve as the annual caps of the relevant category for the period from approval by Independent Shareholders at the EGM to 31 December 2017. The historical amounts and Approved Annual Caps that were approved by the Independent Shareholders in yearly lump-sum total has been reallocated into three categories of E&M and Services for below historical utilization rate analysis purpose.

Transaction categories	Historical amount Historical utilisation rate			Approved Annual Caps			2015-2017 Proposed Annual Caps		
	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016	Year ending 31 December 2017
	Consumables Procurement and Technical Support Services	US\$14,218,000 (approximately HK\$110,248,000)	US\$16,105,000 (approximately HK\$124,879,000)	US\$12,181,000 (approximately HK\$94,453,000)	US\$21,616,000 (approximately HK\$167,613,000)	US\$32,542,000 (approximately HK\$252,334,000)	US\$20,026,000 (approximately HK\$155,284,000)	US\$18,556,000 (approximately HK\$143,885,000)	US\$19,305,000 (approximately HK\$149,693,000)
	65.8%	49.5%	60.8%						
Chemicals and Fertilizer Procurement	US\$8,045,000 (approximately HK\$62,382,000)	US\$12,269,000 (approximately HK\$95,135,000)	US\$10,588,000 (approximately HK\$82,100,000)	US\$10,635,000 (approximately HK\$82,465,000)	US\$19,102,000 (approximately HK\$148,119,000)	US\$21,716,000 (approximately HK\$168,388,000)	US\$13,222,000 (approximately HK\$102,525,000)	US\$13,756,000 (approximately HK\$106,665,000)	US\$14,312,000 (approximately HK\$110,977,000)
	75.6%	64.2%	48.8%						
Fixed Asset Procurement	US\$4,327,000 (approximately HK\$33,552,000)	US\$27,302,000 (approximately HK\$211,702,000)	US\$42,166,000 (approximately HK\$326,959,000)	US\$16,509,000 (approximately HK\$128,012,000)	US\$52,656,000 (approximately HK\$408,300,000)	US\$80,198,000 (approximately HK\$621,863,000)	US\$39,959,000 (approximately HK\$309,846,000)	US\$41,574,000 (approximately HK\$322,369,000)	US\$43,253,000 (approximately HK\$335,388,000)
	26.2%	51.8%	52.6%						
Total	US\$26,590,000 (approximately HK\$206,182,000)	US\$55,676,000 (approximately HK\$431,716,000)	US\$64,935,000 (approximately HK\$503,512,000)	US\$48,760,000 (approximately HK\$378,090,000)	US\$104,300,000 (approximately HK\$808,753,000)	US\$121,940,000 (approximately HK\$945,535,000)	US\$71,737,000 (approximately HK\$556,256,000)	US\$74,635,000 (approximately HK\$578,727,000)	US\$77,650,000 (approximately HK\$602,106,000)

LETTER FROM THE BOARD

2.7.1. Consumables Procurement and Technical Support Services

The 2015-2017 proposed annual caps for Consumables Procurement and Technical Support Services to be provided by SATT to African Companies, CBB and PCSC were determined with reference to (i) the historical amount of transactions; (ii) the estimated business growth of the African Companies, CBB and PCSC; (iii) the potential price fluctuations in both the international and domestic markets; and (iv) a buffer of one-half of one standard deviation added for the inherent volatility of business.

As indicated in above table of the historical utilisation rate of 65.8%, 49.5% and 60.8% for the years ended 31 December 2012, 2013 and 2014 respectively, the unutilised amounts were approximately 34.2%, 50.5% and 39.2% of the Approved Annual Caps respectively. The differences were mainly representing certain buffers which reserved for the uncertainty in demand from the huge upheaval in sugar price when applying for the annual caps has not been used as well as the reduction in Consumables Procurement as a result of adoption of substantial cost-cutting measures to reduce the consumption of consumptive spare parts to preserve working capitals since the fall in global sugar price. An example of this, the commodity future price of contract no. 11 of the Coffee Sugar and Cocoa Exchange (the “CSCE”) has trembled down from the historical highest point of average monthly price in year 2011 of about US26 cents a pound to average monthly price in year 2014 of about US17 cents a pound, or a decrease of about 35% in past three years (source: <http://www.indexmundi.com/commodities/?commodity=sugar&months=360>). The decrease in sugar price has reduced the available fund from operations for the Consumables Procurement.

2.7.2. Chemicals and Fertilizer Procurement

The 2015-2017 proposed annual caps for Chemicals and Fertilizer Procurement to be provided by SATT to African Companies, CBB and PCSC were determined with reference to (i) the historical amount of transactions; (ii) the estimated business growth in agricultural and industrial production of the African Companies, CBB and PCSC; (iii) the potential price fluctuations in both the international and domestic markets for Chemicals and Fertilizer Procurement; and (iv) a buffer of one-half of one standard deviation added for the inherent volatility of business.

As indicated in above table of the historical utilisation rate of 75.6%, 64.2% and 48.8% for the years ended 31 December 2012, 2013 and 2014 respectively, the unutilized amounts were approximately 24.4%, 35.8% and 51.2% of the Approved Annual Caps respectively. The differences were mainly representing certain buffers reserved for the volatile international price and for the uncertain demand resulting from competition from Independent Third Parties in local countries when applying for the annual caps as well as the trembled down sugar prices has resulted in lower cash flow for Chemicals and Fertilizer Procurement.

LETTER FROM THE BOARD

2.7.3. Fixed Asset Procurement

The 2015-2017 proposed annual caps for Fixed Asset Procurement were determined with reference to (i) the anticipated fixed assets replacement in 2015 to 2017; (ii) addition plans of African Companies and PCSC; and (iii) the buffer of one-half of one standard deviation added for the possible delay in completion of installation between individual years.

As indicated in above table of the historical utilisation rate of 26.2%, 51.8% and 52.6% for the years ended 31 December 2012, 2013 and 2014 respectively, the unutilized amounts were approximately 73.8%, 48.2% and 47.4% of the Approval Annual Caps respectively. The differences were due to the fact that when forecasting the caps, the Group must consider the possibility that SATT will participate in all the Fixed Asset Procurement, however, in reality, SATT might not be able to participate in all the Fixed Asset Procurement that year due to the unexpected delay in fixed asset investment of African Companies, CBB and PCSC. As detailed in circular of the Company dated 4 March 2013, the shortfall in 2012 was mainly due to the postponement of the ethanol construction project of CBB of US\$13.2 million (approximately HK\$102.4 million). The shortfall in 2013 and 2014 was mainly due to the postponement of part of fixed assets investment of PCSC of US\$19.4 million (approximately HK\$150.4 million) for year 2013 and of approximately US\$30.1 million (approximately HK\$233.4 million) for year 2014 respectively as well as the postponement of US\$9.7 million (approximately HK\$75.2 million) for year 2013 of part of the fixed assets investment of CBB for reason of suspension of its ethanol construction project. The postponement of the fixed assets investment of PCSC was due to the increase in working capital investment and the increase in fund used for operations have reduced the available fund for capital expenditure. While, the suspension of the construction of ethanol plant of CBB because Benin Government will not be able to execute the Leased Land provision in the Cooperation Agreement and Leased Land will not be available for CBB for cultivation of cassava and/or sugar cane to supply raw materials of its production of bioethanol and construction has suspended pending for appropriate alternate business plan.

In light of the above, the proposed annual caps of the Company set out in the Continuing Connected Transactions with African Companies, CBB and PCSC is in line with the estimated development of the business of the African Companies and PCSC, and is determined based on principles of fairness and reasonableness. The Directors are of the view that the above 2015-2017 proposed annual caps in relation to the E&M and Services to be provided by SATT to African Companies, CBB and PCSC are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

2.8. Reasons for and benefits of continuation of Continuing Connected Transactions with African Companies, CBB and PCSC under 2015-2017 Supply and Service Agreements

Due to the historical connection and long-term cooperation relationship between the Group and African Companies, CBB and PCSC, the Directors (including the independent non-executive Directors) consider that the transactions will continue on a recurring basis and it is beneficial to continue the Continuing Connected Transactions by way of entering into the 2015-2017 Supply and Service Agreements with African Companies, CBB and PCSC, as the transactions with African Companies, CBB and PCSC will help to maintain existing business scale and generate satisfactory cash flow for operation of the Group. As at the Latest Practicable Date, African Companies, CBB and PCSC are the only six customers of the SATT. Also, the Continuing Connected Transactions with African Companies, CBB and PCSC enable SATT to supply African Companies, CBB and PCSC with the necessary E&M and Services in a reasonable time and at a reasonable price with satisfactory quality.

All the above Continuing Connected Transactions are and will continue to be agreed on an arm's length basis with terms that are fair and reasonable to the Company and conducted in the ordinary and usual course of business on normal commercial terms (or better to the Group) or on terms no less favourable to SATT than those offered to Independent Third Parties under comparable market conditions and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

3. THE 2015-2017 SUPPLY AND SERVICE AGREEMENT BETWEEN SATT AND CHINA COMPLANT

SATT entered into 2015-2017 Supply and Service Agreement with China Complant on 6 May 2015. This agreement is subject to and conditional upon the approval by the Independent Shareholders at the EGM to be held in accordance with the requirements under the Listing Rules, which is effective from approval from Independent Shareholders at the EGM and valid for a term of about three years ending 31 December 2017.

3.1. E&M and Services to be provided by China Complant

The E&M and Services to be provided by China Complant to SATT are the same three categories of E&M and Services to be provided by SATT to African Companies, CBB and PCSC as described in above paragraph, namely, Consumables Procurement and Technical Support Services; Chemicals and Fertilizer Procurement; and Fixed Asset Procurement.

3.2. General Principles

The 2015-2017 Supply and Service Agreement with China Complant is the master agreement which set out the principles upon which the supply of E&M and Services by China Complant to SATT are to be carried out.

LETTER FROM THE BOARD

3.2.1. Non-Exclusivity

Pursuant to the 2015-2017 Supply and Service Agreement which, China Complant has agreed to supply E&M and Services to SATT so as to enable SATT to provide the same to African Company 1, African Company 2, African Company 3, African Company 4, CBB and PCSC and other independent customers for a term of three years commencing from the approval by Independent Shareholders at the EGM. However, SATT is not obliged to source E&M and Services exclusively from China Complant. SATT shall source E&M and Services from China Complant only if (i) SATT and the African Companies, CBB and PCSC have entered into definitive agreement in respect of the supply of materials and services; (ii) the relevant E&M and Services have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant E&M and Services to SATT within a reasonable time in accordance with the 2015-2017 Supply and Service Agreement between SATT and China Complant.

