THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to what action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hua Lien International (Holding) Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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 THE 2019-2021 SUPPLY AGREEMENTS WITH CUSTOMERS AND SUPPLIER (FORMERLY KNOWN AS 2018-2020 SUPPLY AND SERVICES AGREEMENTS WITH CUSTOMERS AND SUPPLIER)

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

Donvex 富域資本

Donvex Capital Limited
富域資本有限公司

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 7 to 67 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 68 to 69 of this circular. A letter from Donvex Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 70 to 107 of this circular.

A notice convening the EGM to be held at Pacific Room, 2/F., Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Friday, 31 May 2019 at 11:00 a.m. is set out on pages 112 to 113 of this circular. A proxy form for use in the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

30 April 2019

* *For identification only*

CONTENTS

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

"2015-2017 Supply and Service Agreements with Customers and Supplier"

means collectively:

(i) the six legally binding supply and service agreements with customers entered into between SATT and each of Africa Company 1, Africa Company 2, Africa Company 3, Africa Company 4, CBB and PCSC respectively on 6 May 2015 in respect of the provision of Deliverables sourced in the PRC exclusively by SATT for a term of about three years commencing from 26 June 2015 ("**2015-2017 Supply and Services Agreements with Customers**"); and

(ii) a legally binding supply and service agreement with supplier entered into between China Complant and SATT on 6 May 2015 in respect of the provision of Deliverables by China Complant for a term of about three years commencing from 26 June 2015 ("**2015-2017 Supply and Services Agreement with Supplier**"),

and 2015-2017 Supply and Service Agreement(s) with Customers and Supplier shall mean all or one of these agreements

"2019-2021 Supply Agreements with Customers and Supplier"

means collectively:

(i) the three legally binding supply agreements with customers entered into between SATT and each of Africa Company 1, Africa Company 2 and PCSC respectively on 7 November 2018 as amended by the First Supplemental Agreements in respect of the provision of Deliverables sourced in the PRC exclusively by SATT for a term of about three years ending 31 December 2021 ("**2019-2021 Supply Agreements with Customers**"); and

(ii) a legally binding supply agreement with supplier entered into between China Complant and SATT on 7 November 2018 as amended by the First Supplemental Agreements in respect of the provision of Deliverables sourced in the PRC by China Complant for a term of about three years ending 31 December 2021 ("**2019-2021 Supply Agreement with Supplier**"),

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

"Announcements"	means the announcements of the Company dated 7 November 2018, 28 November 2018 and 11 December 2018 and 4 February 2019 in connection with the Continuing Connected Transactions
"Africa Companies"	means collectively Africa Company 1, Africa Company 2, Africa Company 3 and Africa Company 4
"Africa Company 1"	La Sucrerie de COMPLANT du Benin, an indirect wholly-owned subsidiary of COMPLANT incorporated in Republic of Benin and principally engaged in the manufacturing of sugar/sweetener products in Africa
"Africa Company 2"	Sucrerie Cote Ouest de COMPLANT de Madagascar (Ouest Sucre), an indirect wholly-owned subsidiary of COMPLANT incorporated in Republic of Madagascar and principally engaged in manufacturing of sugar/sweetener products in Africa
"Africa Company 3"	La Sucrerie de COMPLANT de Madagascar, an indirect wholly-owned subsidiary of COMPLANT incorporated in Republic of Madagascar and principally engaged in the manufacturing of sugar/sweetener products in Africa. Africa Company 3 has suspended its operation since 2014 due to outbreak of local riots that seriously damage the sugar plant equipment facilities
"Africa Company 4"	COMPLANT Magbass Sugar Complex Company Limited, an indirect wholly-owned subsidiary of COMPLANT incorporated in Republic of Sierra Leone and principally engaged in the manufacturing of sugar/sweetener products in Africa. Africa Company 4 has suspended its operation since 2014 due to outbreak of Ebola virus disease causing the sugar factory to be forced to suspend operations

"Approved Annual Cap(s) with Customers and Supplier"	means collectively: (i) 2015-2017 annual caps with customers approved at the extraordinary general meetings of the Company held on 26 June 2015 ("**2015-2017 Approved Annual Cap(s) with Customers**"); and (ii) 2015-2017 annual caps with supplier approved at the extraordinary general meetings of the Company held on 26 June 2015 ("**2015-2017 Approved Annual Cap(s) with Supplier**") and Approved Annual Cap(s) with Customers and Supplier shall mean aggregate or a sub-category of these approved annual cap(s)
"associate(s)"	has the meaning ascribed to it under the listing rules
"Board"	the board of directors of the Company
"Business Day"	any day 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 a.m. and 5 p.m.
"BVI"	British Virgin Islands
"CBB"	Compagnie Beninoise De Bioenergie SA, a company incorporated under the Republic of Benin with limited liability and is an indirectly owned subsidiary owned as to 90% by the Company and 10% by COMPLANT. CBB has suspended its operation since 2013 due to unavailability of leased land for growing the cassava as feeding stock for this cassava-based biofuel production plant in Republic of Benin

"China Complant"	China National Complete Plant Import & Export Corporation Limited (中國成套設備進出口(集團)有限公司 (formerly known as 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., Ltd. 國家開發投資集團有限公司 (formerly known as State Development & Investment Corp. (國家開發投資公司)), owns 30% equity interest in COMPLANT and is a Controlling Shareholder holding approximately 36.51% of the issued share capital of the Company as at the Latest Practicable Date
"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 approximately 13.69% of the issued share capital of the Company as at the Latest Practicable Date
"connected person"	has the meaning ascribed to it under the Listing Rules
"Continuing Connected Transactions"	the transactions contemplated under the 2019-2021 Supply Agreements with Customers and Supplier
"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
"Deliverables"	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 31 May 2019 by the Company to consider and, if thought fit, approve the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Suppliers

"First Supplemental Agreements"	means collectively the four legally binding supplemental agreements entered into between SATT and each of Africa Company 1, Africa Company 2, PCSC and China Complant on 4 February 2019 in relation to, among other things, the amendments, variations and additions to certain terms and conditions of the 2019-2021 Supply Agreements with Customers and Supplier
"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
"Independent Board Committee"	the independent committee of the Board comprising three independent non-executive Directors, namely, Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry, which has been formed for the purpose of advising the Independent Shareholders in respect of the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier
"Independent Financial Adviser"	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"	a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company
"Latest Practicable Date"	25 April 2019, 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 an indirectly owned subsidiary owned as to 70% by the Company and 30% by COMPLANT

"PRC"	the People's Republic of China
" Revised 2019-2021 Proposed Annual Cap(s) with Customers and Supplier"	means collectively: (i) the maximum aggregate annual value of the transactions contemplated under the 2019-2021 Supply Agreements with Customers as amended and revised by the First Supplemental Agreements ("**Revised 2019-2021 Proposed Annual Cap(s) with Customers**"); and (ii) the maximum aggregate annual value of the transactions contemplated under the 2019-2021 Supply Agreement with Supplier as amended and revised by the First Supplemental Agreements ("**Revised 2019-2021 Proposed Annual Cap(s) with Supplier**") and Revised 2019-2021 Proposed Annual Caps with Customers and Supplier shall mean the aggregate or a sub-category of these proposed annual cap(s)
"RMB"	Renminbi, the lawful currency of the PRC
"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$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	substantial shareholder(s) of the Company, having the meanings ascribed to it in the Listing Rules
"US$" and "cents"	dollars and cents respectively, the lawful currency of the United States of America; and United States
"%"	per cent.

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. Wang Zhaohui

Non-executive directors:
Ms. Liu Yan
Mr. Zhang Jian

Independent non-executive directors:
Mr. Cheng Tai Kwan Sunny
Mr. Shi Zhu
Dr. Lu Heng Henry

Principal place of business in Hong Kong:
Room 1701, 17/F.,
World-Wide House,
19 Des Voeux Road Central,
Central,
Hong Kong

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

30 April 2019

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE
2019-2021 SUPPLY AGREEMENTS
WITH CUSTOMERS AND SUPPLIER
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements.

The purpose of this circular is to provide the Independent Shareholders with, among other things, (1) the information regarding the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier; (2) the advice of the Independent Financial Adviser on the terms of the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier; (3) the recommendations of the Independent Board Committee on the terms of the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier; and (4) the notice of the EGM.

* *For identification purpose only*

I. THE 2019-2021 SUPPLY AGREEMENTS WITH CUSTOMERS AND SUPPLIER

1. Preamble

1.1. Background

Reference is made to the announcement and circular of the Company dated 6 May 2015 and 28 May 2015 respectively on the continuing connected transactions in respect of the 2015-2017 Supply and Service Agreements with Customers and Supplier. In the extraordinary general meeting of the Company held on 26 June 2015, resolutions were duly passed by way of poll to approve, among others, the 2015-2017 Supply and Service Agreements with Customers and Supplier and the Approved Annual Caps with Customers and Supplier.

As disclosed in the 2017 annual report dated 29 March 2018 and the profit warning announcement dated 21 August 2018, the Group has, after the expiry of the 2015-2017 Supply and Service Agreements with Customers and Supplier and since 1 January 2018, suspended those continuing connected transactions until all requirements under Listing Rules have been complied with. To the best knowledge, information and belief of the Directors, since 1 January 2018, Africa Company 1, Africa Company 2 and PCSC have been using their safety stock inventories which are currently running low and need to be replenished from SATT.

As further disclosed in the profit warning announcement of the Company dated 21 August 2018, the delay of renewing the Continuing Connected Transactions was due to the fact that the parties for the Continuing Connected Transactions cannot reach consensus on the trade terms including the exclusivity and the credit period on a timely basis. The failure to reach agreement on the trade terms was caused by the suspension in the discussion of the trading terms during the process of change in shareholding structure of COMPLANT in 2018. Following the relevant guidelines issued by State-owned Assets Supervision and Administration Commission of the State Council for the introduction of private investors to improve the efficient of operation and corporate governance of state-owned enterprise, 40% equity stake in COMPLANT was offered at appraised value to potential private buyers through public auction at the Beijing Equity Exchange in November 2017. Under the terms of the Beijing Equity Exchange, COMPLANT and its subsidiaries could not enter into major contracts affecting its business until the completion of the sale and purchase of the 40% equity stake in COMPLANT. The offer was finally accepted by Xin Jiang Bo Tai Energy Company Limited, a private company established in the PRC, on July 2018 after a lengthy due diligence process last for several months and the transfer of the 40% equity stake in COMPLANT finally completed in October 2018. Thereafter, SATT, COMPLANT and China Complant resumed the discussion on the trade terms of the 2019-2021 Supply Agreements with Customers and Supplier. The terms of the 2019-2021 Supply Agreements with Customers and the 2019-2021 Supply Agreement with Supplier were finally agreed on 7 November 2018.

On 7 November 2018, SATT and each of Africa Company 1, Africa Company 2 and PCSC finally entered into the 2018-2020 Supply and Services Agreements with Customers for the exclusive sale and purchase of Deliverable sourced in the PRC. On the same date, SATT and China Complant also entered into the 2018-2020 Supply and Services Agreements with Supplier for the exclusive procurement of Deliverables sourced in the PRC, all for a term of about three years from the date of EGM to 31 December 2020.

In compliance with the Listing Rules requirements, the Company announced the Continuing Connected Transactions by way of announcement on 7 November 2018 as soon as practicable after the terms of the 2018-2020 Supply and Services Agreements with Customers have been finalised.

In light of the delay in despatch of the circular and the holding of EGM to approve the 2018-2020 Supply and Services Agreements with Customers, on 4 February 2019 (after trading hours), the parties to the 2019-2021 Supply Agreements with Customers and Supplier entered into the First Supplemental Agreements. Pursuant to the First Supplemental Agreements, certain terms of the 2018-2020 Supply and Services Agreements with Customers are proposed to be amended and which constituted the current 2019-2021 Supply Agreements with Customers and Supplier.

By virtue of the First Supplemental Agreements, (i) China Complant is not obliged to supply Deliverables to SATT in 2018 and the annual cap of US$11.4 million previously proposed for 2018 is no longer in effect; and (ii) Africa Company 1, Africa Company 2 and PCSC are not obliged to purchase Deliverables from SATT in 2018 and the annual cap of US$16.7 million previously proposed for 2018 is no longer in effect.

As stipulated in the First Supplemental Agreements, the parties to the Continuing Connected Transactions have conditionally agreed that the term of Continuing Connected Transactions shall postpone one year from 2018-2020 to 2019-2021. Other terms of the First Supplemental Agreements can be referred to the announcement of the Company date 4 February 2019 and have been reflected in the content of this circular.

1.2. Rationale for the Continuing Connected Transactions under the 2019-2021 Supply Agreements with Customers

Historical Evolution and Professional staff of SATT

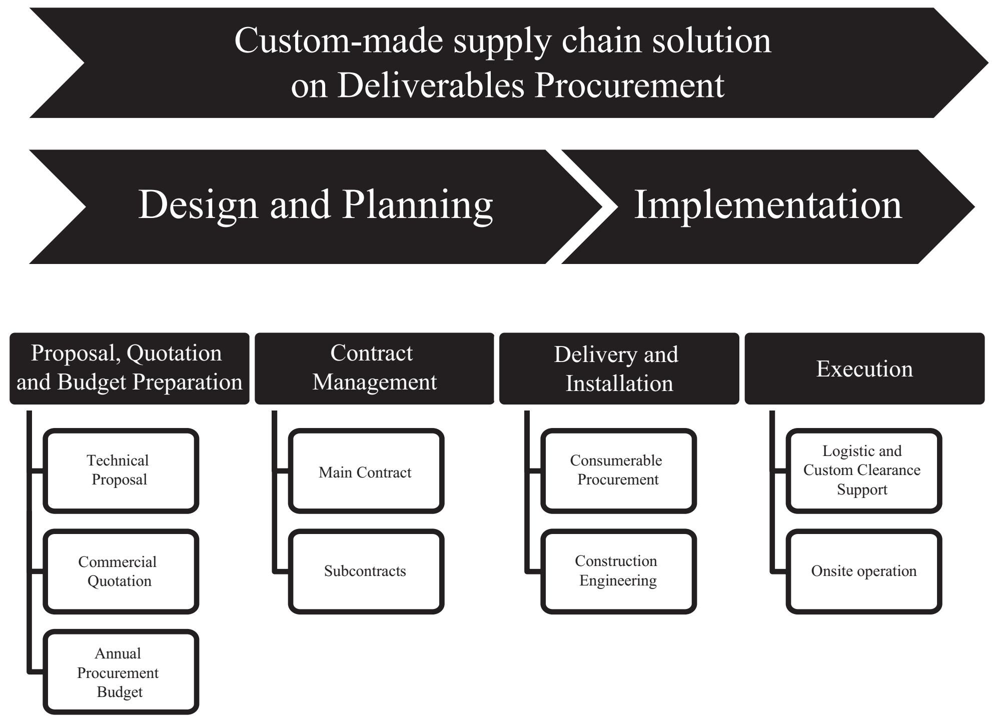
Historically, after SATT commenced its business in 2008, SATT was the only subsidiary of COMPLANT that was responsible for the supply of all the Deliverables to other subsidiaries of COMPLANT engaged in the sugar business. SATT made its purchases through China Complant (except for some items that China Complant does not have the relevant export licence in which case SATT would purchase directly from other suppliers). Other than the Africa Company 1, Africa Company 2 and PCSC, SATT currently has no other customers.

The Company acquired SATT from COMPLANT in 2009. Pursuant to the sale and purchase agreement for SATT dated 12 November 2008 between COMPLANT (as seller), Jumbo Right Investments Limited (a wholly-owned subsidiary of the Company as purchaser) and the Company, COMPLANT has undertaken not to compete with SATT in providing the Deliverables directly to the Africa Companies. COMPLANT further agreed and undertook that all supply of the Deliverables to the Africa Companies must be conducted through SATT. Under such non-competing clause, COMPLANT and its associates (including China Complant) shall not compete with SATT in providing the Deliverables in the countries where the customers of SATT are located. Therefore, China Complant cannot trade with the Africa Companies and PCSC directly.

As further elaborated below, after the disposal of SATT, China Complant and COMPLANT no longer have the ability to provide any value-added services in relation to the Deliverables to its subsidiaries and have to rely on SATT to provide these value added services. The inability of China Complant and COMPLANT to provide value-added services is due to the lack of experienced staff which was previously employed by China Complant and COMPLANT through SATT and now being taken up by the Company. As at the Latest Practicable Date, SATT employed a total of 40 employees. SATT is currently operated and managed by a team of professionals. Out of the 10 key management personnel of SATT, 5 are highly experienced accountants, one is senior engineer and 4 are international business engineers and all of whom have over 10 years' experience either in the sugar industry project development and management or in the international economic & technical cooperation projects.

Since the disposal of SATT to the Company, SATT has been entrusting China Complant to do the procurement and delivery of the Deliverables in the PRC under the specification of SATT, which will then sell the Deliverables with its the value-added services to the Africa Companies and PCSC.

