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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)

INSIDE INFORMATION — RECENT DEVELOPMENT REGARDING THE OUTSTANDING CONVERTIBLE NOTE — SUPPLEMENTAL UNDERTAKING

This announcement is made by Hua Lien International (Holding) Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) and Rule 13.19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement dated 18 October 2019 (the “**Announcement**”) in respect of the irrevocable and unconditional undertaking (the “**Undertaking**”) issued by COMPLANT International Sugar Industry Co., Ltd. (中成國際糖業股份有限公司) (“**Complant Sugar**”) in favour of the Company. Terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise defined herein.

The Board would like to provide an update regarding the Undertaking.

As disclosed in the Announcement, Complant Sugar have issued the Undertaking that conditional upon the entering into of an agreement for a formal repayment plan in relation to the Outstanding Convertible Note, Complant Sugar agrees and undertakes that, before 31 December 2019 (or such other date as agreed by the parties in writing) (the “**Long Stop Date**”), (i) the failure of the Company to repay the Outstanding Convertible Note on and since the due date (being 27 February 2019) will not constitute an event of default under the Convertible Note; and (ii) Complant Sugar will not demand repayment of or performance of obligations under the Outstanding Convertible Note.

As additional time is required for the Company and Complant Sugar to negotiate and reach an agreement on a formal repayment plan, Complant Sugar issued a supplemental undertaking (the “**Supplemental Undertaking**”) to the Undertaking on 31 December 2019 in favour of the Company. Pursuant to the Supplemental Undertaking, Complant Sugar agreed to extend and postpone the Long Stop Date to 31 December 2021 (or such other date as agreed by the parties in writing) (the “**Extended Period**”). In other words, under the Supplemental Undertaking, conditional upon the entering into of an agreement for a formal repayment plan in relation to the Outstanding Convertible Note, Complant Sugar agrees and undertakes that, before 31 December 2021 (or such other date as agreed by the parties in writing), (i) the failure of the Company to repay the Outstanding Convertible Note on and since the due date (being 27 February 2019) will not constitute an event of default under the Convertible Note; and (ii) Complant Sugar will not demand repayment of or performance of obligations under the Outstanding Convertible Note.

The Extended Period was arrived at arm’s length negotiation between the Company and Complant Sugar and the Supplemental Undertaking is under normal commercial terms. The Board considers the Supplemental Undertaking and the extension of the Long Stop Date to the Extended Period is in the best interest of the Company and its shareholders (the “**Shareholders**”) as a whole, and is the most appropriate and cost-effective interim measure to restructure the Outstanding Convertible Note for the following reasons:

1. The Company would not have sufficient internal resources to repay all the indebtedness due under the Outstanding Convertible Note that matured on 27 February 2019. The Board also considers it impracticable to secure third-party financing on the favourable terms to the Company to settle the indebtedness due under the Outstanding Convertible Note at the current market situation. The Board has considered third-party financing alternatives, including but not limited to, bank borrowing and equity financing. However, due to the financial performance of the Group, it is difficult for the Group to obtain bank borrowings with favourable terms and conditions. Also, unlike the indebtedness under Outstanding Convertible Note which is interest free, bank borrowing would create interest burden to the Group. In addition, due to the financial performance of the Group, the recently low liquidity of the shares of the Group (the “**Share**”) and the volatile market condition, the Board considers that it would be difficult for the Company to execute any plans for equity financing such as placement of Shares or rights issue.
2. The Board is of the view that it is in the better interests of the Company and the Shareholders if the Company can utilise its internal resources to develop its existing business and capture other new business opportunities (should such opportunities arise) so to improve the returns to its Shareholders rather than restructuring the Convertible Note at this stage in less favourable terms due to the current operation performance of the Group.
3. Complant Sugar has indicated its interest to restructure the whole or part of the indebtedness due under the Outstanding Convertible Note by the issue of new convertible note. However, issuing new convertible note with a conversion price close to the current market price of the Company’s shares would lead to material potential dilution effect on the shareholding of the existing Shareholders and is therefore likely to be voted down by the independent Shareholders. On the other hand, issuing convertible note with a conversion price that has a high premium of the current market price of the Company’s shares in order to avoid material dilution on existing shareholding of the Shareholders would be unlikely to be accepted by Complant Sugar.

4. The Supplemental Undertaking allows the Company to have more financial flexibility to improve its business and enables the Group to postpone a substantial cash outflow by extending the Long Stop Date to the Extended Period. Further, since the indebtedness due under the Outstanding Convertible Note is non-interest bearing, it will not create any interest burden to the Group during the Extended Period. All these are beneficial in maintaining the Group's financial results.
5. The Supplemental Undertaking also provides the Group with reasonable time to improve its business performance and financial position. The Group will take the Extended Period to develop its existing business and capture other new business opportunities (should such opportunities arise) to broaden its income stream and improve the overall performance and profits of the Group. It is the Company's intention that if the performance of the Group improves, it will look for loan restructuring plans that are in more favourable terms to the Company. With better performance, the Company will also try to find new investor(s) to improve the existing equity structure of the Group and to obtain new funds or financing to repay part of the indebtedness under the Outstanding Convertible Note.
6. To Complant Sugar, as a substantial Shareholder, it will be benefited from the Supplemental Undertaking if the performance of the Company improves during the Extended Period. It will also be benefited from the Supplemental Undertaking as a creditor as the improvement of the Group's performance will provide greater flexibility to the Group and Complant Sugar to restructure the indebtedness under the Outstanding Convertible Note.

Having considered the above, the Board takes the view that the Supplemental Undertaking with the extension of the Long Stop Date to the Extended Period, which in effect freezes the indebtedness due under Outstanding Convertible Note for another two years, is a win-win interim measure for both the Company and Complant Sugar and is beneficial to the respective shareholders of the Company and Complant Sugar as it provides the Group with a reasonable time to improve its existing business operation and share price performance which will in turn give more flexibility to the Group to restructure the indebtedness under the Outstanding Convertible Note.

The Company will continue to negotiate with Complant Sugar during the Extended Period to reach an agreement for a formal repayment plan for the indebtedness due under the Outstanding Convertible Note. As such, the Company will publish further announcement(s) to provide update on the repayment plan as and when appropriate.

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

Hong Kong, 2 January 2020

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

** For identification purpose only*