3.2.2. Detailed Terms on Definitive Agreements

Pursuant to the 2015-2017 Supply and Service Agreement between SATT and China Complant, China Complant will enter into definitive agreements with SATT from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the 2015-2017 Supply and Service Agreement. Such detailed terms include but not limited to prices, payment terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of E&M and Services required.

3.2.3. Normal Commercial Terms

China Complant and SATT agree that such detailed terms shall be on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, fair and reasonable to the Company, the terms offered to SATT shall be no less favourable to SATT than those offered by China Complant to Independent Third Parties in the markets where SATT is located.

Below paragraphs 3.3. to 3.6. are further particulars on pricing determination, payment terms, and quantity and quality mechanism.

LETTER FROM THE BOARD

3.3. Pricing determination

The price at which the E&M and Services are to be provided must be fair and reasonable. The 2015-2017 Supply and Service Agreement entered between SATT and China Complant details specific pricing principles for the E&M and Services. The pricing determination of the 2015-2017 Supply and Service Agreements primarily remains consistent with that of the 2012-2014 Supply and Service Agreements, except for those provisions required to be detailed pursuant to the guidance letters of the Stock Exchange. The price will be determined in accordance with the following order:

3.3.1. Where PRC market price available, determining on basis of the PRC market price

The E&M and Services provided by China Complant are at market prices of same E&M and Services prevail in the PRC.

The PRC market price shall be determined at which the same or similar type of E&M and Services are to be provided by average price of at least one Independent Third Party on normal commercial terms in the ordinary course of their businesses in the PRC.

3.3.2. Where 3.3.1. is not applicable, determining on basis of the cost of those custom-made E&M and Service

In absence of prevailing PRC market prices of those custom-made E&M and Services, the price will then be determined with reference to China Complant's actual cost payable to its PRC or overseas suppliers for the sale of such E&M and Services to SATT.

3.3.3. Internal controls adopted by SATT

- (1) The sales department of SATT and its designated persons are mainly responsible for checking the pricing offered by China Complant with the average price of at least one Independent Third Party generally through obtaining quotations via emails, fax or phone and obtaining tenders by publishing tender notice via various media resources such as local newspapers to determine the local market price in the PRC; or
- (2) If prevailing PRC market price cannot be obtained for comparison for those custom-made E&M and Services, the price will then be justified with reference to average price of at least one Independent Third Party, in overseas countries where same or similar E&M and Services are provided and on normal terms or with reference to third party supplier invoices provided by China Complant.

LETTER FROM THE BOARD

The prevailing PRC market price of each type of E&M and Services shall be calculated and estimated before each accounting year end and the sales department of SATT will monitor the prevailing PRC market price to ensure that each transaction is conducted in accordance with the pricing policy set out above.

3.4. Payment terms

3.4.1. Invoices will be issued after the E&M and Services reached designated port and passed the quality inspection. Payment should be made following the invoice date by bank transfer, bank draft or other mutually agreed methods. Even though China Complant will stop granting credit period to SATT under 2015-2017 Supply and Service Agreement, China Complant, subject to request by SATT, will provide trade credit in way detailed in paragraph 3.4.2..

3.4.2. In consideration of obtaining timely repayment of its trade receivables from SATT, China Complant agrees in principle in the 2015-2017 Supply and Service Agreement that, subject to the negotiation, execution of definitive agreements and availability of offering(s) from bank(s), may at the request of SATT solely for purpose of refinancing trade payable of SATT with China Complant acting as guarantor under “off-shore loan against domestic guarantee” within the term of 2015-2017 Supply and Service Agreement. If the guarantee was executed, it would be carried out under the framework of Rule 14A.90 of Listing Rules as exempt connected transaction. China Complant will charge SATT a guarantee fee on normal commercial terms and will not request SATT or its related companies for any assets as security.

In relation to the above (except the terms agreed in principle with China Complant set forth in the 2015-2017 Supply and Service Agreement), there is no definitive agreement with other parties whatsoever has been signed by SATT and/or China Complant as at the Latest Practicable Date.

3.5. Quantity of E&M and Services

In last quarter of each year, SATT will provide to the China Complant an annual assessment of the E&M and Services that SATT require for coming year and both parties shall agree on quantity of E&M and Services under this yearly plan.

3.6. Quality of E&M and Services

The quality of products and services to be provided should be satisfactory to the recipient.

LETTER FROM THE BOARD

3.7. The 2015-2017 Proposed Annual Caps with China Compliant

The actual transactions under the 2015-2017 Supply and Service Agreements with China Compliant since 1 January 2015 up to the Latest Practicable Date are approximately HK\$2,460,000 and the size of actual transaction is still within the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules of less than 5% and the total consideration is less than HK\$3,000,000. The Board will control the size of actual transactions not exceeding the de minimis threshold before the Continuing Connected Transactions are approved at the EGM.

The Board has considered and proposed that the following proposed maximum values in respects of each of the three categories of E&M and Services will serve as the annual caps of the relevant category for the period from approval by Independent Shareholders at the EGM to 31 December 2017. The historical amounts and Approved Annual Caps that were approved by Independent Shareholders in yearly lump-sum total have been reallocated into three categories of E&M and Services for below historical utilization rate analysis purpose.

Transaction categories	Historical amount			Approved Annual Caps			2015-2017 Proposed Annual Caps		
	Historical utilisation rate								
	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016	Year ending 31 December 2017
Consumables Procurement and Technical Support Services	US\$5,612,000 (approximately HK\$43,516,000)	US\$8,532,000 (approximately HK\$66,158,000)	US\$6,669,000 (approximately HK\$51,712,000)	US\$13,007,000 (approximately HK\$100,857,000)	US\$22,669,000 (approximately HK\$175,778,000)	US\$13,506,000 (approximately HK\$104,727,000)	US\$9,633,000 (approximately HK\$74,695,000)	US\$10,022,000 (approximately HK\$77,712,000)	US\$10,427,000 (approximately HK\$80,852,000)
	43.1%	37.6%	49.4%						
Chemicals and Fertilizer Procurement	US\$5,794,000 (approximately HK\$44,927,000)	US\$9,126,000 (approximately HK\$70,764,000)	US\$9,167,000 (approximately HK\$71,082,000)	US\$9,243,000 (approximately HK\$71,671,000)	US\$16,121,000 (approximately HK\$125,004,000)	US\$17,654,000 (approximately HK\$136,891,000)	US\$10,736,000 (approximately HK\$83,248,000)	US\$11,170,000 (approximately HK\$86,613,000)	US\$11,621,000 (approximately HK\$90,110,000)
	62.7%	56.6%	51.9%						
Fixed Asset Procurement	US\$2,491,000 (approximately HK\$19,316,000)	US\$23,087,000 (approximately HK\$179,019,000)	US\$9,174,000 (approximately HK\$303,759,000)	US\$13,300,000 (approximately HK\$103,130,000)	US\$43,179,000 (approximately HK\$334,814,000)	US\$67,050,000 (approximately HK\$519,912,000)	US\$36,520,000 (approximately HK\$283,180,000)	US\$37,996,000 (approximately HK\$294,625,000)	US\$39,531,000 (approximately HK\$306,528,000)
	18.7%	53.5%	58.4%						
Total	US\$13,897,000 (approximately HK\$107,759,000)	US\$40,745,000 (approximately HK\$315,941,000)	US\$55,010,000 (approximately HK\$426,553,000)	US\$35,550,000 (approximately HK\$275,658,000)	US\$81,969,000 (approximately HK\$635,596,000)	US\$98,210,000 (approximately HK\$761,530,000)	US\$56,889,000 (approximately HK\$411,123,000)	US\$59,188,000 (approximately HK\$458,950,000)	US\$61,579,000 (approximately HK\$477,490,000)

LETTER FROM THE BOARD

3.7.1. Consumables Procurement and Technical Support Services

The 2015-2017 proposed annual caps for Consumables Procurement and Technical Support Services with China Complant were determined with reference to a number of factors, including (i) the historical amount of transactions for the three years ended 31 December 2014; (ii) the 2015-2017 proposed annual caps between SATT and the African Companies, CBB and as well as PCSC; (iii) the average normal historical gross profit margin that was earned by SATT on Consumables Procurement and Technical Support Services which is about 45% for the year ended 31 December 2014; and (iv) the forecasted change in gross margin that will be earned by SATT on Consumables Procurement and Technical Support Services.

As indicated in above table of the historical utilisation rate of 43.1%, 37.6% and 49.4% for the years ended 31 December 2012, 2013 and 2014 respectively, the unutilised amounts were approximately 56.9%, 62.4% and 50.6% of the Approved Annual Caps respectively. The differences were mainly representing certain buffers which reserved for the uncertainty in demand from the huge upheaval in sugar price when applying for the annual caps has not been used as well as the reduction in Consumables Procurement as a result of adoption of substantial cost-cutting measures to reduce the consumption of consumptive spare parts to preserve working capitals since the fall in global sugar price.

3.7.2. Chemicals and Fertilizer Procurement

The 2015-2017 proposed annual caps for Chemicals and Fertilizer Procurement with China Complant were determined with reference to a number of factors, including (i) the historical figures for the three years ended 31 December 2014; (ii) the 2015-2017 proposed annual caps between SATT and the African Companies, CBB and as well as PCSC; (iii) the average normal historical gross profit margin that was earned by SATT on Chemicals and Fertilizer Procurement which is about 13% for the year ended 31 December 2014 and (iv) the forecasted change in gross margin that will be earned by SATT on Chemicals and Fertilizer Procurement.

As indicated in above table of the historical utilisation rate of 62.7%, 56.6% and 51.9% for the years ended 31 December 2012, 2013 and 2014 respectively, the unutilised amounts were approximately 37.3%, 43.4% and 48.1% of the Approved Annual Caps respectively. The differences were mainly representing certain buffers reserved for the volatile international price and for the uncertain demand resulting from competition from Independent Third Parties in local countries when applying for the annual caps as well as the trembled down sugar prices has resulted in lower cash flow for Chemicals and Fertilizer Procurement.