Overview of value added services of SATT provided to customers



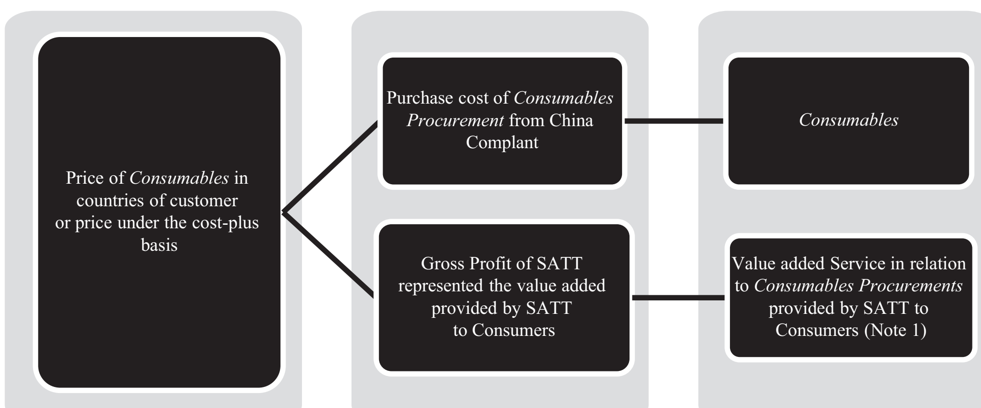
The roles of SATT and China Complant are different in the whole supply chain of the Deliverables. China Complant is performing a passive role by procuring and delivering those Deliverable sourced in the PRC as instructed by SATT. SATT is selling the Deliverables with the provision of the value-added services as further elaborated below to the Africa Companies and PCSC. SATT does not charge separately for the value-added services and the prices of those value-added service are embedded in the final prices charged to the Africa Companies and PCSC for the Deliverables.

The business rationale for the Continuing Connected Transactions under the 2019-2021 Supply Agreements with Customers can be explained by the fact that the staff of SATT is familiar with all aspects of the sugar factory production management and the sugar factory accessories and materials which have thousands of different kinds. The supply lead time in the industry is also under strict requirement. Therefore, China Complant or other third-party logistics company which are not familiar with the sugar factory operation lacks the experienced staff who has the expertise to handle the supply of the Deliverables involved in the Continuing Connected Transactions. To the best knowledge, information and belief of the Directors, there is no incentive for China Complant or other third-party logistics company to provide the value-added services in relation to the Deliverables as well given that it will be time consuming and costly to train up those staff. Those value-added services provided by SATT to the Africa Companies and PCSC therefore saves their cost to train up their own staff. SATT provides full spectrum of value-added services including the equipment and spare parts selections based on customers' specification, managing customers' orders with manufacturers in the PRC including quantity audit and their production and delivery schedule as well as providing installation guidance and assistance. To the best knowledge, information and belief of the Directors, there are no other companies in the PRC market possess equivalent or comparable expertise as SATT in doing China-Africa trade and its knowledge in the relevant local trade policy requirements in the African countries and Jamaica and in the supply of the Deliverables for the sugar factories. This is the main reason why Africa Company 1, Africa Company 2 and PCSC choose to enter into an exclusive supply agreement with SATT instead of other companies. SATT in turn will benefit from the income from Africa Company 1, Africa Company 2 and PCSC to maintain a sustainable development.

Details of the three categories of value-added services provided by SATT

In addition to the normal procurement services, a large portion of revenue from the supply of the Deliverables is attributed to the comprehensive supply chain solutions provided by SATT to its customers. SATT is actually the quasi supply chain department in the PRC of Africa Company 1, Africa Company 2 and PCSC which outsource the overseas supply chain function to SATT. Those value-valued services are not billed separately but recovered through the price difference of the Deliverables in PRC and the countries where the customers located.

(A) Value-added services on Consumables Procurement provided by SATT



Note 1: Value added services in relation to Consumables Procurement provided by SATT to consumers to earn the gross profit.

(i) For the Consumable Procurement, SATT is responsible for handling orders for different kinds of spare parts annually. SATT needs to conduct communication and business negotiation with the suppliers in the PRC in advance to coordinate the supply of the Deliverables sourced in the PRC.

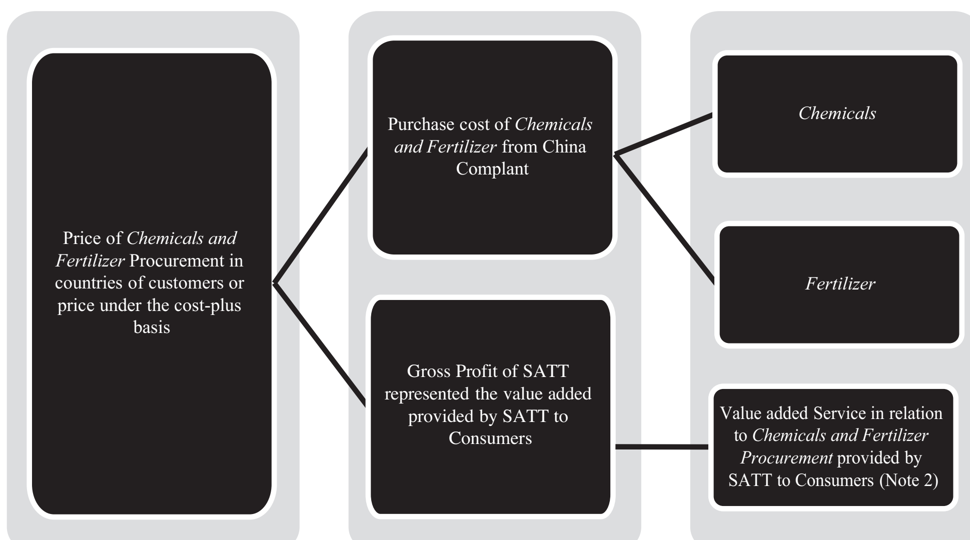
(ii) SATT also needs to arrange China Complant to sign the contract with the relevant suppliers. SATT will need to follow-up the production progress with the suppliers and formulating cargo consolidation and delivery plans based on the production requirements of Africa Companies. SATT is also required to formulate repair plan for Africa Company 1, Africa Company 2 and PCSC.

(iii) Other special value-added services

For the spare parts of the large equipment such as boilers and steam turbines of Africa Companies and PCSC, SATT needs to organize professional technical teams to conduct comprehensive analysis and diagnosis of the parts at fault and assist Africa Companies and PCSC in formulating overhaul programs and arranges China Complant to sign contracts with the designated manufacturers to manufacture those spare parts.

For some machinery originated in Europe that spare parts are no longer available. SATT will made drawings of the spare parts and arrange suppliers in the PRC to tailor-made those spare parts. SATT team with special technical skills will carry out precious measurements and quality inspections on those spare parts before those spare parts are shipping back for installation.

(B) Value-added services on Chemicals and Fertilizer Procurement provided by SATT



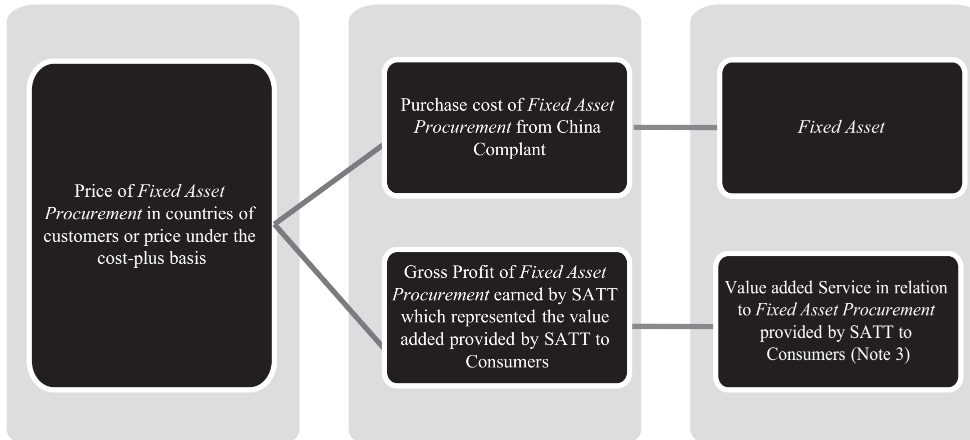
Note 2: Value added services in relation to Chemical and Fertilizer Procurement provided by SATT to consumers to earn the gross profit.

(i) SATT will recommend appropriately blended compound fertilizers in accordance to the local soil composition and conditions of Africa Companies and PCSC;

(ii) SATT will select appropriate suppliers in the PRC that can produce the appropriately blended chemicals and fertilizers to Africa Companies and PCSC; and

(iii) SATT will coordinate suppliers to deliver chemicals and fertilizers in accordance to the production schedule requirements of Africa Companies and PCSC.

(C) Value-added services on Fixed Asset Procurement provided by SATT



Note 3: Value added services in relation to Fixed Assets Procurement provided by SATT to consumers to earn the gross profit.

(i) SATT is responsible for providing Africa companies and PCSC with relevant and appropriate technical solutions from initial design, procurement to follow-up maintenance services.

(ii) SATT will combine the actual performances of plant and machinery observed with the demand of the Africa Companies and PCSC for the formulation and provision of the all-in-one comprehensive solutions.

(iii) The all-in-one comprehensive solution provided by SATT, including the combination of factors such as the existing production capacity, existing status of equipment and the local climate and environmental conditions etc. in recommending the Africa Companies and PCSC for appropriate models of plant and equipment for upgrading and in recommending appropriate suppliers in the PRC that can meet those local technical and production requirements of Africa Companies and PCSC to comply with the initial design. SATT will also arrange the installation and after-sales maintenance services to Africa Companies and PCSC.

1.3. Rationale for the Continuing Connected Transactions under the 2019-2021 Supply Agreement with Supplier

Historical evolution of relationship between SATT and China Complant

As SATT is a company incorporated outside the PRC, under the existing PRC laws, SATT cannot hold a valid licence for sourcing of goods and materials including the Deliverables in the PRC and exporting the same to other countries. SATT needs to engage China Complant, on a non-committed and non-exclusive basis, to take up the role for sourcing the Deliverables. SATT will source the Deliverables from China Complant, other than those that China Complant does not have export licence/right in the PRC, to benefit from the bulk purchase discount and export services from China Complant. China Complant in turn will benefit from the orders from SATT to obtain bulk discounts from its suppliers when combining different orders within its group.

SATT will not source all Deliverables from China Complant but will also purchase some Deliverables directly from a few specialized Chinese companies with special commodity export licences in the PRC, which include the passenger automobiles and a small number of dangerous chemicals, for the reason that China Complant does not have the export licence/right in the PRC for these two items. There is no overlap between such Deliverables from China Complant and other independent third-party suppliers.

Further disclosures of the roles of China Complant in the supply chain solution to customers

SATT purchases most of the Deliverables from China Complant but not other third-party companies in the PRC because pursuant to the sale and purchase agreement for SATT dated 12 November 2018, SATT, China Complant and the Africa Companies signed the respective supply and service agreements to continue the existing sales business to the Africa Companies and the existing procurement channel with China Complant. Under these supply and service agreements, China Complant undertook to continue the procurement of the Deliverables sourced in the PRC for SATT and handle all delivery to the designated port as ordered by SATT. This arrangement has proven to be beneficial to the Group, China Complant as a state-owned enterprise with its long relationship with the largest suppliers of the Deliverables in the PRC can bargain favorable trading terms that SATT cannot obtain by itself. Furthermore, China Complant will also provide a long credit period of 365 days to SATT which SATT cannot obtain from other suppliers.

Further, pursuant to the sale and purchase agreement for SATT, COMPLANT and its associates (including China Complant) cannot have competing business with SATT in the countries where the Africa Companies locate including Republic of Madagascar, Republic of Benin and Sierra Leone. Therefore, the role of China Complant will only restrict to the procurement role for SATT and will not involve direct sales to the Africa Companies.

2. The 2019-2021 Supply Agreements with Customers between SATT and Africa Company 1, Africa Company 2 and PCSC

Since three connected persons who are customers of SATT, namely Africa Company 3, Africa Company 4 and CBB, are still suspending their operations, the 2019-2021 Supply Agreements with Customers will not involve these three connected persons.

The suspension of Africa Company 3 was due to a large-scale riots happened in 2014, which was triggered by labour strike that had seriously damaged the sugar plant equipment facilities and the operation of Africa Company 3 was forced to suspend since then. SATT had stopped the provision of the Deliverables to Africa Company 3 since 2015. Africa Company 3 was negotiating with government of Republic of Madagascar for compensation after the riots for its failure to protect the property of Africa Company 3 and Africa Company 3 intended to use the compensation for rehabilitation of production plants. Therefore, Africa Company 3 still entered into the 2015-2017 Supply and Services Agreements with Customers with SATT in 2015. However, the negotiation between Africa Company 3 and government of Republic of Madagascar comes to a standstill. As of now, there are no specific plan to resume the operations of Africa Company 3 by COMPLANT. Therefore Africa Company 3 is not a party to the 2019-2021 Supply Agreements with Customers.

The suspension of Africa Company 4 was due to the outbreak of Ebola virus in Sierra Leone in 2014 forcing the sugar factory to suspend operations since then. Africa Company 4 initially had plan to resume operation and therefore Africa Company 4 still entered into 2015-2017 Supply and Services Agreements with Customers with SATT in 2015. However, the rehabilitation of Africa Company 4 was subsequently hindered by the evacuated staff refusing to return to Africa Company 4 for the fear of another local outbreak of the Ebola there. As of now, there are no specific plan to resume the operations of Africa Company 4 by COMPLANT. Therefore Africa Company 4 is not a party to the 2019-2021 Supply Agreements with Customers.

The suspension of CBB was due to the serious shortage of local cassava as raw materials which resulted from the unavailability of leased land for growing the cassava as feeding stock for this cassava-based biofuel production plant in Republic of Benin. The shortage of leased land was due to Benin Government's refusal to grant the leased land to CBB because it encountered difficulties in recovering the relevant land from the cacique of tribes and farmers and the land recovery action has led to disturbance events. CBB has suspended its operation since 2013. CBB anticipated that the management could figure out the possible solution to start the production and therefore entered into 2015-2017 Supply and Services Agreements with Customers with SATT in 2015. However, there is still no viable solution available after numerous different attempts by the management in the past several years. As of now, CBB has no plans to resume production operations. Therefore, CBB is not a party to the 2019-2021 Supply Agreements with Customers.

The incidents that triggered the business suspension of Africa Company 3, Africa Company 4 and CBB are large-scale riots after labour strike in 2014, Ebola virus outbreak in Sierra Leone in 2014 and the unavailability of leased land since 2013 respectively. Such incidents are specific to Africa Company 3, Africa Company 4 and CBB and have not affected the business of Africa Company 1, Africa Company 2 and PCSC.

Although Africa Company 2 and Africa Company 3 are both located in Republic of Madagascar, the two companies are actually located in different provinces with long distance between them. As shown in below diagram, the geographical distance between Africa Company 2 and Africa Company 3 is more than 1,000 kilometers and there is no direct transportation between the two places. The provinces in which Africa Company 2 and Africa Company 3 are located are with different ethnic tribes that have no exchange and communication. Furthermore, Africa Company 2 has not experienced any labour strike that turned to large scale riots. The staff of the two companies are from two different tribes, from two different trade unions and under two separate employment terms. The relationship between the relevant trade union and Africa Company 2 have been good and peaceful each year and no violent events have happened so far.

In compliance with Rule 14A.51 to 14A.53 of the Listing Rules, SATT and each of the remaining customers who are connected persons, namely, Africa Company 1, Africa Company 2 and PCSC, have entered into the 2019-2021 Supply Agreements with Customers for the exclusive sale and purchase of the Deliverables sourced in the PRC. These agreements are 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 2021.

2.1. Deliverables to be provided by SATT

The Deliverables to be provided by SATT to Africa Company 1, Africa Company 2 and PCSC are expected to be numerous, both in terms of quantity and variety. As defined below, Deliverables are categorised into three categories for determination of the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier.

2.1.1. Consumables Procurement

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**").

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 Engineering, Procurement and Construction (EPC), motor vehicle as well as agricultural and industrial machinery, etc. (the "**Fixed Asset Procurement**").

2.2. General Principles

The 2019-2021 Supply Agreements with Customers between SATT and the Africa Company 1, Africa Company 2 and PCSC are the master agreements which set out the principles upon which the supply of the Deliveries sourced in the PRC by SATT to Africa Company 1, Africa Company 2 and PCSC is to be carried out.

2.2.1. Exclusivity

Pursuant to which, each of the Africa Company 1, Africa Company 2 and PCSC has agreed to order Deliverables sourced in the PRC exclusively from SATT for a term of about three years ending 31 December 2021.

2.2.2. Detailed Terms on Definitive Agreements

Pursuant to the 2019-2021 Supply Agreements with Customers, SATT will enter into definitive agreements with each of the Africa Company 1, Africa Company 2 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 2019-2021 Supply Agreements with Customers. 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 Deliverables required to be sourced in the PRC.

2.2.3. Normal Commercial Terms

SATT and Africa Company 1, Africa Company 2 and PCSC agree that such detailed terms shall be on normal commercial terms or, if there are no sufficient comparable transactions to decide whether they are on normal commercial terms, fair and reasonable to Africa Company 1, Africa Company 2 and PCSC as well as SATT. The terms offered to Africa Company 1, Africa Company 2 and PCSC shall be no less favourable than those charged by SATT to potential independent third parties in the market where those companies are located.