LETTER FROM THE BOARD

3.7.3. Fixed Asset Procurement

The 2015-2017 proposed annual caps for Fixed Asset Procurement with China Complant were determined with reference to a number of factors, including (i) the historical figures for the three years ended 31 December 2014; (ii) the 2015-2017 proposed annual caps between SATT and the African Companies, CBB and as well as PCSC; (iii) the average normal historical gross profit margin that will be earned by SATT on Fixed Asset Procurement which is about 7% for the year ended 31 December 2014; and (iv) the forecasted change in gross margin that will be earned by SATT on Fixed Asset Procurement.

As indicated in above table of the historical utilisation rate of 18.7%, 53.5% and 58.4% for the years ended 31 December 2012, 2013 and 2014 respectively, the unutilized amounts were approximately 81.3%, 46.5% and 41.6% of the Approved Annual Caps respectively. The differences were due to the fact that when forecasting the caps, the Group must consider the possibility that China Complant will participate in all the Fixed Asset Procurement of SATT, however, in reality, China Complant might not be able to participate in all the Fixed Asset Procurement due to the unexpected delay in fixed asset investment of customers of SATT. As detailed in circular of the Company dated 4 March 2013, the shortfall in 2012 was due to the postponement of the ethanol construction project of CBB of US\$11.0 million (approximately HK\$85.3 million). The shortfall in 2013 and 2014 was mainly due to the postponement of part of fixed assets investment of PCSC of US\$16.8 million (approximately HK\$130.3 million) for year 2013 and of approximately US\$21.5 million (approximately HK\$166.7 million) for year 2014 respectively as well as the postponement of US\$6.7 million (approximately HK\$59.9 million) for year 2013 of the part of fixed asset investment of CBB for reason of suspension of its ethanol construction project. The postponement of the fixed asset investment of PCSC was due to the increase in working capital investment and the increase in fund used for operations have reduced the available fund for capital expenditure. The suspension of the construction of ethanol plant of CBB due to Benin Government will not be able to execute the Leased Land provision in the Cooperation Agreement and Leased Land will not be available for CBB for cultivation of cassava and/or sugar cane to supply raw materials of its production of bioethanol and the construction has suspended pending for appropriate alternate business plan.

In light of the above, the proposed annual caps of the Company set out in the Continuing Connected Transactions with China Complant is in line with the estimated development of the business of the SATT with reference to business development of its customers and is determined based on principles of fairness and reasonableness. The Directors are of the view that the above 2015-2017 proposed annual caps in relation to the E&M and Services to be provided by China Complant to SATT are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

3.8. Reasons for and benefits of continuation of Continuing Connected Transactions with China Complant under 2015-2017 Supply and Service Agreement

China Complant has been supplying, among other things, E&M and Services to SATT for its supply in turn to African Companies, CBB and PCSC since 1 January 2009. Although the Group is at liberty to purchase similar items from other independent suppliers, it has decided to continue the purchase from China Complant under 2015-2017 Supply and Service Agreement with China Complant as China Complant has offered a competitive price and has been able to consistently meet the Group's requirement in terms of quality of E&M and Services, efficiency of order execution and logistic supports.

All the above Continuing Connected Transactions and transactions under 2015-2017 Supply and Service Agreement with China Complant are and will continue to be agreed on an arm's length basis with terms that are fair and reasonable to the Company and conducted in the ordinary and usual course of business on normal commercial terms (or better to the Group) or on terms no less favourable to SATT than those obtained from Independent Third Parties under comparable market conditions, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the above 2015-2017 proposed annual caps with China Complant are fair and reasonable. Therefore, the Directors (including the independent non-executive Directors) consider that it is beneficial to continue the Continuing Connected Transactions by way of entering into the 2015-2017 Supply and Service Agreement with China Complant.

The independent non-executive Directors constituting the Independent Board Committee will give their view on the Continuing Connected Transactions and the proposed annual caps in respect of the Continuing Connected Transactions after considering the advice from the Independent Financial Adviser, and their view will be given in the circular to be despatched to the Shareholders.

II. INFORMATION ON THE PARTIES

1 Information on the Group

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.

2 Information on the SATT

SATT is company incorporated in BVI and is an indirect wholly-owned subsidiary of the Company. SATT engaged in provision of supporting services to sweetener and ethanol business.

LETTER FROM THE BOARD

3 Information on the China Complant

China Complant, a state-owned company incorporated in the PRC, is a wholly-owned subsidiary of State Development & Investment Corp (國家開發投資公司). China Complant is a Controlling Shareholder holding 36.51% of the existing issued share capital of the Company and owns 70% equity interest in the 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.

4 Information on the COMPLANT

COMPLANT is a company incorporated in the Cayman Islands and its issued share capital is owned as to 70% by China Complant and as to 30% by Africa-Asia Investment Limited. COMPLANT, through its subsidiaries, is principally engaged in sugar cane planting and production of sugar products and ethanol in Africa and Jamaica. COMPLANT is a Substantial Shareholder holding 13.69% of the existing issued share capital of the Company.

5 Information on the African Company 1; African Company 2; African Company 3 and African Company 4, CBB and PCSC

- 5.1.** African Company 1 is a company incorporated in the Republic of Madagascar and its issued share capital is owned by two wholly-owned subsidiaries of COMPLANT. It is principally engaged in manufacturing of sugar/sweetener products in Africa.
- 5.2.** African Company 2 is a company incorporated in the Republic of Sierra Leone and its issued share capital is owned by two wholly-owned subsidiaries of COMPLANT. It is principally engaged in manufacturing of sugar/sweetener products in Africa.
- 5.3.** African Company 3 is a company incorporated in the Republic of Benin and its issued share capital is owned by two wholly-owned subsidiaries of COMPLANT. It is principally engaged in manufacturing of sugar/sweetener products in Africa.
- 5.4.** African Company 4 is a company incorporated in the Republic of Madagascar and its issued share capital is owned by two wholly-owned subsidiaries of COMPLANT. It is principally engaged in manufacturing of sugar/sweetener products in Africa.
- 5.5.** CBB is a company incorporated in Republic of Benin and is a 90% indirectly subsidiary of the Company. It is the project company to engage in the development of ethanol biofuel business in Republic of Benin.

LETTER FROM THE BOARD

- 5.6. PCSC is a company incorporated in Jamaica and a 70% indirectly owned subsidiary of the Company. It is principally engaged in sugar cane plantation and sugar manufacturing in Jamaica.

III. LISTING RULES IMPLICATION

Based on the reasons that:

- (i) the African Companies, CBB, PCSC and China Complant are associates of COMPLANT by virtue of the fact that each of the African Companies is the indirect wholly-owned subsidiary of COMPLANT, CBB is owned 10% by COMPLANT, PCSC is owned 30% by COMPLANT and China Complant is the company holding 70% of the entire issued capital of COMPLANT;
- (ii) COMPLANT is a connected person of the Company by virtue of being a substantial shareholder of the Company currently holding 300,000,000 Shares, which represent approximately 13.69% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (iii) China Complant is a connected person of the Company by virtue of being a controlling shareholder of the Company currently holding 800,000,000 Shares, which represent approximately 36.51% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (iv) SATT is an indirect wholly-owned subsidiary of the Company;

the African Companies, CBB, PCSC and China Complant are connected persons of the Company, the transactions contemplated under the 2015-2017 Supply and Service Agreements therefore constitute Continuing Connected Transactions for the Company.

As the applicable percentage ratios of the Company as defined under Rule 14.07 of the Listing Rules in respect of the transactions under the 2015-2017 Supply and Service Agreements will exceed 5% on an annual basis and the annual consideration will exceed HK\$10,000,000 for the three years ending 31 December 2017, the 2015-2017 Supply and Service Agreements and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As China Complant and COMPLANT are interested in 800,000,000 and 300,000,000 Shares respectively as at the Latest Practicable Date, representing approximately 36.51% and 13.69% respectively of the issued share capital of the Company, China Complant and COMPLANT is the Controlling Shareholder and the Substantial Shareholder respectively and shall therefore abstain from voting in respect of the resolution to approving the 2015-2017 Supply and Service Agreements, the Continuing Connected Transactions and the 2015-2017 Proposed Annual Caps at the EGM.

LETTER FROM THE BOARD

IV. VOTES OF DIRECTORS AND CONNECTED PERSONS

Mr. Liu Xueyi, Mr. Han Hong and Mr. Wang Zhaohui are Directors and are therefore controllers under rule 14A.10 of the Listing Rules. Mr. Liu Xueyi and Mr. Han Hong by virtue of both also being the directors of China Complant and COMPLANT as well as Mr. Wang Zhaohui by virtue of also being the finance manager of COMPLANT. By virtue of such relationships with China Complant and COMPLANT, Mr. Liu Xueyi, Mr. Han Hong and Mr. Wang Zhaohui are considered to have a material interest in the Continuing Connected Transactions. Pursuant to Rule 14A.59(18) of the Listing Rules and to the Company's memorandum and articles of association, Mr. Liu Xueyi, Mr. Han Hong and Mr. Wang Zhaohui have abstained from voting on the resolutions approving the Continuing Connected Transactions. Save as disclosed above, no other Director has material interests in the Continuing Connected Transactions disclosed herein.

China Complant and COMPLANT are connected persons of the Company with material interest in the Continuing Connected Transactions. China Complant and COMPLANT have control or are entitled to exercise control over the voting rights in respect of its Shares and will abstain from voting at the EGM.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Continuing Connected Transactions and 2015-2017 Proposed Annual Caps. The Company has appointed Donvex Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of Continuing Connected Transactions and 2015-2017 Proposed Annual Caps.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save and except COMPLANT, no other Shareholder is required to abstain from voting on the resolution in relation to the Continuing Connected Transactions and 2015-2017 Proposed Annual Caps to be approved at the EGM.

V. THE EGM

A notice convening an extraordinary general meeting to be held at Dragon II, 2/F., The Kowloon Hotel, 19-21 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 26 June 2015 at 11:00 a.m. (or so soon after the conclusion of the annual general meeting of the Company convened to be held on the same date and place at 10:30 a.m.) is set out on pages 55 to 56 of this circular for the purpose of considering and, if thought fit, passing the resolutions set out therein.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Union Registrars Limited, at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish.

LETTER FROM THE BOARD

Under the Listing Rules, the connected persons of the Company with a material interest in the transaction and any Shareholder with a material interest in the transaction and its associates, will be required to abstain from voting on the resolutions approving the Continuing Connected Transactions and the proposed annual caps in respect thereof for the three financial years ending 31 December 2017 under the 2015-2017 Supply and Service Agreements at the EGM. China Complant and COMPLANT holding approximately 36.51% and approximately 13.69% respectively of the issued shares of the Company will abstain from voting on the resolutions approving the Continuing Connected Transactions under 2015-2017 Supply and Service Agreements at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Independent Shareholders at the EGM will be taken by poll and the Company will announce the results of the poll by issuing formal announcement in accordance with the Listing Rules.

VI. RECOMMENDATION

The Directors (including the Independent non-executive Directors) consider that the Continuing Connected Transactions and the proposed annual caps in respect thereof for the three financial years ending 31 December 2017 under the 2015-2017 Supply and Service Agreements are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the relevant resolutions in respect of the Continuing Connected Transactions and the proposed annual caps in respect thereof for the three financial years ending 31 December 2017 under the 2015-2017 Supply and Service Agreements to be proposed at the EGM.

VII. FURTHER INFORMATION

Your attention is drawn to (1) the letter from the Independent Board Committee as set out on page 29 to this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Continuing Connected Transactions and the proposed annual caps in respect thereof for the three financial years ending 31 December 2017 under the 2015-2017 Supply and Service Agreements; (2) the letter from Donvex Capital as set on pages 30 to 50 to this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the proposed annual caps in respect thereof for the three financial years ending 31 December 2017 under the 2015-2017 Supply and Service Agreements; and (3) additional general information as set out in appendix to this circular.

LETTER FROM THE BOARD

You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding as to how to vote at the EGM in respect of the Continuing Connected Transactions under the 2015-2017 Supply and Service Agreements.

Yours faithfully,
By Order of the Board
Hua Lien International (Holding) Company Limited
Liu Xueyi
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

28 May 2015

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular (the “Circular”) dated 28 May 2015 despatched to the Shareholders of which this letter forms a part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to advise the Independent Shareholders on whether the proposed terms of the Continuing Connected Transactions and the proposed annual caps in respect thereof for the three financial years ending 31 December 2017 under the 2015-2017 Supply and Service Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Donvex Capital has been appointed to advise the Independent Board Committee and Independent Shareholders in respect of the abovementioned matters.

We wish to draw your attention to the letter from the Board set out on pages 6 to 28 of the Circular and the letter from Donvex Capital set out on pages 30 to 50 of the Circular.

Having considered the advice given by Donvex Capital, we are of the opinion that, so far as the Independent Shareholders are concerned, the proposed terms of the Continuing Connected Transactions and the proposed annual caps in respect thereof for the three financial years ending 31 December 2017 under the 2015-2017 Supply and Service Agreements are in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,

Independent Board Committee of
Hua Lien International (Holding) Company Limited

Dr. Zheng Liu
*Independent non-executive
Director*

Mr. Yu Chi Jui
*Independent non-executive
Director*

Ms. Li Xiao Wei
*Independent non-executive
Director*

** For identification purpose only*

LETTER FROM DONVEX CAPITAL

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1305, 13th Floor
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

28 May 2015

*The Independent Board Committee and the Independent Shareholders of
Hua Lien International (Holding) Company Limited*

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO 2015-2017 SUPPLY AND SERVICE AGREEMENTS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the proposed annual caps in respect thereof for the three financial years ending 31 December 2017 under the 2015-2017 Supply and Service Agreements, details of which are set out in the letter from the Board contained in the circular of the Company dated 28 May 2015 to the Shareholders (the “Circular”), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

Based on the reasons that:

- (i) the African Companies, CBB, PCSC and China Complant are associates of COMPLANT by virtue of the fact that each of the African Companies is the indirect wholly-owned subsidiary of COMPLANT, CBB is 10% indirectly owned by COMPLANT, PCSC is 30% indirectly owned by COMPLANT and China Complant is the company holding 70% of the entire issued share capital of COMPLANT;
- (ii) COMPLANT is a connected person of the Company by virtue of being a substantial shareholder of the Company currently holding 300,000,000 Shares, which represent approximately 13.69% of the existing issued share capital of the Company as at the Latest Practicable Date;

LETTER FROM DONVEX CAPITAL

- (iii) China Complant is a connected person of the Company by virtue of being a controlling shareholder of the Company currently holding 800,000,000 Shares, which represent approximately 36.51% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (iv) SATT is an indirect wholly-owned subsidiary of the Company;

the African Companies, CBB, PCSC and China Complant are connected persons of the Company, the transactions contemplated under the 2015-2017 Supply and Service Agreements therefore constitute Continuing Connected Transactions for the Company.

As the applicable percentage ratios of the Company as defined under Rule 14.07 of the Listing Rules in respect of the transactions under the 2015-2017 Supply and Service Agreements will exceed 5% on an annual basis and the annual consideration will exceed HK\$10,000,000 for the three years ending 31 December 2017, the 2015-2017 Supply and Service Agreements and the transactions contemplated thereunder are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei have been appointed as members of the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to (i) whether the terms of the 2015-2017 Supply and Service Agreements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions and the proposed annual caps are in the ordinary and usual course of business of the Company and are in the interests of the Company and its Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolution regarding the Continuing Connected Transactions and the 2015-2017 Proposed Annual Caps at the EGM. Being the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

INDEPENDENCE

During the past two years, we acted as the Independent Financial Adviser of the Company in respect of another transaction providing our independent view to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees for our services to the Company in connection with the engagements described above, no arrangement exists whereby we will receive any fees or benefits from the Group. We are independent from, and not connected with the Company or any party to the 2015-2017 Supply and Service Agreements, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are qualified to give an independent advice regarding the Continuing Connected Transactions.

LETTER FROM DONVEX CAPITAL

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments, including any material change in market and economic conditions, may affect or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2015-2017 Supply and Service Agreements and the proposed annual caps and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

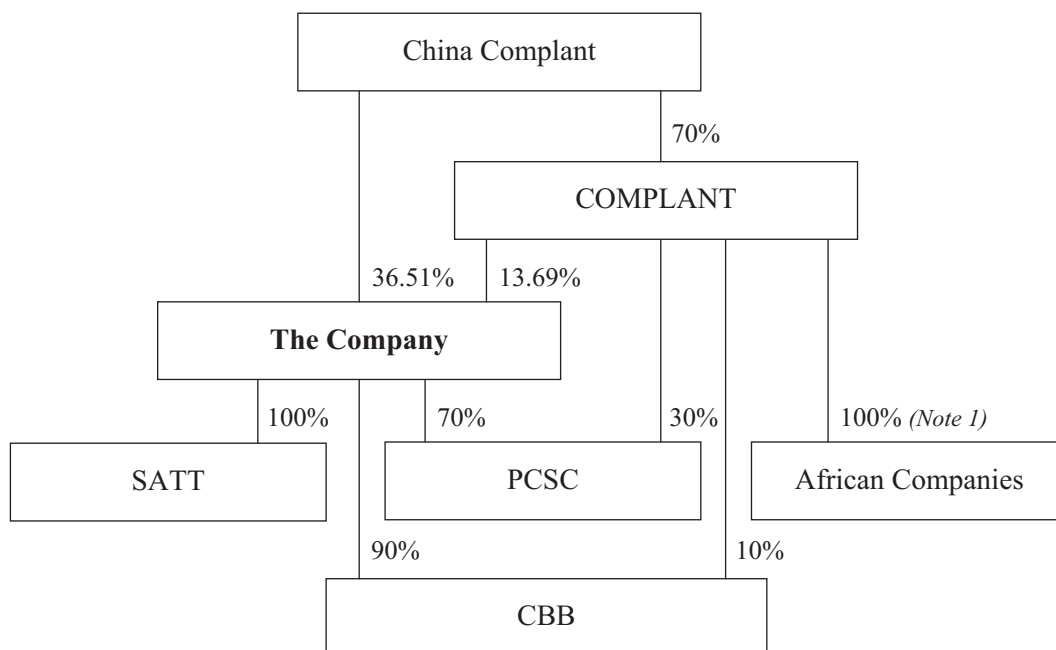
LETTER FROM DONVEX CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions and the proposed annual caps, we have taken into consideration the following principal factors and reasons:

1. Background of the 2015-2017 Supply and Service Agreements and the Proposed Annual Caps

The following diagram below illustrates the corporate structure among the Company and COMPLANT, China Complant, CBB, PCSC, SATT and the African Companies:



Notes:

1. African Companies comprise African Company 1, African Company 2, African Company 3 and African Company 4, all of which are indirect wholly-owned subsidiaries of COMPLANT.
2. This diagram may not represent the exhaustive shareholding structure of the Company and COMPLANT, China Complant, CBB, PCSC, SATT and the African Companies.

Information of the Group

The Group is principally engaged in the provision of supporting services for sweetener business as well as sugar cane plantation and sugar manufacturing in Jamaica.

LETTER FROM DONVEX CAPITAL

Information of China Complant

China National Complete Plant Import & Export Corporation (Group) (“China Complant”), (中國成套設備進出口(集團)總公司), a state-owned company incorporated in the PRC, is a wholly-owned subsidiary of the State Development & Investment Corp. (國家開發投資公司). China Complant is a Controlling Shareholder holding 36.51% of the existing issued share capital of the Company and owns 70% 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.

In accordance with the website of China Complant (<http://www.complant.com/ejituan1.htm>), China Complant is responsible for organising and implementing China-aided projects in foreign countries before the reorganisation into a comprehensive foreign trade conglomerate. China Complant has long established relations, through economic and technical cooperation, with government bodies and industrial and commercial circles in more than 100 countries (including various African countries and Jamaica) and regions. According to the China Africa Forum (<http://www.focac.org/chn/>), there is an increasing trend in terms of the trading volume and scale of business as a result of the established business relations and continuous cooperation between China and Africa. As such, it is reasonable to believe that the business of China Complant can be benefited from the stable growth of trading business between China and Africa.

Information of COMPLANT

COMPLANT International Sugar Industry Co., Ltd. (“COMPLANT”) (中成國際糖業股份有限公司), a company incorporated in the Cayman Islands, is owned as to 70% by China Complant and as to 30% by Africa-Asia Investment Limited. COMPLANT is a Substantial Shareholder holding 13.69% of the existing issued share capital of the Company. COMPLANT, through its subsidiaries, is principally engaged in sugar cane planting and production of sugar products and ethanol in Africa and Jamaica.