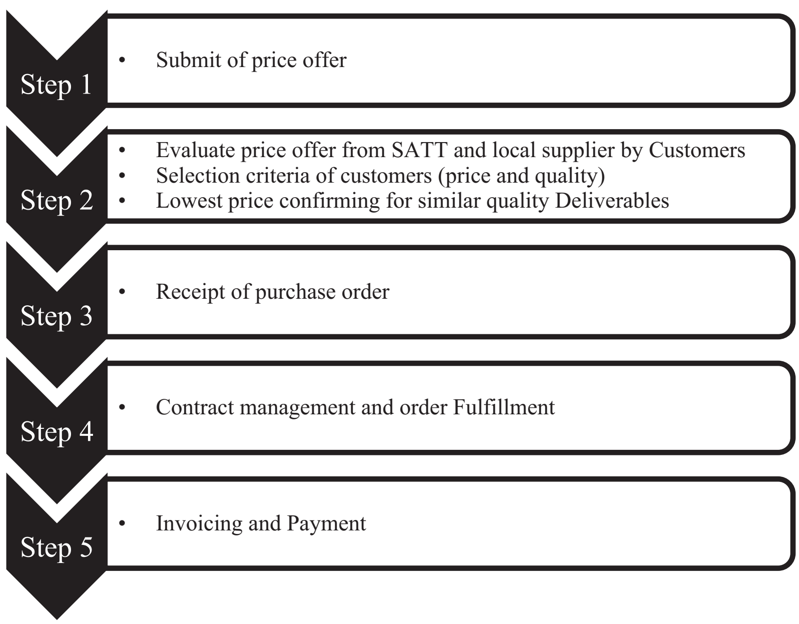
As at the Latest Practicable Date, SATT has not provided the Deliverables to independent third-party customers in the markets where the Africa Companies and PCSC are located. Even though SATT does not have direct evidence to show that the trade terms offered to the Africa Companies and PCSC are no less favourable than those offered to independent third-parties for the reason that SATT does not sell to any independent third-parties, the prices charged by SATT for the Deliverables will not be higher than and at most equal to the local market prices because SATT as a competitor to the local suppliers to the Africa Companies, PCSC and the potential independent third-party customers is not able to charge the prices higher than the local market prices or otherwise SATT cannot compete with the local suppliers. Therefore, the trade terms offered by SATT to the Africa Companies and PCSC is within the market range and will be no less favourable to the terms charged by SATT to potential independent third-party in the market.

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 the Deliverables are to be provided must be fair and reasonable. The 2019-2021 Supply Agreements with Customers detail specific pricing principles of the Deliverables. The pricing determination of the 2019-2021 Supply Agreements with Customers primarily remains consistent with that of the 2015-2017 Supply and Service Agreements with Customers. The prices charged by SATT will not be higher than and at most equal to local market prices because SATT as a competitor to the local suppliers to the Africa Companies, PCSC and the potential independent third-party customers is not able to charge higher than the local market prices or otherwise SATT cannot compete with the local suppliers. Therefore, the trade term offered by SATT to the Africa Companies and PCSC is within the market range and will be no less favourable to the terms charged by SATT to potential independent third-party in the market.

Price comparison process of customers and order fulfillment process of SATT



The flow of price negotiation of parties that will ensure the prices of the Deliverables charged by SATT to Africa Company 1, Africa Company 2 and PCSC will be no less favourable than the prices to be charged by SATT to independent third-party customers is as follows:

(i) The Africa Companies and PCSC will send procurement requests to SATT one year in advance of actual delivery.

(ii) After formulated the quantity and quality of procurement plan by SATT for the Africa Companies and PCSC, SATT will request quotation from China Complant.

(iii) On the basis of price quotation from China Complant, SATT will then add the price margin, as further explained below, for the value-added services embedded in the Deliverables provided by referencing to the prevailing local price or cost-plus price on top of the price quotation from China Complant and this become the formal price quotation to the Africa Companies and PCSC.

The price quotation by SATT to Africa Company 1, Africa Company 2 and PCSC will be higher than price quotation from China Complant and to be within the market range and will be comparable and competitive with the prices quoted from local suppliers. SATT will obtain two or more local price quotations to form the basis of its price quotations to its customers, the price quoted by SATT will be within the market range, which is higher or equal to the lowest local price quoted from the local suppliers but lower than the highest local price quoted from the local suppliers. If the prices quoted from local suppliers is much lower than the price quoted by SATT, Africa Company 1, Africa Company 2 and PCSC would not order from SATT. Also, if the prices quoted from local suppliers is lower than price quotation from China Complant, SATT would not transact with the Africa Companies and PCSC because it will create a loss to SATT.

Therefore, transaction between the China Complant, SATT and Africa Company 1, Africa Company 2 and PCSC will only be carried out when the price quoted by SATT to Africa Company 1, Africa Company 2 and PCSC is higher than the price quoted by China Complant but to be within the market range and will be comparable and competitive with the prices quoted from local suppliers.

Only after the above price negotiation, SATT will sign formal sales confirmation with China Complant and Africa Company 1, Africa Company 2 and PCSC respectively. This can ensure the transaction is on arms length.

The price will be determined in accordance with the following orders:

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

The local market price is defined as the price of the same Deliverables prevail in the local market.

(1) Situation where local price of the same Deliverables obtainable

Local market price shall be determined according to normal commercial terms based on the price at which the same type of the Deliverables 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 at the prevailing time. For country like Jamaica where PCSC enjoys 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 the same Deliverables x Imported duty adjustment (only applicable to PCSC)

(2) Situation where only local price of the similar Deliverables is obtainable

If, for any reason, the local market prices of the same Deliverables prevail in the local market cannot be obtained, the prices offered by at least two independent third parties in the local market price of the similar Deliverables will be used to determine the price for a particular Deliverables. The local price, if it is in Jamaica, will adjust the import duty tax as described in the 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 Deliverables.

Consideration = Local market price of similar Deliverables x Imported duty adjustment (only applicable to PCSC) x 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 (US$120,000 ÷ 1.20 x 7/10).

(3) Basis of pricing determination when same or similar local price is available

For the Deliverables where local market price is available, SATT adopts market-oriented (competition based) pricing for the Deliverables. SATT is adopting a competitive pricing strategy by following the prices of the competitors. The sales department of SATT has developed its own database for the price of the Deliverables charged by its competitors since its incorporation. The sales department of SATT sources its information by contacting the procurement department of the customers for gathering pricing information on their suppliers, contacting the procurement department of other sugar factories in the same region to obtain the competitor's price, searching through competitors' websites or researching through direct phone call with the competitors to obtain information about their prices. After obtaining those information, it will update its database.

When request for quotation from customer is received, the sales department of SATT will contact the sales department of China Complant to obtain quotation. SATT will determine if offer should be made to its customers after comparing the competitor's price in its database and the quotation obtained from China Complant. If the local market price is lower than the procurement cost from China Complant, SATT will not make the offer. SATT will only make the offer when the procurement cost from China Complant is higher than the local market price and a reasonable gross profit margin that should be achieved by a market participant is available to SATT. The sales department of SATT will set the gross profit margin with reference to the local market price by adding the implicit interest cost to form the final price offered to the consumers.

As the customers of SATT will procure elsewhere locally for a better price for the goods with exact quality as the Deliverables, SATT sets the price of the Deliverables either (i) at most the same as the lowest market price in the local market of same quality products on the basis of two or more of the market prices obtained from market research of SATT or (ii) if the lowest market price failed to enable SATT to earn reasonable gross profit margin that should be achieved by a market participant, SATT would instead add on top of its procurement cost the gross profit margin earned by the listed companies trading the similar products in the PRC but in this case, the final price offer may be higher than the lowest market price in the local market and SATT will probably not make the price quotation to the customers. By setting the price this way, SATT is actually following the market prices and will not charge a lower price than the local market prices and SATT will be able to maintain a reasonable gross profit that should be earned by market participant in the PRC. On top of the above referencing market price, SATT will then add interest cost on top the local market price. When comparing the different prices from different suppliers, the customers of SATT will exclude the interest cost portion as this is separately priced value-added service to the customers for the lengthening credit period to customers.

The above pricing policy demonstrates that the price setting process is actually determined on the basis of local market price which enables SATT to earn a reasonable gross profit that is in line other market practitioners in the market. Therefore, the Board assesses that pricing policy of SATT is on arm's length basis that both parties in the transaction are acting in their own best interest and are not subject to any pressure or duress from the other party and the pricing determination is under normal commercial terms and fair and reasonable as well as in the interest of the Company and its shareholders as a whole. Although SATT presently does not have independent third-party customers, SATT will follow the same pricing policy when SATT is setting the transaction price for the transactions with independent third-party customers (if any) in the future.

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

The sales department of SATT and its designated persons are mainly responsible for coordinating with Africa Company 1, Africa Company 2 and PCSC for checking the prices offered by at least two independent third parties, 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 two 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 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 the same or the similar Deliverables in local market are not available, it is determined on the basis of the principle of "cost plus" as the profit margin of same or the similar type of Deliverables 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 on the cost of the Deliverables purchased from the China Complant and the margin to be obtained by SATT. Those margins will make reference to average margin earned by at least two PRC listed companies engaged in the trading of the same or similar Deliverables. 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 and the sales department of SATT will update the relevant information yearly (to avoid the seasonal effect) in accordance to the most recent published annual financial statement of the listed company in the PRC.

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 Deliverables in the international market.

(3) Profit margins of each category

SATT charges the service fee for the technical support services at actual cost under previous 2015-2017 Supply and Service Agreement because it is providing an integrated services and solutions for Africa Companies and PCSC. The gross profit for arranging the ancillary technical services which 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. should have been taken into account in the gross profit of the Deliverables and therefore no additional gross profit is charged for the technical support services which will only be charged at cost. There are no circumstances under which SATT would supply technical support service to the customers on a stand-alone basis.

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

As there is no stand-alone technical support services to be provided at cost basis under the transaction category of “Consumables Procurement and Technical Support Services” which will be re-categorised as “Consumables Procurement”.

For the year 2019, the profit margin agreed between SATT and the Africa Company 1, Africa Company 2 and PCSC to add on the cost of the Deliverables 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 13.5% for steel and about 27.8% for spare parts for category in “Consumables Procurement”. These percentages would receive annual updates when applying to year 2020 and year 2021.

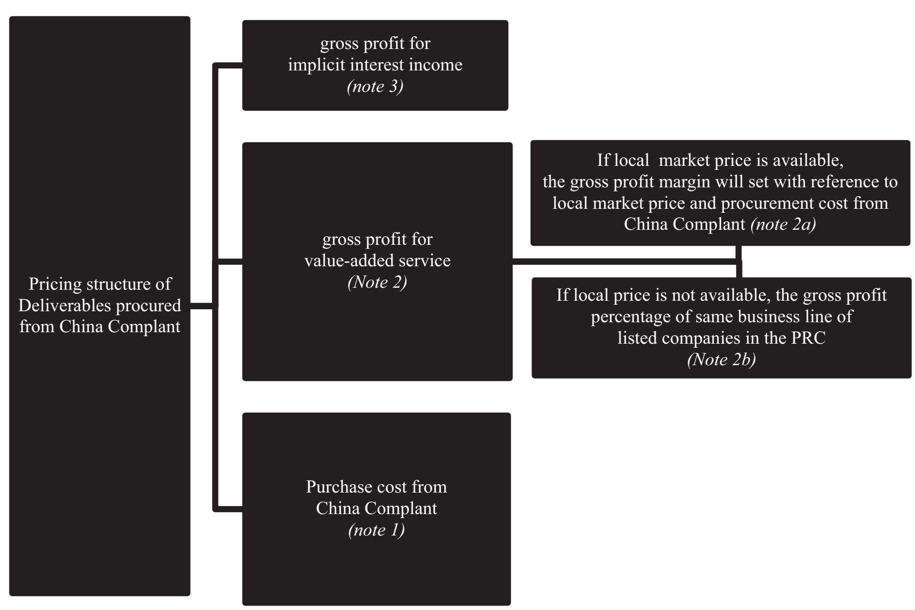
	Profit margin %
Consumables Procurement	13.5% - 27.8%
Chemicals and Fertilizer Procurement	19.9% - 21.2%
Fixed Asset Procurement	15.2% - 36.9%

The cost-plus data of the SATT of comparable listed companies for year 2019 is taken from website of http://www.10jqka.com.cn which the company website of Hithink Flush Information Network Co., Ltd. which is the internet financial information service company listed in Shenzhen Stock Exchange (stock code: 300033). Hithink Flush Information Network Co., Ltd. engaged in financial big data processing and financial information cloud services. As Hithink Flush Information Network Co., Ltd. is authorized by the Shanghai Stock Exchange, Shenzhen Stock Exchange and Hong Kong Stock Exchange as information service provider, the data sources are considered to be reliable. The gross profit data of listed companies is based on the analysis of the same industry categories of Deliverables for all listed companies in China for the year 2017 for applicable in 2019 and will further update when the listed company information for year 2018 is available in mid of 2019.

2.3.3. Pricing Structure

Below two diagrams depict two different pricing structures under the First Supplemental Agreements:

Pricing Structure I — Deliverables procured China Complant



Note 1: This represents the direct product cost from China Complant.

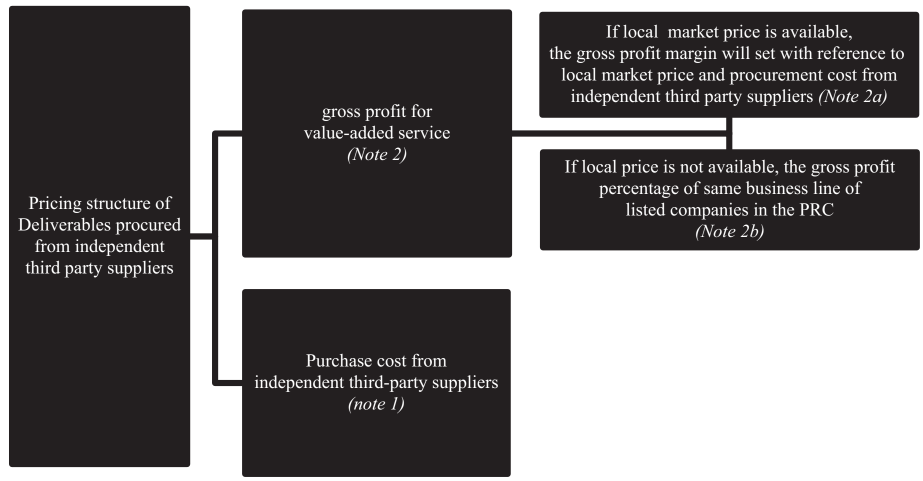
Note 2: This represents the portion of gross profit earned by SATT on provision of value-added service on procurement to customers.

Note 2a: If local market price is available, the gross profit margin will be set with reference to local market price after taking into consideration the procurement cost from China Complant. If the local market price is lower than the procurement cost from China Complant, SATT will not make the price offer. SATT will only make a price offer when the procurement cost from China Complant is lower than the local market price and the target gross profit margin that should be achieved by a market participant can be obtained by SATT.

Note 2b: If the information of the local price is not available, the gross profit will be equal to average margin earned by at least two PRC listed companies engaged in the trading of same or similar Deliverables.

Note 3: This represents the portion of gross profit earned by SATT on provision of additional credit term for 365 days. The interest cost is calculated on basis of additional interest cost borne by SATT for extension of credit term from 30 days to 365 days. Since China Complant agreed to provide credit-free period of 365 days for its procurement if the SATT's customers are its fellow subsidiaries and therefore SATT will not charge interest on the procurement cost from China Complant. There is no additional cost for SATT in granting additional credit term for that part of cost. However, SATT will incur additional finance burden for the extension of credit term from 30 days to 365 days on the price portion of its gross profit for its value-added services. As a result, SATT is following the market practice of charging interest for additional 11 months credit term extended to the customers. The interest rate is calculated with reference to the prevailing official benchmark one-year lending rates set by People's Bank of China which is presently of 4.35% per annum (http://www.pbc.gov.cn/zhengcehuobisi/125207/125213/125440/125838/125885/125896/2968998/index.html). It will be 4% (i.e. 4.35%/11 months = 4%) on top gross profit of SATT. The rate is regarded as fair and reasonable as this rate is calculated on basis of rate that SATT will have to pay obtain its own external bank financing in the PRC.

Pricing Structure II — Deliverables procured from Independent third-party suppliers



Note 1: This represents the direct product cost from independent third-party supplier.

Note 2: This represents the portion of gross profit earned by SATT on provision of value-added service on procurement to its customers.

Note 2a: If local market price is available, the gross profit margin will be set with reference to local market price after taking into consideration the procurement cost from independent third party suppliers. If the local market price is lower than the procurement cost from independent third party suppliers, SATT will not make the price offer. SATT will only make the price offer when the procurement cost from independent third party suppliers is lower than the local market price and the target gross profit margin that should be achieved by a market participant can be obtained by SATT.

Note 2b: If local price is not available, the gross profit will be equal to average margin earned by at least two PRC listed companies engaged in the trading of same or similar Deliverables.

2.4. Payment terms

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

The rationale for this revision of term is due to the difference of credit terms of the procurement offered to SATT by independent third-party suppliers and China Complant. The procurement from independent third-party suppliers will usually have 30 days credit period and the procurement from China Complant will have a credit period of 365 days. Therefore, SATT can only offer the same payment term it received from its suppliers to its customers. The Revised Payment Term is to align the credit terms received by SATT to payment terms offered by SATT to its customers. The settlement of the payables to China Complant by the SATT would only be made after the receipt of the receivables from the customers by SATT.

Due to this revision, the price of Deliverables with independent third-party suppliers will not include of implicit interest cost but the price of Deliverables from China Complant will include implicit interest cost on gross profit earned by SATT. This is in line with market practice in way that this is actually represent provision of credit by SATT for delay of SATT of receiving the gross profit on its value-added service. SATT should not and will not charge interest on procurement cost to China Complant which provides credit period of 365 days as this do not incur additional finance cost for SATT in turn providing the same 365 days to its Customers on that part.

Invoices will be issued after the Deliverables have reached the designated port and passed the quality inspection. Payment should be made in 365 days following the invoice date by bank transfer, bank draft or other mutually agreed methods. The payment terms under 2019-2021 Supply Agreements with Customers are after due consideration of the bearing capability of financial cost for the credit period on the profit margin generating from those transactions.