Information of SATT

Sino-Africa Technology & Trading Limited (“SATT”) (中非技術貿易有限公司), a company incorporated in BVI, is wholly-owned by Jumbo Right Investments Limited (a wholly-owned subsidiary of the Company). SATT is engaged in the provision of supporting services to sweetener and ethanol business.

Information of PCSC

Pan-Caribbean Sugar Company Limited (“PCSC”) (泛加勒比糖業有限公司), a company incorporated in Jamaica with limited liability, is wholly-owned by Joyful Right Investments Limited (an 70% owned subsidiary of the Company) and as a vehicle to engage in sugar cane planation and sugar manufacturing in Jamaica.

LETTER FROM DONVEX CAPITAL

Information of CBB

Compagnie Beninoise De Bioenergie SA (“CBB”) (貝寧生物能源股份有限公司), a company incorporated in the Republic of Benin and its issued share capital is 90% owned by River Right Limited (a wholly-owned subsidiary of the Company) and 10% owned by COMPLANT as a vehicle to engage in the development of ethanol biofuel business in the Republic of Benin.

Information of African Company 1, African Company 2, African Company 3 and African Company 4

African Company 1 is a company incorporated in the Republic of Madagascar and its issued share capital is owned by two wholly-owned subsidiaries of COMPLANT. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

African Company 2 is a company incorporated in the Republic of Sierra Leone and its issued share capital is owned by two wholly-owned subsidiaries of COMPLANT. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

African Company 3 is a company incorporated in the Republic of Benin and its issued share capital is owned by two wholly-owned subsidiaries of COMPLANT. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

African Company 4 is a company incorporated in the Republic of Madagascar and its issued share capital is owned by two wholly-owned subsidiaries of COMPLANT. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

Reference is made to the announcement and circular of the Company dated 5 December 2011 and 21 December 2011 respectively in relation to, among other things, the continuing connected transactions of the Company in respect of the 2012-2014 Supply and Service Agreements. The extraordinary general meeting of the Company on 10 January 2012 duly passed by way of poll of resolutions to approve, among other things, the 2012-2014 Supply and Service Agreements and the annual caps for the three years ended 31 December 2014. Reference is also made to the announcement and circular of the Company dated 6 February 2013 and 4 March 2013 respectively in relation to, among other things, the Approved Annual Caps in respect of the 2012-2014 Supply and Service Agreements for the two years ended 31 December 2014 be increased with the terms and conditions of the 2012-2014 Supply and Service Agreements remaining effective and unchanged. The extraordinary general meeting of the Company on 22 March 2013 duly passed by way of poll of resolutions to approve, among other things, the increase of annual caps for the two years ended 31 December 2014.

Given that (i) the 2012-2014 Supply and Service Agreements have expired on 31 December 2014; and (ii) the continuous expansion of the business scale as a result of the increasing business activities and extent of business relations between China and Africa, the following agreements have been entered into by the Group:

LETTER FROM DONVEX CAPITAL

The 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC

On 6 May 2015, SATT entered into the exclusive 2015-2017 Supply and Service Agreements with each of African Company 1, African Company 2, African Company 3, African Company 4, CBB and PCSC, pursuant to which each of them has agreed to order E&M and Services exclusively from SATT for a term of about three years ending 31 December 2017.

The 2015-2017 Supply and Service Agreement between SATT and China Complant

On 6 May 2015, SATT also entered into the 2015-2017 Supply and Service Agreement with China Complant, pursuant to which China Complant has agreed to supply E&M and Services to SATT so as to enable SATT to provide the same to African Company 1, African Company 2, African Company 3, African Company 4, CBB, PCSC and other independent customers for a term of about three years ending 31 December 2017. However, SATT is not obliged to source E&M and Services exclusively from China Complant. SATT shall source E&M and Services from China Complant only if (i) SATT and the African Companies, CBB and PCSC have entered into definitive agreements in respect of the supply of materials and services; (ii) the relevant E&M and Services have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant E&M and Services to SATT within a reasonable time in accordance with the 2015-2017 Supply and Service Agreement between SATT and China Complant.

Having taken into account the above, we consider that the entering into of the 2015-2017 Supply and Service Agreements is in the ordinary and usual course of business of the Company.

2. Reasons for and benefits of continuation of Continuing Connected Transactions with African Companies, CBB and PCSC under 2015-2017 Supply and Service Agreements

Due to the historical connection and long-term cooperation relationship among the Group, African Companies, CBB and PCSC, the Directors consider that the transactions will continue on a recurring basis and it is beneficial to continue the Continuing Connected Transactions by way of entering into the 2015-2017 Supply and Service Agreements with African Companies, CBB and PCSC, as the transactions with African Companies, CBB and PCSC will help maintain existing business scale and generate sufficient operating cash flows for the Group. As at the Latest Practicable Date, African Companies, CBB and PCSC are the only six customers of SATT. As advised by the management of the Company, despite of the fact that SATT currently does not have other African customers, SATT will continue to ensure the transactions with African Companies, CBB and PCSC to be carried on normal commercial terms in such a way that African Companies, CBB and PCSC will normally compare the quotation from their local African or other oversea suppliers and they will purchase through SATT only if the terms offered by SATT is similar to the terms that SATT can alternatively offer to its other independent customers. In addition, the transactions with African Companies, CBB and PCSC will enable SATT to supply each of them with the necessary E&M and Services in a reasonable time and at a reasonable price with satisfactory quality.

LETTER FROM DONVEX CAPITAL

The Directors are of the view that all the above transactions under 2015-2017 Supply and Service Agreements with each of the African Companies, CBB and PCSC are and will continue to be agreed on an arm's length basis with terms that are fair and reasonable to the Company and conducted in the ordinary and usual course of business on normal commercial terms (or better to the Group) or on terms no less favourable to SATT than those offered to independent third parties under comparable market conditions, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

3. Reasons for and benefits of continuation of Continuing Connected Transactions with China Compliant under 2015-2017 Supply and Service Agreement

China Compliant has been providing, among other things, E&M and Services to SATT for its supply in turn to African Companies, CBB and PCSC since 1 January 2009. Although the Group is at liberty to purchase similar items from other independent suppliers, it has decided to continue the purchase from China Compliant under 2015-2017 Supply and Service Agreement with China Compliant as China Compliant has offered a competitive price and has been able to consistently meet the Group's requirement in terms of quality of E&M and Services, efficiency of order execution and logistic supports.

As advised by the management of the Company, SATT will continue to provide a full range of value added services related to purchasing and supply management to African Companies, CBB and PCSC in the coming years, in way of, among others, consolidation of purchase orders, selection of appropriate suppliers, negotiation with suppliers for bulk purchase discount and delivery schedule as well as on-site quality inspection of products etc.

Having considered (i) SATT has a recurring and long-term relationship with China Compliant; (ii) China Compliant has expertise in exporting of complete plants and engineering construction; and (iii) China Compliant has strong connection with its own leading international freight forwarder who can guarantee all shipment of SATT to Africa all year round, we believe that the entering into of the 2015-2017 Supply and Service Agreement with China Compliant is beneficial to SATT.

Due to the transparent and competitive market in the PRC, China Compliant normally sells the E&M and Services at its purchase price, otherwise SATT may go directly with the suppliers to transact at similar price of China Compliant. In order to ensure the terms offered by China Compliant to SATT shall be no less favourable to SATT than those offered by China Compliant to other independent third parties, the management of the Company also advised that SATT will govern that China Compliant will only achieve a reasonable profit mainly in the area of exporting services extended to SATT.

The Directors are of the view that all the above transactions under 2015-2017 Supply and Service Agreement with China Compliant are and will continue to be agreed on an arm's length basis with terms that are fair and reasonable to the Company and conducted in the ordinary and usual course of business on normal commercial terms (or better to the Group) or on terms no less favourable to SATT than those obtained from independent third parties under comparable market conditions, and are fair and reasonable and in the interests of the Company

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and its Shareholders as a whole, and that the above 2015-2017 proposed annual caps of the Company set out in the Continuing Connected Transactions with China Complant are fair and reasonable. Therefore, the Directors consider that it is beneficial to continue the Continuing Connected Transactions by way of entering into the 2015-2017 Supply and Service Agreement with China Complant.

Taking into account of the above-mentioned reasons and (i) the principal business of the Group; (ii) the Continuing Connected Transactions are of the type that are entered into in the ordinary and usual course of business of the Group and expected to be a recurring basis and beneficial to the Group; and (iii) the entering into the 2015-2017 Supply and Service Agreements is a renewal of the 2012-2014 Supply and Service Agreements with an intention to ensure continuation of the provision of E&M and Services from SATT to each of the African Companies, CBB and PCSC and the supply of E&M and Services by China Complant to SATT, we concur with the view of the Directors that the entering into of the 2015-2017 Supply and Service Agreements is in the interests of the Company and its Shareholders as a whole.

4. Basis of determination

The 2015-2017 Supply and Service Agreements are master agreements which set out the principles upon which (i) the provision of E&M and Services from SATT to each of the African Companies, CBB and PCSC are to be carried out; and (ii) the supply of E&M and Services by China Complant to SATT are to be carried out.

Principal terms of the 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC

As stated in the Letter from the Board, SATT entered into the exclusive 2015-2017 Supply and Service Agreements with each of African Company 1, African Company 2, African Company 3, African Company 4, CBB and PCSC, pursuant to which each of them has agreed to order E&M and Services exclusively from SATT for a term of about three years ending 31 December 2017. SATT will provide procurement solutions to each of the African Companies, CBB and PCSC, which can be categorised into the following aspects:

Consumables Procurement and Technical Support Services

The consumables procurement includes but not limited to procurement for general supplies for daily operations including labour protection products, supplies for yearly factory overhauls including consumptive spare parts for plant and machinery and fixture, steels pipes and plates as well as other hardware accessories for replacement, etc. (the “Consumables Procurement”), while technical support services include but not limited to, technical consulting services, engineering contracting services, construction and installation services, repair and maintenance services, training services and labour supply services, etc. (the “Technical Support Services”).

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Chemicals and Fertilizer Procurement

The chemicals procurement includes but not limited to procurement for lime, sulfuric acid, biocides etc. for industrial and agricultural operations (the “Chemicals Procurement”), while fertilizer procurement includes but not limited to procurement for Nitrogen, Phosphorous, Potassium, Calcium, Sulfur, Magnesium, etc. for agricultural operations (the “Fertilizer Procurement”).

Fixed Asset Procurement

The fixed asset procurement includes but not limited to procurement for EPC (Engineering, Procurement and Construction), motor vehicle as well as agricultural and industrial machinery, etc. (the “Fixed Asset Procurement”).

Pursuant to the 2015-2017 Supply and Service Agreements, SATT will enter into definitive agreements with each of the African Company 1, African Company 2, African Company 3, African Company 4, CBB and PCSC from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in each of the 2015-2017 Supply and Service Agreements. Such detailed terms include but not limited to prices, payment terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of E&M and Services required.

SATT and each of the African Companies, CBB and PCSC agree that such detailed terms shall be on normal commercial terms or, if there is no sufficient comparable transactions to judge whether they are on normal commercial terms, fair and reasonable to the Company, the terms offered to each of the African Companies, CBB and PCSC shall be no less favourable to SATT than those offered by SATT to independent third parties in the market where those companies are located.

Principal terms of the 2015-2017 Supply and Service Agreement between SATT and China Complant

As stated in the Letter from the Board, SATT entered into the 2015-2017 Supply and Service Agreement with China Complant, pursuant to which China Complant has agreed to supply E&M and Services to SATT so as to enable SATT to provide the same to African Company 1, African Company 2, African Company 3, African Company 4, CBB and PCSC and other independent customers for a term of about three years ending 31 December 2017. However, SATT is not obliged to source E&M and Services exclusively from China Complant. SATT shall source E&M and Services from China Complant only if (i) SATT and the African Companies, CBB and PCSC have entered into definitive agreement in respect of the supply of materials and services; (ii) the relevant E&M and Services have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant E&M and Services to SATT within a reasonable time in accordance with the 2015-2017 Supply and Service Agreement between SATT and China Complant.

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Pursuant to the 2015-2017 Supply and Service Agreement between SATT and China Complant, China Complant will enter into definitive agreements with SATT from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in each of the 2015-2017 Supply and Service Agreement. Such detailed terms include but not limited to prices, payment terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of E&M and Services required.

China Complant and SATT agree that such detailed terms shall be on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, fair and reasonable to the Company, the terms offered to SATT shall be no less favourable to SATT than those offered by China Complant to independent third parties in the market where SATT is located.

To assess the fairness and reasonableness of the terms of the 2015-2017 Supply and Service Agreements, we have discussed with the management of the Company regarding the internal procedures on the determination of terms in accordance with the principles set out in each of (i) the 2015-2017 Supply and Service Agreements entered into between SATT and each of the African Companies, CBB and PCSC; and (ii) the 2015-2017 Supply and Service Agreement entered into between SATT and China Complant.

Pricing policy for the 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC

As stated in the Letter from the Board, the 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC detail specific pricing principles of E&M and Services. The price will be determined in accordance with the following order:

Where same or similar local price available, determining on basis of local market price

Under the situation where local price of same E&M and Services obtainable, the local market price shall be determined according to normal commercial terms based on the price at which the same E&M and Services are to be provided by independent third parties on normal commercial terms in the ordinary course of their businesses in the same area.

Under the situation where only local price of similar E&M and Services obtainable, the average price offered by at least one independent third party in the local market price of similar E&M and Services will be used to determine the price for a particular E&M and Services. Then, the local price will be further adjusted with import duties and/or percentage difference in quality attributes which include factors such as durability of consumables, the chemical composition, estimated useful life, processing capacity, operation efficiency and repair, maintenance and fuel requirement for fixed assets.

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As advised by the management of the Company, the sales department of the SATT and its designated persons are mainly responsible for coordinating with the African Companies, CBB and PCSC for checking the average price offered by at least one independent third party, in its local country generally through obtaining quotations via emails, fax or phone and tenders by publishing tender notice via various media resources such as local newspapers to determine the local market price of such type of service with comparable scale in that local areas at that time. The local market price shall be calculated and estimated before each accounting year end and the sales department of SATT will update the relevant information from time to time according to the procurement demand and will continue to monitor the local market price to ensure that each transaction is conducted in accordance with the pricing policy set out above.

Where there is no same or similar local price available, determining on basis of cost-plus margin

Under the situation where there is no same or similar local price available in local market, the price for a particular E&M and Services will be determined based on the cost of the E&M and Services purchased from the China Compliant with a margin to be obtained by SATT, of which the margin will make reference to average margin earned by the PRC listed companies engaged in the trading of same or similar E&M and Services.

As advised by the management of the Company, the margin shall be calculated and estimated before each accounting year end and the sales department of SATT will update the relevant information annually in accordance to the most recent published annual financial statements of the listed companies in the PRC. For year 2015, the cost-plus margin agreed between the SATT and the African Companies, CBB and PCSC will fall within the below percentage range of each category:

<u>Transaction categories</u>	<u>Cost-plus margin %</u>
Consumables Procurement	3%-13%
Chemicals and Fertilizer Procurement	3%-8%
Fixed Asset Procurement	3%-14%

For the Technical Support Services, it will be determined at actual cost incurred for such services. In light of fact that it is the ancillary services provided with the Consumables or Fixed Asset Procurements, therefore reasonable profit should have obtained from sale of those related E&M and Services and the Technical Support Services will therefore transact at cost.

As advised by the management of the Company, the aforesaid internal control procedures in respect of the pricing determination remains consistent with that of the 2012-2014 Supply and Service Agreements in order to ascertain the pricing terms are fair and reasonable and of normal commercial basis.

LETTER FROM DONVEX CAPITAL

We have reviewed the price list provided by the management of the Company and noted that the cost-plus margin of particular E&M and Services are comparable to those gross profit margin earned by other PRC listed companies engaged in the trading of same or similar E&M and Services. We also noted that the prices of provision of E&M and Services quoted by SATT to each of the African Companies, CBB and PCSC are no less favourable to SATT than those quoted by the independent suppliers. The management of the Company also advised that the prices quoted by SATT are with reference to local market prices quoted to independent customers where the African Companies, CBB and PCSC are located.

As such, we consider that the basis of pricing determination pursuant to the 2015-2017 Supply and Service Agreements is fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned.

Pricing policy for the 2015-2017 Supply and Service Agreement between SATT and China Complant

As stated in the Letter from the Board, the 2015-2017 Supply and Service Agreement between SATT and China Complant details specific pricing principles of E&M and Services. The E&M and Services provided by China Complant are at market prices of same or similar E&M and Services prevail in the PRC, which shall be determined at average price of at least one independent party on normal commercial terms in the ordinary course of its business in the PRC. In absence of prevailing PRC market price, the price will then be determined with reference to China Complant's actual cost payable to its other PRC or overseas suppliers.

As advised by the management of the Company, the sales department of SATT and its designated persons are mainly responsible for checking the pricing offered by China Complant with the average price of at least one independent third party generally through obtaining quotations via emails, fax or phone and tenders by publishing tender notice via various media resources such as local newspapers to determine the local market price in the PRC. The prevailing PRC market price of each type of E&M and Services shall be calculated and estimated before each accounting year end and the sales department of SATT will monitor the prevailing PRC market price to ensure that each transaction is conducted in accordance with the pricing policy set out above.

We have reviewed sample supplier invoices of China Complant for historical transactions between Complant and its suppliers against those of similar transactions between SATT and China Complant. We noted that under the situation where there is no same or similar PRC market price available in market, the price for a particular E&M and Services offered by China Complant will be determined with reference to China Complant's actual cost payable to its PRC and overseas suppliers, in light of China Complant will only place orders on behalf of SATT upon its request without charging any additional costs on E&M and Services. As such, we conclude that the pricing terms of the 2015-2017 Supply and Service Agreement offered by China Complant to SATT are no less favourable to SATT than those offered by other independent third parties in the PRC, and are therefore on normal commercial terms and are fair and reasonable to the Company.

LETTER FROM DONVEX CAPITAL

Payment terms of the 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC

As stated in the Letter from the Board, invoices will be issued after the E&M and Services reached designated port and passed the quality inspection. Payment should be made in 180 days following the invoice date by bank transfer, bank draft or other mutually agreed methods. The payment terms under 2015-2017 Supply and Service Agreements are after due consideration of the bearing capability of financial cost for the credit period on the profit margin generating from those transactions. As such, we consider that the payment terms offered to each of the African Companies, CBB and PCSC in respects of the E&M and Services are in line with the usual market practice.

Payment terms of the 2015-2017 Supply and Service Agreement between SATT and China Complant

As stated in the Letter from the Board, invoices will be issued after the E&M and Services reached designated port and passed the quality inspection. Payment should be made in 30 days following the invoice date by bank transfer, bank draft or other mutually agreed methods. Even though China Complant will stop granting credit period to SATT under the 2015-2017 Supply and Service Agreement, China Complant, subject to the request by SATT, will provide trade credit in way detailed as follows:

In consideration of obtaining timely repayment of its trade receivables from SATT, China Complant agrees that, subject to the negotiation and execution of definitive agreements and availability of offering(s) from bank(s), may at the request of SATT solely for purpose of refinancing trade payable of SATT with China Complant acting as guarantor under “off-shore loan against domestic guarantee” within the term of 2015-2017 Supply and Service Agreement. As advised by the Company, there is no definitive agreement with other parties whatsoever has been signed by SATT and/or China Complant at the Latest Practicable Date in relation to the above provision of trade credit by China Complant.

In view of the above payment terms, we have reviewed the 2015-2017 Supply and Service Agreement between SATT and China Complant and noted that the transactions are based on (i) normal commercial terms after arm’s length negotiations between SATT and China Complant; and (ii) the payment terms offered by China Complant to SATT in respect of the E&M and Services are in line with the usual market practice.

5. Other major terms of the 2015-2017 Supply and Service Agreements

We have reviewed other major terms of the 2015-2017 Supply and Service Agreements and are not aware of any terms which are exceptional to normal market practice.