Such long payment term is justified because (i) each of Africa Company 1, Africa Company 2 and PCSC which engaged in sugar cane plantation and sugar manufacturing industry has special needs on credit period. The special need of the 365 days credit period arises from the long production cycle of the sugar cane plantation and sugar manufacturing industry which will take about 365 days from planting the seed canes to the collection of sales proceed from disposal of raw sugar. The 365 days credit period is a genuine business needs of Africa Company 1, Africa Company 2 and PCSC; and (ii) the implicit finance cost borne by SATT in granting the 365 days credit period to Africa Company 1, Africa Company 2 and PCSC, will actually be taken into consideration when setting the selling price with Africa Company 1, Africa Company 2 and PCSC. The selling price so set will not be lesser than the gross profit earned by SATT from independent third parties plus the implicit finance cost.

The long payment term of 365 days will enable SATT to obtain more revenue from the customers. If SATT shortened the credit period offered to the customers, the orders from the customers would decrease due the liquidity constraint of the long production cycle of about one year from sugar cane growth to sales of raw sugar of the customers. Therefore, the long payment term of 365 days is beneficial and in the interest of the Company.

SATT can provide the customers with 365 days' credit period because China Complant will also provide 365 days' credit period to SATT. The implicit interest cost is calculated by adding one-year interest cost on top of the estimated gross profit on the Deliverables. SATT will only provide 30 days' credit period to the customers for Deliverables not from China Complant which is in line with the market practice that the suppliers in the PRC and the African countries will in general provide 30 to 60 days' interest-free credit period upon receipts of goods to its customers for the reason that their suppliers will also provide them with similar credit period of 30 to 60 days' interest-free credit period and they will in general charge interest at prevailing loan interest rate on the amount past due. Therefore, SATT is actually following the same general market practice in the way that SATT is provided same interest-free period of 365 days for the portion of cost that China Complant is providing 365 days' interest-free period but for that part of cost to be borne by SATT (which is the gross profit portion) SATT will charge implicit interest into the selling price for the provision of credit period of 365 days (this is the same market practice of charging interest on amount past due). The above demonstrates that SATT is following the general market practice in the PRC and the African countries on the provision of credit period to their customers.

If SATT had independent third-party customers, other than subsidiaries of China Complant, China Complant would not grant 365 days to SATT on that procurement in the PRC. If SATT was to grant the same credit period of 365 days to independent third-party customers, SATT would need to delay the settlement with China Complant as SATT would have to wait for settlement of independent third-party customers before it can make payment to China Complant, China Complant would charge interest on SATT on the outstanding balances of the procurement. Therefore, SATT has to compute the implicit interest on procurement cost from China Complant and implicit interest on gross profit earned by SATT to charge on independent third-party customers while the ceiling price that can be charged by SATT is still at top of the local market price or otherwise SATT cannot compete with local suppliers.

Below two cases are for illustration purpose only: assuming that the purchase price from China Complant is US$60, gross profit margin of SATT is 40% on procurement cost from China Complant, implicit interest at 4% per annum (SATT will make reference to one-year loan benchmark interest rate announced by People's Bank of China for setting the implicit interest which is about 4% in year 2019) and local market price is US$100.

Illustrative case 1: Selling price determination to Africa Company 1, Africa Company 1 and PCSC: the price will be US$85 with net gross profit of US$25, which is calculated as the procurement cost from China Complant of US$60 + gross Profit of SATT US$24 (i.e. US$60 * 40%) + implicit interest US$1 (i.e. US$24 * 4% = US$1).

Illustrative case 2: Selling price determination to independent third-party customers, the price will be US$87 with net gross profit of the same of US$25, which is equal to equal to procurement cost from China Complant of US$60 + gross Profit of SATT US$24 (i.e. US$60 * 40%) + implicit interest US$3 (i.e. US$60 + US$24) * 4%) - US$2 interest payment to China Complant for delay in settlement (i.e. US$60 * 4%).

The above illustrative cases demonstrate that the selling price so set with Customers will not be lesser than the gross profit earned by SATT from independent third parties on basis of the pricing determination procedures set out under paragraph 2.3 pricing determination.

On that above basis, the Board takes the view that the payment term is on normal commercial terms or terms no less favourable to the terms available to or from independent third parties under the same business setting.

2.5. Quantity of Deliverables

In last quarter of each year, Africa Company 1, Africa Company 2, and PCSC will provide to SATT an annual assessment of the Deliverables that they require for coming year and both parties shall agree on quantity of Deliverables under this yearly plan.

For 2018, the agreed total quantity of Consumables Procurement is of a total weight of approximately 1,004,000 kg, Chemicals and Fertilizer Procurement of a total weight of 15,280,000 kg and Fixed Assets Procurement of a total weight of 270,800 kg. The maximum amount monetary value of Deliverables agreed for year 2018 for Africa Company 1, Africa Company 2 and PCSC is US$16,797,000 (approximately HK$130,246,000). The delayed delivery for 2018 is now rescheduled to deliver in 2019 under the First Supplemental Agreements.

2.6. Quality of Deliverables

The quality of the Deliverables to be provided should be satisfactory to the recipient.

2.7. *The Revised 2019-2021 Proposed Annual Caps with Customers*

The Board has considered and proposed that the following proposed maximum values in respects of each of the three categories of the Deliverables will serve as the annual caps of the relevant category for the period from approval by Independent Shareholders at the EGM to 31 December 2021.

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

In 2018, the customers fulfill their needs for the Deliverables by partly utilizing the Deliverables from existing inventories and partly purchasing from locally from independent third-party suppliers. Due to long transportation time and procurement cycle from the PRC to countries where the customers located, the customers usually maintained a high volume of safety stocks. The above consumption of inventories in 2018 has reduced the safety stock level to a very low level. However, in order to preserve more working capital, the customers did not have plans for placing additional orders to replenish the consumed safety stocks. On that basis, the Board takes the view that 2019 Proposed Annual Caps with Customers is sufficient.

The table shown below the historical amounts, the 2015-2017 Approved Annual Caps with Customers and the Revised 2019-2021 Proposed Annual Caps with Customers under the three categories of the Deliverables together with the historical utilization rate analysis:

Transaction categories	Historical amounts Historical utilisation rate			2015-2017 Approved Annual Caps with Customers			Revised 2019-2021 Proposed Annual Caps with Customers		
	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Year ending 31 December 2019	Year ending 31 December 2020	Year ending 31 December 2021
Consumables Procurement and Technical Support Services (now re-categorised as "Consumables Procurement")	US$7,942,000 (approximately HK$61,555,000)	US$6,019,000 (approximately HK$46,680,000)	US$8,130,000 (approximately HK$63,043,000)	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)	US$7,996,000 (approximately HK$62,004,000)	US$8,264,000 (approximately HK$64,079,000)	US$8,504,000 (approximately HK$65,938,000)
	42.8%	31.2%	40.5%						
Chemicals and Fertilizer procurement	US$2,919,000 (approximately HK$22,625,000)	US$3,934,000 (approximately HK$30,507,000)	US$5,298,000 (approximately HK$41,084,000)	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)	US$7,267,000 (approximately HK$56,347,000)	US$7,678,000 (approximately HK$59,533,000)	US$8,020,000 (approximately HK$62,189,000)
	22.1%	28.6%	37.0%						
Fixed Asset Procurement	US$26,959,000 (approximately HK$208,955,000)	US$1,535,000 (approximately HK$11,901,000)	US$1,396,000 (approximately HK$10,821,000)	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)	US$1,534,000 (approximately HK$11,895,000)	US$1,564,000 (approximately HK$12,131,000)	US$1,583,000 (approximately HK$12,276,000)
	67.5%	3.7%	3.2%						
Total	US$37,820,000 (approximately HK$293,135,000)	US$11,488,000 (approximately HK$89,088,000)	US$14,824,000 (approximately HK$114,948,000)	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)	US$16,797,000 (approximately HK$130,246,000)	US$17,506,000 (approximately HK$135,744,000)	US$18,107,000 (approximately HK$140,402,000)

2.7.1. Consumables Procurement and Technical Support Services (now re-categorised as "Consumables Procurement")

The Revised 2019-2021 Proposed Annual Caps with Customers for consumables Procurement and technical support services to be provided by SATT to Africa Company 1, Africa Company 2 and PCSC were determined with reference to (i) the historical amount of transactions; (ii) the estimated business growth of the Africa Company 1, Africa Company 2 and PCSC; and (iii) the potential price fluctuations in both the international and domestic markets.

As indicated in the above table of the historical utilisation rate of 2015-2017 Approved Annual Caps with Customers for consumables procurement and technical support services were approximately 42.8%, 31.2% and 40.5% respectively for three years ended 31 December 2017, the unutilised percentage were approximately 57.2%, 68.8% and 59.5% respectively. The three-year average utilization rate was approximately 38.2% and the three-year average utilization rate was approximately 61.8%. Out of this 61.8% shortfall, approximately 26.5% was explained by the suspension of operation of Africa Company 3 and Africa Company 4 since 2015 due to local outbreak of labour strike and infectious disease and the remaining 35.3% was explained by the reduction in scale of annual factory overhaul resulting in the decrease in purchase of consumptive spare parts to preserve working capitals because of the decrease in global sugar price reduced their revenue.

2.7.2. Chemicals and Fertilizer Procurement

The Revised 2019-2021 Proposed Annual Caps with Customers for chemicals and fertilizer procurement to be provided by SATT to Africa Company 1, Africa Company 2 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 Africa Company 1, Africa Company 2 and PCSC; and (iii) the potential price fluctuations in both the international and domestic markets for Chemicals and Fertilizer Procurement.

As indicated in the above table of the historical utilisation rate of 2015-2017 Approved Annual Caps with Customers for chemicals and fertilizer procurement was approximately 22.1%, 28.6% and 37.0% respectively for three years ended 31 December 2017, the unutilised percentage were approximately 77.9%, 71.4% and 63.0% respectively. The three-year average utilization rate was approximately 29.2% and the three-year average untilizated rate was approximately 70.8%. Out of this 70.8% shortfall, 20.7% was explained by the suspension of operation of Africa Company 3 and Africa Company 4 and the remaining 50.1% was explained by part of the annual purchases of customers of SATT had shifted to local procurement instead of purchasing through SATT. The reason is that the prices of chemicals and fertilizers fluctuate significantly yearly in local market and in the PRC market, the customers will compare prices offered from local suppliers and that from SATT. This higher shortfall rate indicated that the local selling price of some fertilizers and chemicals were lower domestically of the prices quoted from local suppliers than price offered by SATT and so this had shrined the orders placed through SATT during the three years ended 2017.

The previously signed 2015-2017 Supply and Service Agreements with Customers as well as the 2019-2021 Supply Agreements with Customers contain restrictive provisions for the Africa Companies and PCSC to exclusively purchase the Deliverables from SATT sourced in the PRC. Due to the special natures of the sugar industry with a long supply lead time with great variety of Deliverables and the long distance of transportation, Africa Company 1, Africa Company 2 and PCSC must place order to its suppliers at least one year in advance. This creates practical difficulty for Africa Company 1, Africa Company 2 and PCSC to shift suppliers in the PRC. Furthermore, if SATT finds that any of Africa Company 1, Africa Company 2 and PCSC is in default with terms of 2019-2021 Supply Agreements with Customers by purchasing the Deliverables from other suppliers in the PRC without prior consent from SATT, SATT will have the right to terminate the supply of all other Deliverables to Africa Company 1, Africa Company 2 and PCSC and seek compensation, which will cause serious disruption to the business of the Africa Companies and PCSC and effectively deter the Africa Companies and PCSC from breaching the restrictive provisions in the 2019-2021 Supply Agreements with Customers.

There are generally two situations where the Africa Companies and PCSC will procure fertilizers locally, the first of which is the fertilizer price in the PRC is higher than that of in the African countries and Jamaica and the second is there is a shortage of supply in the PRC due the interrupted production of the PRC suppliers.

2.7.3. Fixed Asset Procurement

The Revised 2019-2021 Proposed Annual Caps with Customers for fixed asset procurement were determined with reference to the anticipated year 2019 to year 2021 fixed assets addition and replacement plans of Africa Company 1, Africa Company 2 and PCSC.

As indicated in the above table of the historical utilisation rate of 2015-2017 Approved Annual Caps with Customers for fixed asset procurement was approximately 67.5%, 3.7% and 3.2% respectively for three years ended 31 December 2017, the unutilization percentage was approximately 32.5%, 96.3% and 96.8% respectively. The three-year average utilization rate was approximately 24.8% and the three-year average untilizated rate was approximately 75.2%. Out of this 75.2% shortfall, 11.6% was explained by the suspension of operation of Africa Company 3 and Africa Company 4 and the remaining 63.6% was explained by the customers curtailed their expenditures on capital investment when the unfavorable sugar market conditions increased their business risk.

2.7.4. Basis of Determination of the Revised 2019-2021 Proposed Annual Caps with Customers

In determining the Revised 2019-2021 Proposed Annual Caps with Customers, the Directors generally have taken into consideration the anticipated reductions in demand from customers in present market environment of Africa Company 1 and Africa Company 2 and the suspending operations which include the Bernard Lodge and Monymusk Sugar Estate and Monymusk Sugar Factory under PCSC and the Africa Company 3, Africa Company 4 as well as CBB (both of them have suspended the renewal the 2019-2021 Supply Agreements with Customers until their operations resumed). This reflected in the reduction in the Revised 2019-2021 Proposed Annual Caps for the Consumables Procurement, Chemicals and Fertilizer Procurement and Fixed Asset Procurement in yearly average by approximately 57.3%, 44.4% and 96.2% respectively as compared with yearly annual caps with the 2015-2017 Approved Annual Caps with Customers. In light of proper adjustment has been made to the Revised 2019-2021 Proposed Annual Caps with Customers for the Continuing Connected Transactions with Africa Company 1, Africa Company 2 and PCSC, the Directors are of the view that the above Revised 2019-2021 Proposed Annual Caps with Customers in relation to the Deliverables to be provided by SATT to Africa Company 1, Africa Company 2 and PCSC are fair and reasonable.

As further explained below, the Directors believe that the Consumables Procurement, the Chemicals and Fertilizer Procurement for the years 2019 to 2021 will sustain at level approximately the Consumables Procurement, the Chemicals and Fertilizer Procurement for the year ended 31 December 2017.

The basis for the determination of the Revised 2019-2021 Proposed Annual Caps with Customers under each of three categories and its percentage change with the actual procurement of 2017 are as follows:

(1) Consumables Procurement

The quantity of Consumables Procurement used for determining the Revised 2019-2021 Proposed Annual Caps with Customers is determined on the basis of annual agricultural and industrial production plan for the next three years by using the bill of materials. The bill of material contains a board list of the Consumables and the quantities of each Consumable that will be needed to grow for each ton of sugar cane and to manufacture each ton of end product. More specific procurement plan will be provided one year in advance after taking into account the warehouse inventories position, the repair and maintenance plans and the updated annual agricultural and industrial plan. The quantity will then multiple with the estimated local market price or cost-plus price to derive the annual caps for next years.

The Revised 2019-2021 Proposed Annual Caps regarding Consumables Procurement for 2019 to 2021 are approximately 98%, 102% and 105% of the actual Consumables Procurement of 2017 respectively. It is expected that there is an approximately 2% decrease in 2019 and approximately 2% and 5% increase in 2020 and 2021 as compared with 2017. The approximately 2% decrease for 2019 is due to the expected decrease in Consumables Procurement of 2% and 5% decrease in Consumables Procurement from Africa Company 1 and Africa Company 2 respectively. This change is within the 10% acceptable normal fluctuation threshold. This normal yearly fluctuation is caused by different factors such as different kinds and quantity of spare parts at different life cycle stage of the plant and equipment under the annual factory overhaul plan and the price adjustment for the possible fluctuation in inflation and foreign exchange.

(2) Chemicals and Fertilizer Procurement

The quantity of Chemicals and Fertilizer Procurement used for determining the Revised 2019-2021 Proposed Annual Caps with Customers is determined on the basis of annual agricultural and industrial production plan for the next three years by using the bill of materials. The bill of material contains a board list of the Chemicals and Fertilizer and the quantities of each Chemicals and Fertilizer that will be needed to grow each ton of sugar cane and manufacture each ton of raw sugar and molasses. More specific procurement plan will be provided one year in advance after taking into account the warehouse inventories position, expected rainfall, cane root age and growing cane quality and the yearly updated soil situation and the yearly updated annual agricultural and industrial plan. The quantity will then multiple with the estimated local market price or cost- plus price to derive the annual caps for next three years.

The Revised 2019-2021 Proposed Annual Cap with Customers regarding Chemicals and Fertilizer Procurement for 2019 to 2021 is approximately 137%, 145% and 151% of the actual Chemicals and Fertilizer Procurement of 2017. It is expected that there will be an increase of approximately 37%, 45% and 51% respectively for 2019 to 2021 as compared with 2017. Those increase is mainly brought by the expected orders of approximately HK$13.7 million, HK$14.9 million and HK$16.3 million respectively for 2019 to 2021 from PCSC which is a result of the planned shifting of chemicals and fertilizer procurement from local market to the PRC market after the recent improvement in inventory facility to store large volume of overseas shipments of chemicals and fertilizer from the PRC in replacement of the more expensive local supplies since 2019. The increase in Chemicals and Fertilizer Procurement is mainly for the propose of improving the sugar plantation for PCSC to improve the raw sugar and molasses output level from 2019 to 2021.

(3) Fixed Assets Procurement

The quantity of the Fixed Assets Procurement used for determining the Revised 2019-2021 Proposed Annual Caps with Customers is proposed in accordance to the plant and equipment renewal plans of customers. More specific fixed assets procurement plan will be provided one year in advance after taking into account the plant and equipment status and the available of working capital for long term investment.

The purchase amount is based on the quantity of fixed assets multiplying with the estimated local market price or cost- plus price to derive the annual caps for the next three years.