In light of the foregoing, we are of the opinion that the terms of the 2015-2017 Supply and Service Agreements are fair and reasonable so far so the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

LETTER FROM DONVEX CAPITAL

6. The Proposed Annual Caps

Proposed annual caps of the 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC

As set out in the Letter from the Board, the historical transaction amounts, the Approved Annual Caps, the utilization rate of the Approved Annual Caps under the 2012-2014 Supply and Service Agreements and the proposed annual caps in connection to the 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC are summarized as below:

Transaction categories	Historical amounts			Approved Annual Caps			2015-2017 Proposed Annual Caps		
	Historical utilisation rate			Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016	Year ending 31 December 2017
	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014						
Consumables Procurement and Technical Support Services	US\$14,218,000 (approximately HK\$110,248,000)	US\$16,105,000 (approximately HK\$124,879,000)	US\$12,181,000 (approximately HK\$94,453,000)	US\$21,616,000 (approximately HK\$167,613,000)	US\$32,542,000 (approximately HK\$252,334,000)	US\$20,026,000 (approximately HK\$155,284,000)	US\$18,556,000 (approximately HK\$143,885,000)	US\$19,305,000 (approximately HK\$149,693,000)	US\$20,085,000 (approximately HK\$155,741,000)
	65.8%	49.5%	60.8%						
Chemicals and Fertilizer Procurement	US\$8,045,000 (approximately HK\$62,382,000)	US\$12,269,000 (approximately HK\$95,135,000)	US\$10,588,000 (approximately HK\$82,100,000)	US\$10,635,000 (approximately HK\$82,465,000)	US\$19,102,000 (approximately HK\$148,119,000)	US\$21,716,000 (approximately HK\$168,388,000)	US\$13,222,000 (approximately HK\$102,525,000)	US\$13,756,000 (approximately HK\$106,665,000)	US\$14,312,000 (approximately HK\$110,977,000)
	75.6%	64.2%	48.8%						
Fixed Asset Procurement	US\$4,327,000 (approximately HK\$33,552,000)	US\$27,302,000 (approximately HK\$211,702,000)	US\$42,166,000 (approximately HK\$326,959,000)	US\$16,509,000 (approximately HK\$128,012,000)	US\$52,656,000 (approximately HK\$408,300,000)	US\$80,198,000 (approximately HK\$621,863,000)	US\$39,959,000 (approximately HK\$309,846,000)	US\$41,574,000 (approximately HK\$322,369,000)	US\$43,253,000 (approximately HK\$335,388,000)
	26.2%	51.8%	52.6%						
Total	US\$26,590,000 (approximately HK\$206,182,000)	US\$55,676,000 (approximately HK\$431,716,000)	US\$64,935,000 (approximately HK\$503,512,000)	US\$48,760,000 (approximately HK\$378,090,000)	US\$104,300,000 (approximately HK\$808,753,000)	US\$121,940,000 (approximately HK\$945,335,000)	US\$71,737,000 (approximately HK\$556,256,000)	US\$74,635,000 (approximately HK\$578,727,000)	US\$77,650,000 (approximately HK\$602,106,000)

As stated in the Letter from the Board, the proposed annual caps of the 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC for the three years ending 31 December 2017 are determined with reference to a number of factors, including (i) the historical amount of transactions; (ii) the estimated business growth of the African Companies, CBB and PCSC; (iii) the potential price fluctuations in both the international and domestic markets for each type of E&M and Services; and (iv) a buffer of one-half of one standard deviation added to describe the inherent volatility of business.

LETTER FROM DONVEX CAPITAL

Assessment of the reasonableness of the Proposed Annual Caps

To assess the fairness and reasonableness of the proposed annual caps of the 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC, we have taken into consideration the following aspects:

- (i) *The historical transaction amounts between SATT and each of the African Companies, CBB and PCSC for the three years ended 31 December 2014*

As indicated in above table of the historical utilization rate of each of the three categories for the three years ended 31 December 2014, we are advised by the management of the Company that:

- a. For the Consumables Procurement and Technical Support Services, the unutilized amounts were mainly representing certain buffers reserved for the uncertainty in demand from the huge upheaval in sugar price when applying for the annual caps has not been used as well as the reduction in number of orders for the Consumables Procurement as a result of adoption of substantial cost-cutting measures to reduce the consumption of consumptive spare parts to preserve working capitals since the fall in global sugar price. The decrease in sugar price has reduced the available fund from operations for the Consumables Procurement;
- b. For the Chemicals and Fertilizer Procurement, the unutilized amounts were mainly representing certain buffers reserved for the volatile international price and for the uncertain demand resulting from competition from independent third parties in local countries when applying for the annual caps as well as the decrease in sugar prices has resulted in lower cash flow for Chemicals and Fertilizer Procurement; and
- c. For the Fixed Asset Procurement, the unutilized amounts were mainly resulting from the suspension of the construction of ethanol plant of CBB and postponement of fixed asset investment of PCSC.

According to the latest published annual results of the Company (the “2014 Annual Results”), the sugar cane growing and manufacturing business of the Group was suffered from the decrease in average sugar price in Europe and the increasing local production input cost in Jamaica, as a result, the gross profit margin was under pressure in short term and the Group reduced its fund injection for the development of PCSC. On the other hand, due to the fact that the ethanol biofuel business of the Group was hindered by the unavailability of leased land for the cultivation of cassava and/or sugar cane for the project of production of bioethanol in Benin, as a result of the postponement in the progress of the Government of Benin in reclaiming the 4,800 hectares land from the local tribes, such unanticipated suspension of construction of ethanol plant of CBB has further postponed the fixed assets investment of PCSC as detailed in the circular of the Company dated 4 March 2013.

LETTER FROM DONVEX CAPITAL

Further to the 2014 Annual Results, the bank balances and cash of the Company decreased from approximately HK\$331,746,000 as at 31 December 2013 to approximately HK\$93,906,000 as at 31 December 2014. In consideration of the availability of operating funds for the Group, the management of the Company advised that the capital expenditure for the working capital of the three sugar estates of PCSC shall be postponed in order to mitigate the heavy operational loss in future operation. As such, we are of the view that the reason for large amounts of unutilized Approved Annual Caps is justifiable.

- (ii) *The recent market research reports available in the public domains in relation to the estimated growth of the global sugar market and biofuel market for the three years ending 31 December 2017*

According to the research report “Biofuels Market: Global Industry Analysis” published by Transparency Market Research, a U.S.-based market intelligence firm states that the global biofuel market is estimated to grow at a compound annual growth rate of 9.6% between 2013 and 2019, due to the surging demand for biofuels which are good substitutes for the conventional energy sources and are expected to reach 50,921 million gallons by 2019.

According to the commodity future price quotes for sugar no. 11 of the Coffee, Sugar and Cocoa Exchange (the “CSCE”), the average price of sugar has trembled down from about US26 cents a pound in 2011 to about US17 cents a pound in 2014, or a decrease of about 35% in the past three years. As advised by the management of the Company, the decrease in sugar price was mainly due to the global oversupply during last three years that has built up substantial sugar inventory waiting to be digested by the market, the sugar market has struggled and prices have spent most of the year in a downtrend. The recent heavy short selling pressure has further pulled down the commodity future price for sugar. As such, the gross profit of the Company was affected by the decrease in average selling price of sugar as well as the turnover in sugar cane growing and manufacturing business. However, according to the press reporting of Czarnikow, which has been in the sugar business since 1861, it is expected that the global output will lag behind consumption from 2015 onwards as production stabilizes, the increasing global consumption at an annual growth rate of 2.1% will help reducing the scale of sugar surplus and the demand will exceed production again.

- (iii) *The sustainable Sino-African relations in the coming years*

We have also taken into consideration the established business relationship between China and Africa. According to the speech by Li Keqiang during his visit of Africa in 2014, the Premier of the State Council of the PRC said that China has become Africa’s biggest economic partner, the bilateral trade volume increased continuously and reached US\$220 billion in 2014, with an annual growth rate of over 15% from 2011. Moreover, during the African Union Summit in Ethiopia, China and the African Union signed a memorandum of understanding to build express railway, expressway, regional airline and industrial cooperation framework of infrastructure, which indicates that the Sino-African relations have been on a track of rapid and sustainable development.

LETTER FROM DONVEX CAPITAL

Based on the foregoing factors and reasons, and after taking into account that the proposed annual caps of the 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC are in line with (i) the historical figures; (ii) business development plan of the Group; and (iii) the growth of Sino-African business scale. As such, we are of the view that the proposed annual caps of the 2015-2017 Supply and Service Agreements between SATT and each of the African Companies, CBB and PCSC are fairly and reasonably determined. However, as the said proposed annual caps relate to future events, we therefore express no opinion as to how closely the actual amount to be incurred under the 2015-2017 Supply and Service Agreements correspond with the proposed annual caps.

Proposed annual caps of the 2015-2017 Supply and Service Agreement between SATT and China Complant

As set out in the Letter from the Board, the historical transaction amounts, the Approved Annual Caps, the utilization rate of the Approved Annual Caps under the 2012-2014 Supply and Service Agreement and the proposed annual caps in connection to the 2015-2017 Supply and Service Agreement between SATT and China Complant are summarized as below:

Transaction categories	Historical amounts Historical utilisation rate			Approved Annual Caps			2015-2017 Proposed Annual Caps		
	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016	Year ending 31 December 2017
Consumables Procurement and Technical Support Services	US\$5,612,000 (approximately HK\$43,516,000)	US\$8,532,000 (approximately HK\$66,158,000)	US\$6,669,000 (approximately HK\$51,712,000)	US\$13,007,000 (approximately HK\$100,857,000)	US\$22,669,000 (approximately HK\$175,778,000)	US\$13,506,000 (approximately HK\$104,727,000)	US\$9,633,000 (approximately HK\$74,695,000)	US\$10,022,000 (approximately HK\$77,712,000)	US\$10,427,000 (approximately HK\$80,852,000)
	43.1%	37.6%	49.4%						
Chemicals and Fertilizer Procurement	US\$5,794,000 (approximately HK\$44,927,000)	US\$9,126,000 (approximately HK\$70,764,000)	US\$9,167,000 (approximately HK\$71,082,000)	US\$9,243,000 (approximately HK\$71,671,000)	US\$16,121,000 (approximately HK\$125,004,000)	US\$17,654,000 (approximately HK\$136,891,000)	US\$10,736,000 (approximately HK\$83,248,000)	US\$11,170,000 (approximately HK\$86,613,000)	US\$11,621,000 (approximately HK\$90,110,000)
	62.7%	56.6%	51.9%						
Fixed Asset Procurement	US\$2,491,000 (approximately HK\$19,316,000)	US\$23,087,000 (approximately HK\$179,019,000)	US\$39,174,000 (approximately HK\$303,759,000)	US\$13,300,000 (approximately HK\$103,130,000)	US\$43,179,000 (approximately HK\$334,814,000)	US\$67,050,000 (approximately HK\$519,912,000)	US\$36,520,000 (approximately HK\$283,180,000)	US\$37,996,000 (approximately HK\$294,625,000)	US\$39,531,000 (approximately HK\$306,528,000)
	18.7%	53.5%	58.4%						
Total	US\$13,897,000 (approximately HK\$107,759,000)	US\$40,745,000 (approximately HK\$315,941,000)	US\$55,010,000 (approximately HK\$426,553,000)	US\$35,550,000 (approximately HK\$275,658,000)	US\$81,969,000 (approximately HK\$635,596,000)	US\$98,210,000 (approximately HK\$761,530,000)	US\$56,889,000 (approximately HK\$411,123,000)	US\$59,188,000 (approximately HK\$458,950,000)	US\$61,579,000 (approximately HK\$477,490,000)