The Revised 2019-2021 Proposed Annual Cap with Customers regarding of Fixed Assets Procurement for 2019 to 2021 is approximately 110%, 112% and 113% of the actual Fixed Assets Procurement of 2017. It is expected that there will be an increase of approximately 10%, 12% and 13% respectively for 2019 to 2021 as compared with 2017. The annual caps for Fixed Assets Procurement for 2019 to 2021 of approximately HK$11.9 million, HK$12.1 million and HK$12.3 million respectively was derived taking into account that Africa Company 2 has planned to replace some of farming machine and PCSC has planned to expand the small packing sugar production line for the next three years ending 31 December 2021.

2.8. Reasons for and benefits of continuation of Continuing Connected Transactions under the 2019-2021 Supply Agreements with Customers

Due to the historical connection and long-term cooperation relationship between the Group and Africa Company 1, Africa Company 2 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 2019-2021 Supply Agreements with Customers between SATT and Africa Company 1, Africa Company 2 and PCSC, as the transactions with Africa Company 1, Africa Company 2 and PCSC will help to maintain existing business scale and generate satisfactory cash flow for operation of the Group. As at the date of the announcement, Africa Company 1, Africa Company 2 and PCSC are the only three customers of SATT. Also, the Continuing Connected Transactions with Africa Company 1, Africa Company 2 and PCSC enable SATT to supply Africa Company 1, Africa Company 2 and PCSC with the necessary Deliverables in reasonable time and at reason price and 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 favorable 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.

2.9. *Potential reliance issue on the 2019-2021 Supply Agreements with Customers*

During the years 2015 to 2017, the revenue from Africa Company 1 to 4 and including intercompany sales to PCSC and CBB accounted for approximately 49.7%, 25.8%, 44.8% respectively of the total revenue including intercompany sales of the Group. Since PCSC is a subsidiary owned as to 70% by the Company and CBB is a subsidiary owned as to 90% by the Company, their revenue will be eliminated on consolidation. Therefore, a better and more sensible approach is to analyze the reliance issue by excluding intercompany sales to PCSC and CBB in which the percentage will consequently decrease to approximately 19.1%, 22.0%, 41.0% respectively for the three years ended 31 December 2017.

For the years 2019 to 2021, the expected revenue from Africa Company 1 and Africa Company 2 including intercompany sales to PCSC will account for approximately 50.2%, 49.0%, 47.6% respectively of the total revenue under latest forecasts including intercompany transactions of the Group. However, the revenue excluding intercompany sales to PCSC will cause the percentage to decrease to approximately 43.5%, 42.3%, 40.8% respectively.

The above calculations were based on the forecasted revenue of SATT and PCSC. The projection of SATT's revenue is made by reference to the Revised 2019-2021 Proposed Annual Cap with Customers. The Revised 2019-2021 Proposed Annual Caps with Customers is determined based on the annual procurement plan from the customers. The projection of PCSC's revenue is made by reference to the estimated agricultural sugar cane output and amount of purchase sugar cane and the estimated manufacturing production output during 2019 to 2021. The explanation of the basis of the forecasts and the analysis of the key parameters are shown in below tables:

Table 1: Proportion of the respective revenue from SATT and PCSC excluding intercompany transaction

	2017*	**2019**	**2020**	**2021**
PCSC	59%	57%	58%	59%
SATT	41%	43%	42%	41%
	100%	100%	100%	100%

* As SATT has no revenue for 2018, 2017 revenue composition is used for comparative figures for the forecasted period of 2019 to 2021.

Table 1 shows the proportion of the respective revenue of SATT and PCSC during the forecast period of 2019 to 2021. There is no material change in the revenue composition during the forecast period from 2019 to 2021 as compared with 2017.

PCSC is engaged in sugar cane plantation and sugar manufacturing business in Jamaica. PCSC has been operating sugar estates and sugar factories in Jamaica since 15 August 2011. All the sugar products including raw sugar and molasses of PCSC are sold to independent third parties, being the customers located in Jamaica, European countries and U.S.A..

The total number of external suppliers (other than SATT) of PCSC, including all the sugar cane farmers, was nearly one thousand in 2017. The total number of external suppliers of consumables, chemicals and fertilizer and fixed assets (other than SATT) was of 56 in 2017. Table 1(a) shows the actual purchase of PCSC from SATT in 2017 and the annual cap for 2019 to 2021 of SATT of each of the three categories as percentage of actual and forecast cost of goods sold of PCSC. The approximate percentage of goods sourced by PCSC from SATT and the external suppliers is 13% and 87% respectively in 2017. The expected percentage of goods to be sourced by PCSC from SATT and the external suppliers from 2019 to 2021 is approximately 25% and 75% respectively in each year from 2019 to 2021. The expected increase in percentage is driven up due to the expected increase in chemicals and fertilizers procured by PCSC from SATT to replace the local purchase in Jamaica which increase from approximately 1% of cost of goods sold in 2017 to approximately 12% in 2019 to 2021.

Table 1(a): Proportion of the respective supplies from SATT and from other independent third-party suppliers of PCSC

	2017 *(Note 1)*	2018 *(Note 2)*	2019 *(Note 3)*	2020 *(Note 3)*	2021 *(Note 3)*
Consumables from SATT	11.9	—	13.0	12.5	12.3
Chemicals and fertilizers from SATT	0.8	—	11.2	11.5	12.1
Fixed assets from SATT	0.1	—	0.8	0.8	0.8
Total percentage of supplies from SATT (Note 4)	12.8	—	24.9	24.8	25.2
Total percentage of supplies from other independent third-party suppliers (Note 4)	87.2	100.0	75.1	75.2	74.8
	100.0	100.0	100.0	100.0	100.0

Note 1: The percentage of actual purchase from SATT over actual cost of goods sold of PCSC in 2017.

Note 2: There was no continuing connected transaction entered into between SATT and PCSC in 2018.

Note 3: The percentage of annual caps for 2019 to 2021 from SATT respectively over expected cost of goods sold of PCSC for 2019 to 2021 respectively.

Note 4: The consumables, chemicals and fertilizers and fixed assets sourced from SATT and the external suppliers are not the same.

In 2017 and the forecasted period from 2019 to 2021, the consumables purchased from independent third parties were/are the spare parts for agricultural machinery with larger and higher horsepower with country of origin in U.S.A. that are suitable for larger farmland or other spare parts for the old plant and machinery that with a country of origin other than PRC. Those spare part with country of origin of U.S.A. or country other than U.S.A. have restrictive distribution rights that must be sourced by PCSC directly from U.S.A. or other local distribution agents in Jamaica but they are not allowed to import from PRC by SATT to Jamaica while the consumables from SATT forming part of the Deliverables are the spare parts for agricultural machinery that are smaller with less horsepower which are suitable for smaller farmland or spare part for other plant and machinery with country of origin in the PRC that can be imported directly from PRC. The consumables from independent third parties and from SATT are not the same kinds and there will be no overlapping between them. In 2017, PCSC also sourced from independent third parties different kinds of chemicals and fertilizers locally while PCSC only procure from SATT the chemical of flocculants that did not have supply locally in Jamaica. PCSC sourced one fixed assets of a tailor-made application computer server specifically designed by system consultant engaged by SATT in the PRC to have tailor-made application preinstalled and pretested in the PRC before shipment in 2017. That tailor-made application computer server cannot be supplied by other independent third parties in Jamaica and will not be the same of other computer sourced in Jamaica. The different kind of chemicals and fertilizers and fixed assets procured from SATT in 2017 only accounted for 0.8% and 0.1% of cost of goods sold of PCSC.

In 2019-2021, it is expected that there will be no overlapping between the kind of goods procured from other independent suppliers and SATT. The only major change is that SATT will replace some more expensive local supplies of chemicals and fertilizers due to improvement in warehouse management system of PCSC to store overseas purchase.

Table 2: Annual revenue growth excluding intercompany transactions as compared with their previous revenue

	2017 vs 2019	**2018 vs 2019**	**2019 vs 2020**	**2020 vs 2021**
PCSC	N/A*	-5%	+9%	+9%
SATT	+1%	N/A**	+4%	+3%
Overall			+7%	+7%

* The figure in the forecasted period of 2019 to 2021 will compare with the figures in the 2018 management account.

** As SATT has no revenue in 2018, 2017 revenue composition is used for comparative figures.

Table 2 shows their respective revenue percentage change of SATT and PCSC as compared with their previous revenue. The analysis and explanation of the fluctuation will be illustrated in below Table 3 and Table 4.

Table 3: PCSC — Forecasted sales volume and sales average price change as compared with 2018 management accounts

	2018 vs 2019	**2019 vs 2020**	**2020 vs 2021**
Raw sugar			
Sales volume change	-18%	+5%	+5%
Sales price change	+22%	+4%	+4%
Molasses			
Sales volume change	-36%	+5%	+5%
Sales price change	+4%	+5%	+5%
Overall change	-5%	+9%	+9%

Table 3 further breakdowns the percentage change of revenue of PCSC into percentage change in sales volume and sale price. During the forecasted period, the revenue contribution ratio of PCSC is attributable to approximately 90% and 10% from the two products of raw sugar and molasses respectively.

Explanation for the fluctuations shown in Table 3:

The overall forecasted revenue of PCSC decreases by 5% in 2019 and increases by 9% for 2020 and 2021 respectively. Those change is brought by the forecasted change in sales volume and price of raw sugar and molasses.

In terms of sales volume, both the sales volume of raw sugar and molasses were expected to decrease in 2019 as the Monymusk Sugar Factory is not expected to be operated during the forecast period from 2019 to 2021. In 2018, the Monymusk Sugar Factory resumed its operation and produced approximately 7,700 tonnes of sugar and approximately 6,400 tonnes of molasses, which accounted for approximately 30% of sugar and molasses. The Board expects the government of Jamaica will operate the Monymusk Sugar Factory to maintain the livelihood of the surrounding local farmers but the revenue will not belong to PCSC and no firm decision was yet made by government of Jamaica at the Latest Practicable Date. At present, PCSC has tried various means to increase the agricultural and production management and is continuously improving the protruded process to boost the output. The measures include that the agricultural production technicians of the suspended Monymusk Sugar Estate can now join to improve the agricultural operation in Frome Sugar Estate (where there is better innate condition of abundant rainfall and so less irrigation cost is incurred) and strengthening sugar cane field management for better fertilization and weeding. Extensive maintenance works on farm agricultural and farm transportation equipments have been launched to ensure smooth operation of the agricultural and harvesting activities. More extensive soil analysis will be further carried out to formulate more reasonable fertilization plan and fertilization time to ensure the optimal growth of sugarcane. Therefore, it is expected that the quality and quantity of sugarcane will be significantly improved since 2019. Such improvement in production management is expected to increase the output of Frome Sugar Estate and Frome Sugar Factory by approximately 12% in 2019 and 5% in 2019 to 2021.

On the other hand, the drop in international sugar prices and the higher local price of 20kg small pack sugar in Jamaica created a huge price difference for small pack sugar trader using illegal mean to smuggle imported sugar into Jamaica and repack into small pack in 2018 which shrunk the market share of PCSC in Jamaica. As a result, PCSC needs to increase the ratio of export and domestic sales from approximately 30:70 to 60: 40 in 2018 in order to maintain the overall revenue and the average unit selling price was driven down consequently by approximately 26% as the export price of raw sugar was much lower than domestic price in 2018. In response to the smuggling problem, the domestic manufacturers and the Jamaican government held several meetings in which the government of Jamaica agreed to crackdown the sugar smuggling into Jamaica from 2019. In 2019, various local manufacturers have also come up with an agreement on price floor for the raw sugar. The sales price of 50kg large pack in 2019 will not be less than J$120,000/ton, an increase of approximately 13% from 2018, and the sales price of 20kg small pack will not be less than J$140,000/ton, an increase of approximately 12% from 2018. With the installation of small pack production line by PCSC itself to replace the inefficient subcontractors and the effort in improving the local sales channel, PCSC expects the more expensive small pack will account for approximately 41% to 48% of the total sales volume from 2019 to 2021 as compared with approximately 12% in 2018. With the above remedial measures and a pick-up on export price of raw sugar of approximately 10% in 2019, the export and domestic sales ratio is expected to return to the normal level of approximately 30:70 from 2019 to 2021 and the average sales price of raw sugar is expected to pick up by 22% in 2019 and 4% in 2020 and 2021.

Table 4: SATT — Forecasted sales volume and sales average price change excluding intercompany transaction

	2017* vs 2019	**2019 vs 2020**	**2020 vs 2021**
Consumables Procurements			
Sales volume change	-5%	+2%	+2%
Sales price change	+1%	+2%	+2%
Chemicals and Fertilizers Procurements			
Sales volume change	+3%	+3%	+3%
Sales price change	+4%	+2%	+2%
Fixed Assets Procurements			
Sales volume change	-1%	-1%	+0%
Sales price change	+4%	+2%	+1%
Overall change	+1%	+4%	+3%

* As SATT have no revenue for 2018, therefore 2017 revenue of SATT is used for used to calculate the comparative percentage for 2019.

Table 4 further breakdowns the percentage change of revenue of SATT into percentage change in sales volume and sale price.

Explanation for the fluctuations shown in Table 4:

The above table shows that all three category of Deliverables excluding intercompany transaction only has a single digit change. The Directors regarded the above single digit change to be normal as this single digit change is within the normal fluctuation threshold of 10%. Those normal threshold changes can be caused by factors such as soil, rainfall situation, sugar cane quality and quantity that will affect the Chemicals and Fertilizer Procurement. On the other hand, the difference in average age of the fixed asset (including the sugar cane roots) in different years will affect the amount of Consumables Procurement and the Fixed Asset Procurement for replacing the plant and machinery.

The Board has assessed with the factors mentioned in the guidance letter (HKExGL68-13) and listing decision (HKEx-LD107-1) and takes the view that the Continuing Connected Transactions would not give rise to reliance issue to the Company.

The Board takes the view that the level of revenue contribution from the customers excluding the connected transactions with PCSC is only around 40% for next three years ending 2021. To ensure the revenue contribution from the customers (excluding PCSC) will be maintained at around 40% for next three years ending 31 December 2021, the Company will closely monitor the effects of the measures taken by PCSC to improve the future sugar cane production for boosting the sugar production and the effect of the installation of small packaging machinery by PCSC to boost the sales of higher price small package sugar. It is expected that the revenue of PCSC will increase by about 2% in 2019 and by about 9% respectively in 2020 and 2021. On the other hand, the transactions with the customers of SATT will only record a slightly growth by around 3% annually. Furthermore, the percentage will further decrease when the new business of SATT with independent third-party customers starts in 2019 as further disclosed below. Therefore, the Board is confident that the revenue contribution from the customers (excluding PCSC) will be maintained around 40% for next three years ending 31 December 2021.

The revenue attribution (excluding the intercompany sales) of the subject continuing connected transactions increased from approximately 19.1% and 22.0% in 2015 and 2016 to approximately 41.0% in 2017 but the relevant percentages will be maintained at approximately 43.5%, 42.3%, 40.8% respectively for three years ending 31 December 2021. The reason for such trend was not due to any significant increase in the Continuing Connected Transactions but due to the decrease in revenue contribution from the sugar business of the Group when two sugar estates, the Bernard Sugar Estate and Monymusk Sugar Estate, and one sugar factory, Monymusk Sugar Factory, all in Jamaica suspended their production since June 2016 and the sales volume of the sugar business of the Group has remained low since then. However, the sugar cane production and the average price are expected to increase gradually since 2020 as the sales proportion of higher price small package sugar are expected to gradually increase. As such, the Group's reliance with Africa Company 1, Africa Company 2 and PCSC will reduce in the future. Furthermore, it is the business intention of SATT to change its business model in long run by broadening its customer base. Due to more understanding of the African trade policy environment, SATT intends to explore more trade opportunities in the African countries, such as trading of agricultural products sourced in the African countries. It is expected that the change in business intention of SATT may help to broaden the Group's revenue source and customer base in the long run.

The revenue contribution from connected persons will probably further decrease in the long run as the above illustration has not taken into account the fact that SATT intends to change business model by expanding its customer base as further elaborated below.

The Board also takes the view that the reliance is mutual and complementary on the ground that both Africa Company 1, Africa Company 2, PCSC and SATT relies heavily on each other. Africa Company 1, Africa Company 2 and PCSC rely on SATT to provide them with the full spectrum of value-added services which include managing their orders with manufacturers in the PRC including quantity audit and their production schedule as well as providing installation guidance and assistance while SATT relies on Africa Company 1, Africa Company 2 and PCSC for its orders to maintain its daily business.

Even though SATT cannot enter framework agreement with Africa Company 1, Africa Company 2 and PCSC for more than three years under the restriction imposed by the Listing Rules, the Board considers that SATT is capable of maintaining its revenue under the Continuing Connected Transactions in the future in light of the reliance since (i) the business relationship between Africa Company 1, Africa Company 2, PCSC and SATT have been established for years and Board is not aware of any reasons that will lead to a deterioration in the relationships in the future even without a long term contract; and (ii) the reliance between Africa Company 1, Africa Company 2, PCSC and SATT is mutual and complementary as explained above.

On that above basis that, (i) the increase in revenue contribution from the subject continuing connected transactions was not due to the increase in the transactions amount but for the reasons of shrinkage in the Group's sugar business since 2016 and it is likely that the level of revenue contribution from the Continuing Connected Transactions will reduce when the Group's sugar business recovers in light of the estimated increase in sugar price. SATT also intends to change its business model by expanding its customer base and its revenue will increase in the future; (ii) the revenue contributions excluding the intercompany sales is expected to be maintained at around 40% for the next three years ending 2021; (iii) the reliance on the revenue contributed by the Continuing Connected Transactions is likely to decrease in long run; (iv) the reliance between Africa Company 1, Africa Company 2, PCSC and SATT is mutual and complementary to each other and there exists a long-term stable relationship between aforesaid companies; and (v) the sufficient internal control of the Group is in place to safeguard the Continuing Connected Transactions to be carried out in a fair and reasonable manner to Africa Company 1, Africa Company 2 and PCSC and SATT, the Board believe that the Continuing Connected Transactions will continue to be beneficial to the Group and the Shareholders as a whole.

Potential New Customers in Nigeria

SATT has been engaged to provide relevant economic and technical feasibility study report for a fuel ethanol project in Nigeria. In the construction stage and running stage, SATT will participate in bidding process to be one of suppliers for Deliverables in this project.

Potential New Cassava Trading

Nigeria is the world's largest producer of cassava. According to statistics of World Food and Agriculture Organization (FAO), Nigeria has output of cassava of approximately 57 million tonnes and exported dry cassava of approximately 4 million tonnes overseas. The demand for raw materials for domestic fuel ethanol showed a trend of rapid growth after the Chinese government issued the "Implementation Plan for Expanding the Production of Biofuel Ethanol and Promoting the Use of Ethyl Alcohol for Vehicles" in 2017. According to statistics from China Custom (http://www.chyxx.com/industry/201807/659877.html), the import volume of cassava as raw materials in China in 2017 was approximately 8 million tonnes with import value of US$1.4 billion. The market is therefore huge. Leveraged with its experience in the logistic sector in African countries, SATT is negotiating with a cassava supplier in Nigeria and an independent third-party customer in the PRC to import cassava products in Nigeria to the PRC. This new cassava trading business will start once the new subsidiary of SATT has obtained the import and export licenses and started its trading business.

The new subsidiary of SATT has been incorporated in the PRC on 19 February 2019. The name of the subsidiary is Zheng Cheng International Trade (Guangzhou) Co., Ltd. (the "**Zheng Cheng**"). Zheng Cheng will be strategically located in Guangzhou so as to be closely proximate to the location to potential suppliers and existing suppliers to China Complant. Zheng Cheng has completed the bank account opening process, the registration for import and export operation rights with Chinese Ministry of Commerce and the tax registration process and the filing for import and export business with SAFE. Zheng Cheng have started recruitment process in Guangdong and it is expected that Zheng Cheng can carry out business on or before June 2019. It is expected that there will be a transitional period of about one year from June 2019 for Zheng Cheng to get all the consents and complete all the handover formality before Zheng Cheng can fully takeover all the exiting suppliers now dealing with China Complant and shifting those suppliers to deal with Zheng Cheng directly for the Deliverables.

3. The 2019-2021 Supply Agreement with Supplier

SATT had entered into the 2019-2021 Supply Agreement with Supplier with China Complant on 7 November 2018 and the First Supplemental Agreements on 4 February 2019. These agreements are 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, and will be effective from approval from Independent Shareholders at the EGM and valid for a term of about three years ending 31 December 2021.

3.1. Deliverables to be provided by China Complant

The Deliverables to be provided by China Complant to SATT are the same three categories of the Deliverables to be provided by SATT to Africa Company 1, Africa Company 2 and PCSC as described in above paragraph, namely, Consumables Procurement; Chemicals and Fertilizer Procurement and Fixed Asset Procurement.

3.2. General Principles

The 2019-2021 Supply Agreement with Supplier between SATT and China Complant is the master agreement which set out the principles upon which the supply of Deliverables by China Complant to SATT are to be carried out.

3.2.1. Non-Exclusivity

Pursuant to the 2019-2021 Supply Agreement with Supplier, China Complant has agreed to supply the Deliverables to SATT so as to enable SATT to provide the same to Africa Company 1, Africa Company 2 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 Deliverables exclusively from China Complant. SATT shall source Deliverables from China Complant only if (i) SATT and the Africa Company 1, Africa Company 2 and PCSC have entered into definitive agreement in respect of the supply of materials and services; (ii) the relevant Deliverables have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant Deliverables to SATT within reasonable time in accordance with the 2019-2021 Supply Agreement with Supplier.

3.2.2. Detailed Terms on Definitive Agreements

Pursuant to the 2019-2021 Supply Agreement with Supplier, 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 2019-2021 Supply Agreement with Supplier. 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 the Deliverables 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 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.

3.3. Pricing determination

The price at which the Deliverables are to be provided must be fair and reasonable. The 2019-2021 Supply Agreement with Supplier details specific pricing principles for the Deliverables. The pricing determination of the 2019-2021 Supply Agreement with Supplier primarily remains consistent with that of the 2015-2017 Supply and Service Agreement with Supplier. The price will be determined in accordance with the following order:

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

The Deliverables provided by China Complant are at market prices of the same Deliverables prevail in the PRC.

The prevailing PRC market price shall be determined at which the same or similar type of Deliverables are to be provided by average price of at least two independent third parties 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 customarily made Deliverables

In absence of prevailing PRC market prices of those customarily made Deliverables, the price will then be determined with reference to China Complant's actual cost payable to its PRC or overseas suppliers.

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 two independent third parties 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 customarily made Deliverables, then with reference to average price of at least two independent third parties, in overseas countries where same or similar Deliverables are provided and on normal terms or with reference to third party supplier invoices provided by China Complant.

The prevailing PRC market price of each type of Deliverables 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

Invoices will be issued after the Deliverables reached designated port and passed the quality inspection. Payment should be made in 365 days following the invoice date by bank transfer, bank draft or other mutually agreed methods. The payment terms under 2019-2021 Supply Agreement with Supplier are after due consideration of the bearing capability of financial cost for the credit period on the profit margin generating from those transactions.

3.5. Quantity of Deliverables

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

3.6. Quality of Deliverables

The quality of the Deliverables to be provided should be satisfactory to the recipient.

3.7. The Revised 2019-2021 Proposed Annual Caps with Supplier

The Board has considered and proposed that the following proposed maximum values in respects of each of the three categories of Deliverables will serve as the annual caps of the relevant category for the period from approval by Independent Shareholders at the EGM to 31 December 2021.

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

In 2018, the customers of SATT partly used the Deliverables from existing inventory and partly purchasing from locally from independent third-party suppliers to fulfill their needs for the Deliverables. Due to long transportation time and procurement cycle, the customers usually have higher safety stocks. The consumption in 2018 has reduced the safety stock level. To preserve more working capital and historical high safety inventories, the customers did not have plans for additional purchases to replenish the consumed safety stocks after the reduction of inventory level in 2018. Therefore, SATT does not need to place additional order to China Complant for those inventory replenishment orders. On that basis, the Board takes the view that 2019 Proposed Annual Caps with Supplier is sufficient.

The table shown below the historical amounts, the 2015-2017 Approved Annual Caps with Supplier and Revised 2019-2021 Proposed Annual Caps with Supplier under the three categories of the Deliverables together with the historical utilization rate analysis:

Transaction categories	Historical amounts Historical utilisation rate			2015-2017 Approved Annual Caps with Supplier			Revised 2019-2021 Proposed Annual Caps with Supplier		
	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Year ending 31 December 2019	Year ending 31 December 2020	Year ending 31 December 2021
Consumables Procurement and Technical Support Services (now re categorised as: "Consumables Procurement")	US$4,910,000 (approximately HK$38,075,000)	US$2,633,000 (approximately HK$20,423,000)	US$4,244,000 (approximately HK$32,908,000)	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)	US$4,292,000 (approximately HK$33,284,000)	US$4,343,000 (approximately HK$33,674,000)	US$4,394,000 (approximately HK$34,073,000)
	51.0%	26.3%	40.7%						
Chemicals and Fertilizer procurement	US$1,148,000 (approximately HK$8,902,000)	US$2,599,000 (approximately HK$20,152,000)	US$4,301,000 (approximately HK$33,354,000)	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)	US$6,202,000 (approximately HK$48,088,000)	US$6,511,000 (approximately HK$50,487,000)	US$6,815,000 (approximately HK$52,847,000)
	21.2%	23.3%	37.0%						
Fixed Asset Procurement	US$21,800,000 (approximately HK$168,964,000)	US$769,000 (approximately HK$5,964,000)	US$816,000 (approximately HK$6,329,000)	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)	US$941,000 (approximately HK$7,298,000)	US$961,000 (approximately HK$7,448,000)	US$973,000 (approximately HK$7,548,000)
	59.7%	2.0%	2.1%						
Total	US$27,860,000 (approximately HK$215,941,000)	US$6,001,000 (approximately HK$46,539,000)	US$9,361,000 (approximately HK$72,591,000)	US$56,889,000 (approximately HK$441,123,000)	US$59,188,000 (approximately HK$458,950,000)	US$61,579,000 (approximately HK$477,490,000)	US$11,435,000 (approximately HK$88,669,000)	US$11,815,000 (approximately HK$91,610,000)	US$12,182,000 (approximately HK$94,468,000)

3.7.1. Consumables Procurement and Technical Support Services (now re categorised as: "Consumables Procurement")

The Revised 2019-2021 Proposed Annual Caps with Supplier 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 2017; (ii) the Revised 2019-2021 Proposed Annual Caps with Customers between SATT and the Africa Company 1, Africa Company 2 and PCSC; (iii) the average normal historical gross profit margin that was earned by SATT on consumables procurement and technical support services which is about 47.8% for the year ended 31 December 2017; and (iv) the forecasted change in gross margin that will be earned by SATT on consumables procurement and technical support services. The gross margin is expected to change due to the difference in inflation rate in the PRC and the African countries and Jamaica and the expected change in foreign exchange rate between RMB and USD and the currencies of the African countries and Jamaican dollar and USD. The expected gross margin of SATT has taken into consideration the past gross profit ratio and the relevant factors that may affect the future gross profit and is determined in a fair and reasonable way and on normal commercial terms or better.

As indicated in above table of the historical utilisation rate of 2015-2017 Approved Annual Caps with Supplier for consumables procurement and technical support services were approximately 51.0%, 26.3% and 40.7% for the years ended 31 December 2017, the unutilised percentage were approximately of 49.0%, 73.7% and 59.3% respectively. The three-year average utilization rate was approximately 39.3% and the three-year average untilizated rate was approximately 60.7%. This utilisation shortfall of 60.7% was mainly due to the 61.8% decline in sales transactions of consumables procurement and technical support services to customers of SATT (as explained in above paragraph 2.7.1) that led to similar percentage decrease in purchases from supplier, China Complant, by SATT.

3.7.2. Chemicals and Fertilizer Procurement

The Revised 2019-2021 Proposed Annual Caps with Supplier 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 2017; (ii) the Revised 2019-2021 Proposed Annual Caps with Customers between SATT and the Africa Company 1, Africa Company 2 and PCSC; (iii) the average normal historical gross profit margin that was earned by SATT on Chemicals and Fertilizer Procurement which is about 18.9% for the year ended 31 December 2017; and (iv) the forecasted change in gross margin that will be earned by SATT on Chemicals and Fertilizer Procurement. The gross margin is expected to change due to the difference in inflation rate in the PRC and the African countries and Jamaica and the expected change in foreign exchange rate between RMB and USD and the currencies of the African countries and Jamaican dollar and USD. The expected gross margin of SATT has taken into consideration the past gross profit ratio and the relevant factors that may affect the future gross profit and is determined in a fair and reasonable way and on normal commercial terms or better.

The approximate increase of 44%, i.e. US$2.2 million (approximately 14.7 million), of the proposed annual caps for Chemicals and Fertilizer Procurement from supplier for the year ending 2019 comparing to that of the year ending 2017 was mainly due to the expected increase in orders from SATT to satisfy the expected additional demand from PCSC for its planned shifting of the orders from the local suppliers of chemicals and fertilizer procurement to SATT of approximately US$1.8 million (approximately HK$13.9 million) after the recent improvement in its inventory facility to enable the storage of large volume of overseas shipments of chemicals and fertilizer from the PRC to replace the more expensive local supplies of PCSC.

As indicated in above table of the historical utilisation rate of 2015-2017 Approved Annual Caps with Supplier for chemicals and fertilizer procurement were approximately 10.7%, 23.3% and 37.0% for the three years ended 31 December 2017, the unutilised percentage were approximately 89.3%, 76.7% and 63.0% respectively. The three-year average utilization rate was approximately 23.7% and the three-year average untilizated rate was approximately 76.3%. This utilisation shortfall of 76.3% was mainly due to the 70.8% decline in sales transactions of Chemicals and Fertilizer Procurement to customers of SATT (as explained in above paragraph 2.7.2) that led to similar percentage fall in purchases from supplier, China Complant, by SATT.

3.7.3. Fixed Asset Procurement

The Revised 2019-2021 Proposed Annual Caps with Supplier 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 2017; (ii) the Revised 2019-2021 Proposed Annual Caps with Customers between SATT and the Africa Company 1, Africa Company 2, 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 41.5% for the year ended 31 December 2017; and (iv) the forecasted change in gross margin that will be earned by SATT on fixed asset procurement. The gross margin is expected to change due to the difference in inflation rate in the PRC and the African countries and Jamaica and the expected change in foreign exchange rate between RMB and USD and the currencies of the African countries and Jamaican dollar and USD. The expected gross margin of SATT has taken into consideration the past gross profit ratio and the relevant factors that may affect the future gross profit and is determined in a fair and reasonable way and on normal commercial terms or better.

As indicated in above table of the historical utilisation rate of 2015-2017 Approved Annual Caps with Supplier for fixed asset procurement were approximately 59.7%, 2.0% and 2.1% respectively for three years ended 31 December 2017, the unutilised percentage were approximately 40.3%, 98.0% and 97.9% respectively. The three-year average utilization rate was approximately 21.3% and the three-year average untilizated rate was approximately 78.7%. This utilisation shortfall of 78.7% was mainly due to the 75.2% decline in sales transactions of Fixed Assets Procurement and technical support services to customers of SATT (as explained in above paragraph 2.7.3) that led to similar percentage drop in purchases from supplier, China Complant, by SATT.

3.7.4. Basis of Determination of the Revised 2019-2021 Proposed Annual Caps of 2019-2021 Supply Agreement with Supplier

The Revised 2019-2021 Proposed Annual Caps with Supplier is determined with reference to the Revised 2019-2021 Proposed Annual Caps with Customers. The Board first deducted the monetary value of the Deliverables not supplied by China Complant for which it lacks the export license in each of the three categories; secondly, the expected market price of China Complant is projected by deducting the average normal historical gross profit and the expected change in gross profit margin that will be earned by SATT on each category. The expected change in gross profit margin is expected to be a result of the expected change in inflation rate and foreign exchange rate in the PRC and African Countries and Jamaica, finally, the Revised 2019-2021 Proposed Annual Caps with Suppliers equals to the estimated market price of China Complant charged for each category of the Deliverables multiplied by the estimated quantity of each category of Deliverables.

The Revised 2019-2021 Proposed Annual Caps with Supplier set out in the Continuing Connected Transactions with China Complant is in line with the estimated development of the business of 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 Revised 2019-2021 Proposed Annual Caps with Supplier in relation to the Deliverables 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.

3.8. Reasons for and benefits of the Continuing Connected Transactions with China Complant under the 2019-2021 Supply Agreement with Supplier

China Complant has been supplying, among other things, Deliverables to SATT for its supply in turn to Africa Company 1, Africa Company 2 and PCSC. 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 the 2019-2021 Supply Agreement with Supplier as China Complant has offered a competitive price and has been able to consistently meet the Group's requirement in terms of quantity, quality control and logistic supports.

For motor vehicles and some dangerous chemicals that China Complant does not have the relevant export licence, SATT will procure them through independent third-party suppliers. SATT will compare at least two prices quoted from the independent third-party suppliers before engaging on particular suppliers.

Other than the above two items, SATT will procure the Deliverables through China Complant and SATT will compare at least two prices quoted by independent third party suppliers with the quoted price of China Complant to make sure the price charged by China Complant will be lower or at least equal to the prices offered by independent third parties. Therefore, the Continuing Connected Transactions with China Complant will be conducted on terms not less favourable than those obtained from independent third parties under comparable market conditions.

All the Continuing Connected Transactions 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 not less favorable 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 Revised 2019-2021 Proposed Annual Caps with Supplier 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 entering into the 2019-2021 Supply Agreement with Supplier.

3.9. Potential reliance issue on the 2019-2021 Supply Agreement with Supplier

During the years 2015 to 2017, the purchase from China Complant accounted for approximately 46.6%, 22.8%, 36.4% respectively of the total cost of goods sold including intercompany purchase from PCSC and CBB of the Group. Since PCSC is a subsidiary owned as to 70% by the Company and CBB is a subsidiary owned as to 90% by the Company, their attributions will be eliminated on consolidation. Therefore a better and more sensible approach is to analyze the attributions by excluding intercompany purchase of PCSC and CBB, in which the percentages will consequently decrease to approximately 11.5%, 17.6%, 30.7% respectively for the three years ended 2017.

For the years 2019 to 2021, the expected cost of goods sold from Africa Company 1 and Africa Company 2 including intercompany cost of goods sold to PCSC will account for approximately 42.7%, 42.3%, 42.4% respectively of the total cost of goods sold including intercompany transactions of the Group. However, the cost of goods sold excluding intercompany cost of goods sold to PCSC will decrease to approximately 33.3%, 32.8%, 32.5% respectively.

The expected cost of goods sold consists of the cost of goods sold from PCSC and SATT. The projected cost of goods sold is calculated on the basis of annual improvement of sugar cane output by about 5% and the moderate raising of production cost of about 5% by inflation. The projection of the expected cost of goods sold of SATT is made based on the Revised 2019-2021 Proposed Annual Caps with Supplier. The Revised 2019-2021 Proposed Annual Caps with Supplier is calculated with the quantity of annual procurement plan from customers multiplied by the expected price charged by China Complant.