LETTER FROM DONVEX CAPITAL

Assessment of the reasonableness of the Proposed Annual Caps

To assess the fairness and reasonableness of the proposed annual caps of the 2015-2017 Supply and Service Agreement between SATT and China Complant, we have taken into consideration the following aspects:

- (i) *The historical transaction amounts between SATT and China Complant for the three years ended 31 December 2014*

As indicated in above table of the historical utilization rate of each of the three categories for the three years ended 31 December 2014, we are advised by the management of the Company that:

- a. For the Consumables Procurement and Technical Support Services, the unutilized amounts were mainly representing certain buffers reserved for the uncertainty in demand from the huge upheaval in sugar price when applying for the annual caps has not been used as well as the reduction in number of orders for the Consumables Procurement as a result of adoption of substantial cost-cutting measures to reduce the consumption of consumptive spare parts to preserve working capitals since the fall in global sugar price. The decrease in sugar price has reduced the available fund from operations for the Consumables Procurement;
- b. For the Chemicals and Fertilizer Procurement, the unutilized amounts were mainly representing certain buffers reserved for the volatile international price and for the uncertain demand resulting from competition from independent third parties in local countries when applying for the annual caps as well as the decrease in sugar prices has resulted in lower cash flow for Chemicals and Fertilizer Procurement; and
- c. For the Fixed Asset Procurement, the unutilized amounts were mainly resulting from the suspension of the construction of ethanol plant of CBB and postponement of fixed asset investment of PCSC.

Based on the aforementioned, the overall utilization rate of Approved Annual Caps remained at a low level as a result of the Company has preserved its working capital since the decline in sugar price, therefore, the Company decided to adjust the proposed annual caps for 2015 downwards when compared to the Approved Annual Caps for 2014. However, as advised by the management of the Company, the postponement of fixed asset investment of PCSC is a short-term delay and large scale of repair and upgrading work is expected to be initiated by African Companies after the harvest season, the purchase amount from China Complant is expected to be increased in view of the estimated recurring orders from the African Companies, CBB and PCSC for the three years ending 31 December 2017 and the steady growth of demand for sugar and biofuel. We are of the view that an annual increment of about 4% for the proposed annual caps of the 2015-2017 Supply and Service Agreement between SATT and China Complant is fair and reasonable.

LETTER FROM DONVEX CAPITAL

- (ii) *The business relationship between SATT and China Complant in relation to the provision of E&M and Services and the business development of SATT*

Due to the fact that China Complant has been providing E&M and Services to SATT for its supply in turn to each of the African Companies, CBB and PCSC since 1 January 2009 and has been offering a competitive price and consistently meeting the Group's requirement in terms of quality of E&M and Services, efficiency of order execution and logistic supports, we are of the view that the historical amount of transactions between SATT and China Complant was in line with the business development of SATT, thus it is fair and reasonable to determine the 2015-2017 proposed annual caps for each type of E&M and Services with reference to (i) the historical amount of transactions with China Complant; (ii) the proposed annual caps between SATT and each of the African Companies, CBB and PCSC for the three years ending 31 December 2017; (iii) the average historical gross profit margin that was earned by SATT on each type of E&M and Services for the three years ended 31 December 2014; and (iv) the forecasted change in gross profit margin that will be earned by SATT on each type of E&M and Services, and the aforesaid 2015-2017 proposed annual caps in relation to E&M and Services to be provided by China Complant to SATT are in the interests of the Company and its Shareholders as a whole.

We have reviewed the financial information of SATT for the three years ended 31 December 2014 provided by the management of the Company and noted that the average historical gross profit margin of SATT for Consumables Procurement and Technical Support Services, Chemicals and Fertilizer Procurement and Fixed Asset Procurement for the aforesaid periods were comparable to the forecasted gross profit margin of SATT.

Having taken into account the aforesaid factors, we consider that the proposed annual caps of the 2015-2017 Supply and Service Agreement between SATT and China Complant are in line with the historical gross profit margin of SATT, the background of China Complant and the business prospects of the Group by virtue of the Sino-African relations. We are of the view that the proposed annual caps of the 2015-2017 Supply and Service Agreement between SATT and China Complant are fairly and reasonably determined.

Views

Having reviewed the information and discussed with the management of the Company regarding the bases and assumptions for determining the proposed annual caps which include, among other things, (i) the historical amounts in sales of E&M and Services; (ii) the positive prospects of the sugar industry in terms of increasing global demand for biofuel; and (iii) the historical profit margin and revenue generated by SATT, we are of the view that the bases for determining the proposed annual caps of the 2015-2017 Supply and Service Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM DONVEX CAPITAL

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the terms and conditions under the 2015-2017 Supply and Service Agreements have been entered into within the ordinary and usual course of business of the Company based on the normal commercial terms and its terms together with the 2015-2017 Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2015-2017 Supply and Service Agreements, the Continuing Connected Transactions and the 2015-2017 Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (i) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and
- (ii) there are no other matters the omission of which would make any statement in this circular misleading.

II. DISCLOSURE OF INTERESTS**Directors and chief executive**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	Capacity	Number of ordinary shares held	Approximate % of the issued share capital of the Company as at the Latest Practicable Date
Mr. Hu Yebi (<i>Note</i>)	Controlled corporation & Spouse	215,943,083	9.86%

Note: Mr. Hu Yebi and his spouse, Ms. Li Ling Xiu are deemed (by virtue of the SFO) to be interested in 215,943,083 Shares, among these 215,943,083 Shares, as to 3,448,000 Shares held by Ms. Li Ling Xiu and as to 212,495,083 Shares held by Hollyview International Limited, a company beneficially owned by Mr. Hu Yebi.

Save as disclosed above, as at the Latest Practicable Date, no Director or chief executive officer of the Company had any other interest or short position in the Shares and underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Directors who are Directors or Employees of Companies with Interests in Shares and Underlying Shares

As at the Latest Practicable Date, Mr. Liu Xueyi and Mr. Han Hong, both Directors, are both also the directors of China Complant and COMPLANT as well as Mr. Wang Zhaohui is also the finance manager of COMPLANT. China Complant and COMPLANT currently holds approximately 36.51% and 13.69% of the existing issued share capital of the Company.

Save as aforesaid, as at the Latest Practicable Date, none of the Directors are directors or employees of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Directors' Interests in Assets and Contracts

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which had been, since 31 December 2014 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, save as disclosed herein, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

III. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

IV. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses, which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

V. CONSENT AND QUALIFICATION OF EXPERT

The following is the qualification of the expert which has given advice contained in this circular:

Name	Qualification
Donvex Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO

Donvex Capital was not beneficially interested in the share capital of any member of the Group and had no right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no interest, either directly or indirectly, in any assets which have been, since 31 December 2014, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

The letter given by Donvex Capital is given as of the date of this circular for incorporation herein. Donvex Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and letter in the form and context in which it appears.

VI. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up.

VII. MISCELLANEOUS

The English text of this document shall prevail over the Chinese text.

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Units 1910-1912, 19/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong for 14 days from the date of this circular:

- (i) the letter dated 28 May 2015 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 29 of this circular;
- (ii) the letter of advice dated 28 May 2015 from Donvex Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on page 30 to page 50 of this circular;
- (iii) the written consent of Donvex Capital referred to in paragraph V of this Appendix; and
- (iv) the 2015-2017 Supply and Service Agreements in respect of the Continuing Connected Transactions.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Hua Lien International (Holding) Company Limited (the “Company”) will be held at Dragon II, 2/F., The Kowloon Hotel, 19-21 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 26 June 2015 at 11:00 a.m. (or so soon after the conclusion of the annual general meeting of the Company convened to be held on the same date and place at 10:30 a.m.) for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTION

“**THAT** the six 2015-2017 supply and service agreements all dated 6 May 2015 entered into between Sino-Africa Technology & Trading Limited (中非技術貿易有限公司, “SATT”) and La Sucrerie de COMPLANT de Madagascar, COMPLANT Magbass Sugar Complex Company Limited, La Sucrerie de COMPLANT du Benin, Sucrerie Cote Ouest de COMPLANT de Madagascar (Ouest Sucre), Compagnie Beninoise De Bioenergie SA as well as Pan-Caribbean Sugar Company Limited respectively, together with the 2015-2017 supply and service agreement dated 6 May 2015 entered into between SATT and China National Complete Plant Import & Export Corporation (Group) (中國成套設備進出口(集團)總公司) (the “2015-2017 Supply and Service Agreements”) (copies of which are marked “A” and produced to the meeting and signed by the chairman of the meeting for identification purpose), and the relevant 2015-2017 Proposed Annual Caps be and are hereby generally and unconditionally approved and the Directors of the Company be and are hereby authorized to do all such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as the Directors consider necessary, appropriate, desirable or expedient for implementation of and giving effect to the 2015-2017 Supply and Service Agreements and the transactions contemplated thereunder.”

Yours faithfully,

For and on behalf of the Board of

Hua Lien International (Holding) Company Limited

Liu Xueyi

Chairman

Hong Kong, 28 May 2015

** For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Place of Business in Hong Kong:

Units 1910-1912, 19/F.

Hutchison House

10 Harcourt Road

Central

Hong Kong

Notes:—

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of himself. A proxy need not be a member of the Company.
- (2) The register of members of the Company will be closed from 24 June 2015 to 26 June 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 23 June 2015.
- (3) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. But if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. Seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.
- (4) In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed must be deposited at the Company's Hong Kong branch share registrar, Union Registrars Limited, at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
- (5) Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.