The Board has assessed with the factors mentioned in the guidance letter (HKExGL68-13) and listing decision (HKEx-LD107-1) and considers that the Continuing Connected Transactions under the 2019-2021 Supply Agreement with Supplier would not give rise to reliance issue to the Company.

The Board expects that the level of costs of good sold excluding the connected transaction with PCSC is only around 30% for next three years ending 2021 and the percentage will probably decrease further in the long run as the above percentage has not taken into account the possible change of business of SATT as explained above.

The Board takes the view that even the level of reliance may remain high in the short run, it will likely decrease in the future. The cost of goods sold attributions (excluding the intercompany purchases) of the subject continuing connected transactions increased significantly from approximately 11.8% and 17.6% in year 2015 to 2016 to approximately 30.7% in year 2017 but the relevant percentages will be maintained at approximately 33.3%, 32.8% and 32.5% respectively for three years ending 2021. The reason for such trend was not due to any significant increase in continuing connected transactions but for the reason of a drop in revenue contribution from the sugar business of the Group when two sugar estates, the Bernard Sugar Estate and Monymusk Sugar Estate and one sugar factory, Monymusk Sugar Factory, both in Jamaica suspended their production since June 2016 and the sales volume of the sugar business of the Group has remained low since then. However, it is the intention of SATT to set up its own subsidiary in the PRC for obtaining and holding an export licence for carrying out the business of sourcing Deliverables in the PRC for exporting the same to Africa Company 1, Africa Company 2 and PCSC directly. After the setting up of its own subsidiary, the role of China Complant as SATT's sourcing and export agent will gradually be diminished in the long run.

To ensure that the revenue contribution from the customers (excluding PCSC) will be maintained at around 30% for next three years ending 31 December 2021, the board of director of SATT has approved to set up a wholly-owned subsidiary in the PRC to gradually replace China Complant for its procurement in the PRC. SATT is in the process of obtaining pre-approval of the company name which is expected to complete soon. SATT still needs a period of time to apply for industrial and commercial registration and the export and tax registration in the PRC. It also needs to establish direct business relationship with the suppliers of the Deliverables in the PRC. In order to ensure the uninterrupted business with the Africa Companies and PCSC, SATT has entered into the 2019-2021 Supply Agreement with Supplier with China Complant but once the subsidiary of SATT can fully operate, the Group will terminate the procurement service with China Complant which is expected to happen in 2019.

The new subsidiary of SATT has been incorporated in the PRC on 19 February 2019. The name of the subsidiary is Zheng Cheng International Trade (Guangzhou) Co., Ltd. (the "**Zheng Cheng**"). Zheng Cheng will be strategically located in Guangzhou so as to be closely proximate to the location to potential suppliers and existing suppliers to China Complant. Zheng Cheng has completed the bank account opening process, the registration for import and export operation rights with Chinese Ministry of Commerce and the tax registration process and the filing for import and export business with SAFE. Zheng Cheng have started recruitment process in Guangdong and it is expected that Zheng Cheng can carry out business on or before June 2019. It is expected that there will be a transitional period of about one year from June 2019 for Zheng Cheng to get all the consents and complete all the handover formality before Zheng Cheng can fully takeover all the exiting suppliers now dealing with China Complant and shifting those suppliers to deal with Zheng Cheng directly for the Deliverables.

Pursuant to the First Supplemental Agreements, SATT and China Complant agreed that when SATT has established its subsidiary in the PRC and such subsidiary has obtained all the licenses required by the PRC regulators to purchase the Deliverables in the PRC and export the Deliverables to the customers, the 2019-2021 Supply Agreement with Supplier will terminate.

Furthermore, the reliance from China Complant may be reduced for next three years ending 2021 by the potential increase of cost of goods purchased from independent third party suppliers in Nigeria for the new cassava trading of SATT as previously mentioned.

The board also takes the view that the reliance is mutual and complementary on the ground that both China Complant and SATT relies heavily on each other. SATT relies on China Complant to provide lower cost Deliverables with PRC source and long credit period of 365 days and China Complant needs the orders from SATT to group with their own orders to obtain bulk purchase discounts from their suppliers.

Even though SATT cannot enter framework agreement with China Complant for more than three years under the restriction imposed the Listing Rules, the Board considers that SATT is capable of maintaining its purchase with China Complant in the future in light of the reliance since a good business relationship between China Complant and SATT have been maintained for years since the commencement of business of SATT in year 2008 and the Board is not aware of any reasons that relationships will be deteriorated in the future even without a long term contract.

On that basis, (i) the increase in cost of goods sold attribution from the supplier is not due to the increase in the continuing connected transactions but for the reasons of shrinkage in the Group's sugar business since 2016 and it is likely that the level of reliance from the Continuing Connected Transactions will reduce when the Group's sugar business recovers when the sugar price increases; (ii) the cost of goods sold excluding the intercompany purchases attributed from the Continuing Connected Transactions is expected to be maintained at around 30% for the next three years ending 2021; (iii) the reliance is likely to reduce in the future when the new subsidiary of SATT for the PRC procurement has set up; (iv) the reliance is mutual and complementary to each other and there exists a long-term stable relationship between China Complant and SATT; and (v) sufficient internal control of the Group is in place to safeguard the continuing connected transaction to be carried out in a fair and reasonable manner to China Complant and SATT, the Board believes that the continuance of continuing connected transaction with supplier of China Complant for the three years ending 2021 will continue to be beneficial to the Group and the Shareholders as a whole.

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 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.

3. Information on China Complant

China Complant, a state-owned company incorporated in the PRC, is a wholly-owned subsidiary of State Development & Investment Corp., Ltd. 國家開發投資集團有限公司 (formerly known as State Development & Investment Corp. (國家開發投資公司)). China Complant is a Controlling Shareholder holding approximately 36.51%

of the existing issued share capital of the Company and owns 30% equity interest in 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 COMPLANT

COMPLANT is a company incorporated in the Cayman Islands and its issued share capital is owned as to 40% by Xin Jiang Bo Tai Energy Company Limited, 30% by Africa-Asia Investment Limited and 30% by China Complant. 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 approximately 13.69% of the existing issued share capital of the Company.

5. Information on Africa Company 1; Africa Company 2 and PCSC

5.1. Africa Company 1 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.

5.2. Africa Company 2 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.

5.3. PCSC is a company incorporated in Jamaica and a 70% indirectly owned subsidiary of the Company and 30% owned by COMPLANT. It is principally engaged in sugar cane plantation and sugar manufacturing in Jamaica.

III. LISTING RULES IMPLICATION

Based on the reasons that:

(i) the Africa Company 1, Africa Company 2 and PCSC as well as China Complant are associates of COMPLANT by virtue of the fact that each of the Africa Company 1 and Africa Company 2 is the indirect wholly-owned subsidiary of COMPLANT, PCSC is owned 30% by COMPLANT and China Complant is holding 30% of the entire issued capital of COMPLANT;

(ii) COMPLANT is a connected person of the Company by virtue of being a Substantial Shareholder 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 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 Africa Company 1, Africa Company 2 and PCSC as well as China Complant are connected persons of the Company, the transactions contemplated under the 2019-2021 Supply Agreements with Customers and the Supplier 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 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 2021, the 2019-2021 Supply Agreements with Customers and Supplier 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 date of this announcement, representing approximately 36.51% and 13.69% respectively of the issued share capital of the Company, China Complant and COMPLANT is a Controlling Shareholder and a Substantial Shareholder of the Company respectively and shall therefore abstain from voting in respect of the resolutions approving the 2019-2021 Supply Agreements with Customers and Supplier, the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier at the EGM.

IV. VOTES OF DIRECTORS AND CONNECTED PERSONS

Ms. Liu Yan, Mr. Liu Xueyi, Mr. Han Hong and Mr. Wang Zhaohui are Directors and are therefore controllers under rule 14A.10 of the Listing Rules. By virtue of their relationships with China Complant and COMPLANT, Ms. Liu Yan being the present director and Mr. Liu Xueyi and Mr. Han Hong being the past directors of China Complant, Mr. Han Hong being the present director and Mr. Liu Xueyi being the past director of COMPLANT as well as Mr. Wang Zhaohui being the finance manager of COMPLANT, Ms. Liu Yan, 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, Ms. Liu Yan, 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 the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier. The Company has appointed Donvex Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save and except China Complant and COMPLANT, no other Shareholder is required to abstain from voting on the resolution in relation to the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier to be approved at the EGM.

V. THE EGM

A notice convening an extraordinary general meeting to be held at Pacific Room, 2/F., Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Friday, 31 May 2019 at 11:00 a.m. is set out on pages 112 to 113 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 Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and 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.

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 2021 under the 2019-2021 Supply Agreements with Customers and Supplier 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 the 2019-2021 Supply Agreements with Customers and Supplier 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 Revised 2019-2021 Proposed Annual Caps with Customers and Supplier 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 Revised 2019-2021 Proposed Annual Caps with Customers and Supplier 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 pages 68 to 69 to this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier; (2) the letter from the Independent Financial Adviser as set on pages 70 to 107 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 Revised 2019-2021 Proposed Annual Caps with Customers and Supplier; and (3) additional general information as set out in appendix to this circular.

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.

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

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. Wang Zhaohui

Non-executive directors:
Ms. Liu Yan
Mr. Zhang Jian

Independent non-executive directors:
Mr. Cheng Tai Kwan Sunny
Mr. Shi Zhu
Dr. Lu Heng Henry

Principal place of business in Hong Kong:
Room 1701, 17/F.,
World-Wide House,
19 Des Voeux Road Central,
Central,
Hong Kong

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

30 April 2019

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular (the "**Circular**") dated 30 April 2019 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 2021 under the 2019-2021 Supply Agreements with Customers and Supplier are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Donvex Capital Limited has been appointed to advise the Independent Board Committee and Independent Shareholders in respect of the abovementioned matters.

* *For identification purpose only*

We wish to draw your attention to the letter from the Board set out on pages 7 to 67 of the Circular and the letter from Donvex Capital Limited set out on pages 70 to 107 of the Circular.

Having considered the advice given by Donvex Capital Limited, 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 2021 under the 2019-2021 Supply Agreements with Customers and Supplier 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

Mr. Cheng Tai Kwan Sunny	**Mr. Shi Zhu**	**Dr. Lu Heng Henry**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

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.

Donvex 富域資本
Donvex Capital Limited
富域資本有限公司

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

30 April 2019

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 2019-2021 SUPPLY AGREEMENTS WITH CUSTOMERS AND SUPPLIER

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 2019-2021 Proposed Annual Caps with the Customers and Supplier, details of which are set out in the letter from the Board contained in the circular of the Company dated 30 April 2019 to the Shareholders (the "**Circular**"), of which this letter forms part. Reference is made to the Announcements of the Company. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

Based on the reasons that:

(i) Africa Company 1, Africa Company 2, PCSC as well as China Complant are associates of COMPLANT by virtue of the fact that each of Africa Company 1 and Africa Company 2 is the indirect wholly-owned subsidiary of COMPLANT, PCSC is owned 30% by COMPLANT and China Complant is holding 30% of the entire issued share capital of COMPLANT;

(ii) COMPLANT is a connected person of the Company by virtue of being a Substantial Shareholder 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 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;

Africa Company 1, Africa Company 2, PCSC as well as China Complant are connected persons of the Company, the transactions contemplated under the 2019-2021 Supply Agreements with Customers and Supplier 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 contemplated under the 2019-2021 Supply Agreements with Customers and Supplier will exceed 5% on an annual basis and the annual consideration will exceed HK$10,000,000 for the three years ending 31 December 2021, the 2019-2021 Supply Agreements with Customers and Supplier 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.

As China Complant and COMPLANT are interested in 800,000,000 and 300,000,000 Shares respectively as at the date of the Circular, 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 resolutions approving the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier at the EGM.

Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry 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 2019-2021 Supply Agreements with Customers and Supplier are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier 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 Revised 2019-2021 Proposed Annual Caps with Customers and Supplier 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

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the Continuing Connected Transactions, there were no other engagements between us and the Company or any other parties to the Agreements in the last two years. 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 2019-2021 Supply Agreements with Customers and Supplier, 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.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others, the 2019-2021 Supply Agreements with the Customers and the Supplier, the Announcements, the annual reports of the Company for the three years ended 31 December 2017 (the "**2015 Annual Report**", "**2016 Annual Report**" and "**2017 Annual Report**" respectively), the interim report of the Company for the six months ended 30 June 2018 (the "**2018 Interim Report**"), the annual results announcement of the Company for the year ended 31 December 2018 (the "**2018 Results Announcement**"), and have enquired with and reviewed the information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company.

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 the management of the Company (the "**Management**"). We have assumed that all information, opinion and representations contained or referred to in the Circular and all statement, information and representations which have been provided by the Management and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinion expressed by the Company, its advisers and/or the Directors, which have been provided to us. 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 taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We relied on the Company that it has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion. 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, parties to the Continuing Connected Transactions or their respective subsidiaries or associates. 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.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is our responsibility to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2019-2021 Supply Agreements with Customers and Supplier and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier 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.

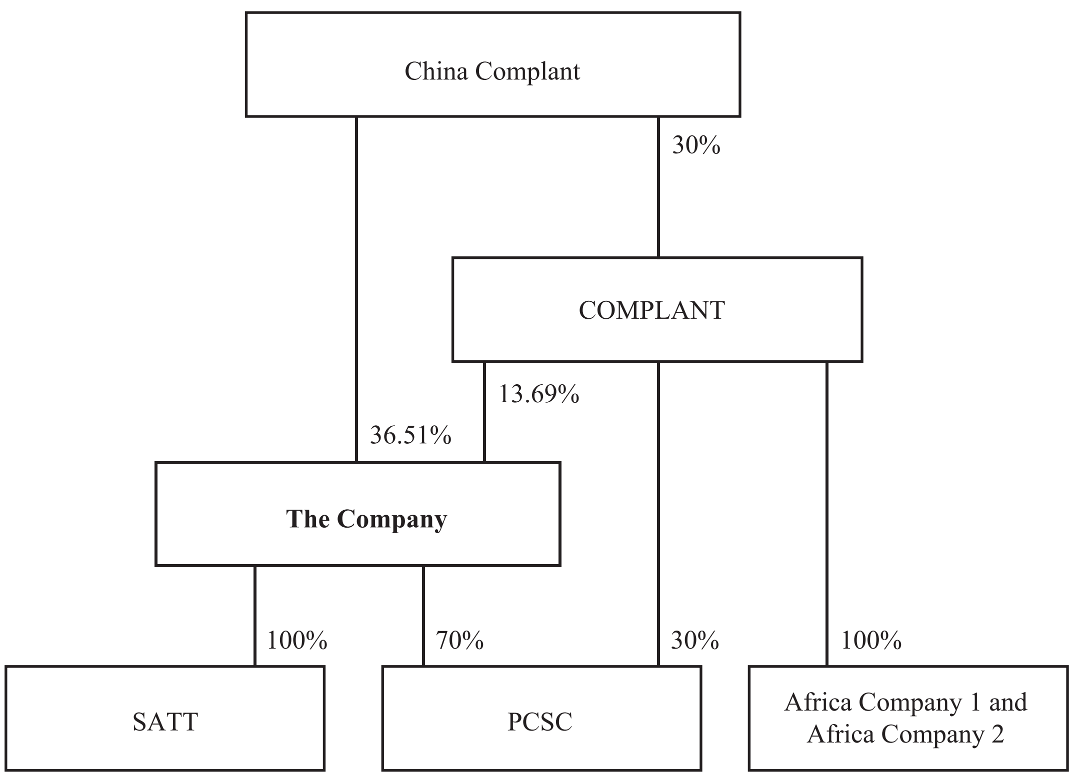
PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier, we have taken into consideration the following principal factors and reasons:

1 Background of the 2019-2021 Supply Agreements with Customers and Supplier and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier

Organisation Chart

The following diagram below illustrates the corporate structure among the Company and COMPLANT, China Complant, PCSC, SATT, Africa Company 1 and Africa Company 2:



Notes: This diagram may not represent the exhaustive shareholding structure of the Company and COMPLANT, China Complant, PCSC, SATT, Africa Company 1 and Africa Company 2.

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.

Information of SATT

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

Information of China Complant

China Complant, a state-owned company incorporated in the PRC, is a wholly-owned subsidiary of State Development & Investment Corp., Ltd. 國家開發投資集團有限公司 (formerly known as State Development & Investment Corp. 國家開發投資公司). China Complant is a Controlling Shareholder holding 36.51% of the existing issued share capital of the Company and owns 30% equity interest in COMPLANT. China Complant, through its subsidiaries, is principally engaged in international cooperation projects (including China-aided foreign projects, international contracting projects, labour services, complete plant export and other related business) and offshore investment and lease operation in sugar industry.

Information of COMPLANT

COMPLANT is a company incorporated in the Cayman Islands and its issued share capital is owned as to 40% by Xin Jiang Bo Tai Energy Company Limited, 30% by Africa-Asia Investment Limited and 30% by China Complant. 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.

Information of PCSC

PCSC is a company incorporated in Jamaica and a 70% indirectly owned subsidiary of the Company and 30% owned by COMPLANT. It is principally engaged in sugar cane plantation and sugar manufacturing in Jamaica.

Information of Africa Company 1 and Africa Company 2

Africa Company 1 is a company incorporated in the Republic of Sierra 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.

Africa Company 2 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.

Background of the acquisition of SATT by the Company

Reference is made to the announcement and circular of the Company dated 25 July 2008 and 23 January 2009 respectively in relation to, among others, the acquisition of the entire interest of SATT by the Company. Pursuant to the sale and purchase agreement for SATT dated 12 November 2008 between COMPLANT (as seller), Jumbo Right Investments Limited (a wholly-owned subsidiary of the Company as purchaser) and the Company, the relevant parties including, but not limited to SATT, China Complant, Africa Company 1, Africa Company 2 and PCSC signed respective supply and service agreements to continue the then business model.

In addition, COMPLANT has undertaken not to compete with SATT in providing the Deliverables directly to the Africa Companies. COMPLANT further agreed and undertook that all supply of the Deliverables to the Africa Companies must be conducted through SATT. Under such non-competing clause, COMPLANT and its associates (including China Complant) shall not compete with SATT in providing the Deliverables in the countries where the customers of SATT are located. Therefore, China Complant cannot trade with the Africa Companies and PCSC directly.

Meanwhile, pursuant to the above-mentioned sale and purchase agreement, COMPLANT has undertaken not to compete with SATT in providing the Deliverables directly to the Africa Companies. COMPLANT further agreed and undertook that all supply of the Deliverables to the Africa Companies must be conducted through SATT. Under such non-competing clause, COMPLANT and its associates (including China Complant) shall not compete with SATT in providing the Deliverables in the countries where the customers of SATT are located. As such, the role of China Complant will only restrict to procurement role for SATT and will not involve sales to Africa Company 1, Africa Company 2 and PCSC.

Background of the Continuing Connected Transactions

Reference is made to the announcement and circular of the Company dated 6 May 2015 and 28 May 2015 respectively in relation to, among others, the continuing connected transactions contemplated under the 2015-2017 Supply and Service Agreements with Customers and Supplier. The extraordinary general meeting of the Company on 26 June 2015 duly passed by way of poll of resolutions to approve, among others, the 2015-2017 Supply and Service Agreements with Customers and Supplier and the Approved Annual Caps with Customers and Supplier.

Given that the 2015-2017 Supply and Service Agreements with Customers and Supplier have expired on 31 December 2017 and the Company would continue such continuing connected transactions accordingly, the following agreements have been entered into by the Group:

The 2019-2021 Supply Agreements with Customers and Supplier

On 7 November 2018, SATT and each of Africa Company 1, Africa Company 2 and PCSC finally entered into the 2018-2020 Supply and Services Agreements with Customers for the exclusive sale and purchase of Deliverable sourced in the PRC. On the same date, SATT and China Complant also entered into the 2018-2020 Supply and Services Agreements with Supplier for the exclusive procurement of Deliverables sourced in the PRC, all for a term of about three years from the date of EGM to 31 December 2020.

In compliance with the Listing Rules requirements, the Company announced the Continuing Connected Transactions by way of announcement on 7 November 2018 as soon as practicable after the terms of the 2018-2020 Supply and Services Agreements with Customers have been finalised.

In light of the delay in despatch of the circular and the holding of EGM to approve the 2018-2020 Supply and Services Agreements with Customers, on 4 February 2019 (after trading hours), the parties to the 2019-2021 Supply Agreements with Customers and Supplier entered into the First Supplemental Agreements. Pursuant to the First Supplemental Agreements, certain terms of the 2018-2020 Supply and Services Agreements with Customers are proposed to be amended and which constituted the current 2019-2021 Supply Agreements with Customers and Supplier.

By virtue of the First Supplemental Agreements, (i) China Complant is not obliged to supply Deliverables to SATT in 2018 and the annual cap of US$11.4 million previously proposed for 2018 is no longer in effect; and (ii) Africa Company 1, Africa Company 2 and PCSC are not obliged to purchase Deliverables from SATT in 2018 and the annual cap of US$16.7 million previously proposed for 2018 is no longer in effect.

As stipulated in the First Supplemental Agreements, the parties to the Continuing Connected Transactions have conditionally agreed that the term of Continuing Connected Transactions shall postpone one year from 2018-2020 to 2019-2021. Other terms of the First Supplemental Agreements can be referred to the announcement of the Company date 4 February 2019 and have been reflected in the content of the Circular.

Pursuant to the 2019-2021 Supply Agreement with Customers, each of the Africa Company 1, Africa Company 2 and PCSC has agreed to order Deliverables sourced in the PRC exclusively from SATT for a term of about three years ending 31 December 2021.

Pursuant to the 2019-2021 Supply Agreement with Supplier, China Complant has agreed to supply Deliverables to SATT so as to enable SATT to provide the same to Africa Company 1, Africa Company 2, PCSC and other independent customers for a term of about three years ending 31 December 2021. However, SATT is not obliged to source Deliverables exclusively from China Complant. SATT shall source Deliverables from China Complant only if (i) SATT and Africa Company 1, Africa Company 2 and PCSC have entered into definitive agreements in respect of the supply of materials and services; (ii) the relevant Deliverables have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant Deliverables to SATT within a reasonable time in accordance with the 2019-2021 Supply Agreement with Supplier between SATT and China Complant.

As stated in the Letter from the Board, other than Africa Company 1 to 4, CBB and PCSC, SATT currently has no other customers. Should any new independent customers establish business relationships with SATT during the three years ending 31 December 2021, SATT could source the Deliverables either from China Complant or any independent suppliers in its discretion to satisfy such purchase orders pursuant to the terms of the 2019-2021 Supply Agreement with Supplier.

Having taken into account the above, we consider that the entering into of the 2019-2021 Supply Agreements with Customers and Supplier is in the ordinary and usual course of business of the Company.

2 Reasons for and benefits of continuation of the Continuing Connected Transactions

2.1 The 2019-2021 Supply Agreements with Customers

Historically, SATT was the sole subsidiary under COMPLANT that handle the supply of all the Deliverables to COMPLANT's subsidiaries engaged in sugar business since the commencement of business of SATT on January 2008. After the disposal of SATT from COMPLANT to the Company in year 2009, China Complant and COMPLANT do not have the ability to provide such value-added services to its subsidiaries directly anymore and have to rely on SATT to provide these value-added services to its subsidiaries engaged in sugar business.

Meanwhile, the staff of SATT is familiar with all aspects of sugar factory production management and sugar factory accessories and material which consisted of thousands of different kinds and the supply lead times are also under strict requirements. This kind of supply cannot handle by China Complant or other third-party logistics companies which are not familiar with sugar factory operations and are not willing to undertake these complicated and tedious tasks. SATT will provide full spectrum of value-added service among others the equipment and spare parts selections on basis of customers' specification, managing customers' orders with manufacturers in the PRC including quantity audit and their production and delivery schedule as well as providing installation guidance and assistance. At present, there are no other companies in the PRC market that are as familiar as SATT of the China Africa trade of the relevant local policy requirement in Africa and Jamaica and as familiar as SATT of the sugar factory supplies.

Due to the abovementioned historical connection and long-term cooperation relationships among the Group, Africa Company 1, Africa Company 2, and PCSC, the Directors consider that such transactions will continue on a recurring basis and it is beneficial to continue the Continuing Connected Transactions by way of entering into the 2019-2021 Supply Agreements with Customers, as the transactions with Africa Company 1, Africa Company 2 and PCSC will help to maintain existing business scale and generate sufficient operating cash flows for the Group.

As advised by the Management, despite of the fact that SATT currently does not have other African customers which is Independent Third Party, SATT will continue to ensure the transactions under 2019-2021 Supply Agreements with Customers 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.

2.2 The 2019-2021 Supply Agreement with Supplier

China Complant has been providing, among others, the Deliverables to SATT for its supply to the orders from Africa Company 1, Africa Company 2 and PCSC since 1 January 2009. As SATT is a company incorporated outside the PRC, under the existing PRC laws, SATT cannot hold a valid licence for sourcing of goods and materials in the PRC and exporting the same to other countries. SATT need to engage China Complant, on a non-committed and non-exclusive basis, to take up the role.

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 the 2019-2021 Supply Agreement with Supplier as China Complant has offered a competitive price and has been able to consistently meet the Group's requirement in terms of quality of the Deliverables, efficiency of order execution and logistic supports.

As advised by the Management, SATT will continue to provide a full range of value-added services related to purchasing and supply management to Africa Company 1, Africa Company 2 and PCSC in the coming years, in way of 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.

The Management also stated that (i) SATT has a recurring and long-term relationship with China Complant; (ii) China Complant has expertise in exporting of complete plants and engineering construction; and (iii) China Complant has strong connection with its own leading international freight forwarder who can guarantee all shipment of SATT to Africa all year round, they believe that the entering into of the 2019-2021 Supply Agreement with Supplier is beneficial to SATT.

The Directors are of the view that all the above transactions contemplated under the 2019-2021 Supply Agreement with Supplier 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 Revised 2019-2021 Proposed Annual Caps with Supplier are fair and reasonable. Therefore, the Directors consider that it is beneficial to continue the Continuing Connected Transactions.

2.3 Assessment on the reasons for and benefits of continuation of the Continuing Connected Transactions

We had further enquired the Management regarding the rationale for entering into the Continuing Connected Transactions by the Company. Being advised by the Management, we understand that SATT has been participating in the upstream of the industrial chain of the sugar/sweeteners business in Africa, America and European nations since the commencement of its business in 2008.

SATT acted as the suppliers of raw materials and other related services which are essential for the manufacturing of sugar/sweetener products. After sourcing the Deliverables from the suppliers, SATT would distribute and resell such Deliverables to its customers. In addition, SATT would provide the value-added services as stated in the Letter from the Board to the Africa Company 1, Africa Company 2 and PCSC.

The Management advised that the staffs of SATT is familiar with all aspects of the sugar factory, including but not limited to, the control of the supply lead time, which requires sophisticated techniques to handle the production process of the sugar factory. SATT has the expertise to handle the supply of the Deliverables involved in the Continuing Connected Transactions.

Given that Africa Company 1 and Africa Company 2 are principally engaged in manufacturing of sugar/sweetener products in Africa and PCSC is principally engaged in sugar cane plantation and sugar manufacturing in Jamaica, the Company is of the view that SATT can secure the participation in China-Africa trade through the entering into the 2019-2021 Supply Agreements with Customers and be benefited from its knowledge in the trade and sugar/sweeteners business in Africa and Jamaica.

As advised by the Directors, to the best of their knowledge, information and belief, (i) there are no other companies in the PRC market possessing equivalent or comparable expertise as SATT in performing China-Africa trade, having its knowledge in the relevant local trade policy requirements in the African countries and Jamaica, and in supplying Deliverables for the sugar factories; and (ii) there is no incentive for China Complant or other third-party logistics company to provide the value-added services in relation to the Deliverables given that it will be time consuming and costly to train up staffs with the expertise as stated above. We consider that SATT has its own competitive advantage in the sugar/sweeteners business in Africa and Jamaica and it could secure its participation in such business through the entering into the 2019-2021 Supply Agreements with Customers.

On the other hand, as advised by the Management, we understand that it is the intention of the Company to set up its own procurement platform in the PRC. Currently, SATT is a company incorporated outside the PRC, it is unable to hold a valid licence for sourcing of goods and materials in the PRC and exporting the same to other countries under the existing legal restriction in the PRC. After setting up its wholly owned foreign enterprise in the PRC (the "**WOFE**"), SATT would source manufacturing machineries and raw materials in the PRC through the WOFE and export the same to Africa Company 1, Africa Company 2 and PCSC. Such arrangement is expected to be completed by the year 2019.

In the meantime, China Complant acts as SATT's sourcing and export agent in the PRC given China Complant is a state-owned enterprise and has established a long history in sugar/sweeteners business for over 30 years by entering into various sales and purchase agreement with the suppliers of the Deliverables. It has been taken years for those suppliers to recognise the sales ability of SATT. Over the past 11 years, SATT has successfully demonstrated its distribution channel in Africa to those suppliers. The Management is of the view that the WOFE of SATT should be able to take up the role of China Complant given those suppliers have already realised the sales abilities of SATT.

It is merely a transitional arrangement of having China Complant as the sourcing and export agent and it will not be necessary after the formation of the WOFE, which is going to take up the role of China Complant. The entering into the 2019-2021 Supply Agreement with the Supplier enable SATT to source the Deliverables in the PRC during the transitional period.

As abovementioned, under the non-competing clause of the sale and purchase agreement for SATT dated 12 November 2008, Complant and its associates (including China Complant) shall not compete with SATT in providing the Deliverables in the countries where the customers of SATT are located. As such, the role of China Complant will only restrict to procurement role for SATT and will not involve sales to Africa Company 1, Africa Company 2 and PCSC. Such arrangements further protect the interests of SATT and the Company.

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 2019-2021 Supply Agreements with Customers and Supplier is a renewal of the 2015-2017 Supply and Service Agreements with Customers and Supplier with an intention to ensure continuation of the provision of Deliverables from SATT to each of Africa Company 1, Africa Company 2 and PCSC and the supply of Deliverables by China Complant to SATT, we concur with the view of the Directors that the entering into of the 2019-2021 Supply Agreements with Customers and Supplier is in the interests of the Company and its Shareholders as a whole.

3 Basis of determination

The 2019-2021 Supply Agreements with Customers and Supplier are master agreements which set out the principles of (i) the provision of the Deliverables sourced in the PRC from SATT to each of Africa Company 1, Africa Company 2 and PCSC are to be carried out; and (ii) the supply of the Deliverables sourced in the PRC by China Complant to SATT are to be carried out.

The Deliverables sourced in the PRC to be provided by (i) SATT to Africa Company 1, Africa Company 2 and PCSC; and (ii) China Complant to SATT, are expected to be numerous, both in terms of quantity and variety. As defined below, Deliverables are categorised into three categories for determination of the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier.

Consumables Procurement

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**").

SATT also provides an integrated services and solutions for Africa Company 1, Africa Company 2 and PCSC. It arranges the ancillary technical services which 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.. There are no circumstances under which SATT would supply technical support service to Africa Company 1, Africa Company 2 and PCSC on a stand-alone basis.

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 Engineering, Procurement and Construction (EPC), motor vehicle as well as agricultural and industrial machinery, etc. (the "**Fixed Asset Procurement**").

3.1 Principal terms of the 2019-2021 Supply Agreements with Customers

SATT and each of Africa Company 1, Africa Company 2 and PCSC have entered into exclusive 2019-2021 Supply Agreements with Customers on 7 November 2018 and as amended by the First Supplemental Agreements on 4 February 2019.

Exclusivity

Pursuant to the 2019-2021 Supply Agreements with Customers, each of Africa Company 1, Africa Company 2 and PCSC has agreed to order Deliverables sourced in the PRC exclusively from SATT for a term of about three years ending 31 December 2021.

Detailed Terms on Definitive Agreements

Pursuant to the 2019-2021 Supply Agreements with Customers, SATT will enter into definitive agreements with each of Africa Company 1, Africa Company 2 and PCSC from time to time to provide detailed terms of each single transaction in accordance with the principles set out in each of the 2019-2021 Supply Agreements with Customers. 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 Deliverables required to source in the PRC.

Normal Commercial Terms

SATT and Africa Company 1, Africa Company 2 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 Africa Company 1, Africa Company 2 and PCSC shall be no less favourable to SATT than those charged by SATT to potential independent third parties in the market where those companies are located.

3.2 Principal terms of the 2019-2021 Supply Agreement with Supplier

SATT had entered into the 2019-2021 Supply Agreement with Supplier with China Complant on 7 November 2018 and as amended by the First Supplemental Agreement on 4 February 2019.

Non-Exclusivity

Pursuant to the 2019-2021 Supply Agreement with Supplier, China Complant has agreed to supply Deliverables to SATT so as to enable SATT to provide the same to Africa Company 1, Africa Company 2 and PCSC and other independent customers for a term of about three years ending 31 December 2021. However, SATT is not obliged to source Deliverables exclusively from China Complant. SATT shall source Deliverables from China Complant only if (i) SATT and Africa Company 1, Africa Company 2 and PCSC have entered into definitive agreement in respect of the supply of materials and services; (ii) the relevant Deliverables have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant Deliverables to SATT within a reasonable time in accordance with the 2019-2021 Supply Agreement with the Supplier between SATT and China Complant.

Detailed Terms of Definitive Agreement

Pursuant to the 2019-2021 Supply Agreement with the Supplier between SATT and China Complant, China Complant will enter into definitive agreements with SATT from time to time to provide detailed terms of each single transaction in accordance with the principles set out in each of the 2019-2021 Supply Agreement with the Supplier. 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 Deliverables required.

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 market where SATT is located.

Assessment on the terms of the 2019-2021 Supply Agreements with Customers and Supplier

To assess the fairness and reasonableness of the terms of the 2019-2021 Supply Agreements with Customers and Supplier, we have discussed with the Management regarding the internal procedures on the determination of terms in accordance with the principles set out in each of (i) the 2019-2021 Supply Agreements with Customers entered into between SATT and each of Africa Company 1, Africa Company 2 and PCSC; and (ii) the 2019-2021 Supply Agreement with Supplier entered into between SATT and China Complant.

3.3 Price determination for the 2019-2021 Supply Agreements with Customers

As stated in the Letter from the Board, the 2019-2021 Supply Agreements with Customers detail specific pricing principles of Deliverables. The price will be determined in accordance with the following order:

Where same or similar local price available, the price will be determined on basis of local market price

Under the situation where local price of the same Deliverables is available, the price for such Deliverables shall be determined according to the price at which the same type of the Deliverables is 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.

Under the situation where only local price of the similar Deliverables is available, the average price offered by at least two independent third parties in the local market price of the similar Deliverables will be used to determine the price for that particular Deliverables. Then, such 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.

Moreover, in the event that SATT provides 365 days credit period to Africa Company 1, Africa Company 2 and PCSC, SATT will incur additional financial burden for the extension of credit term from 30 days to 365 days on the price portion of its gross profit for its value-added services. As a result, the implicit interest cost will be added to form the final price offered to Africa Company 1, Africa Company 2 and PCSC. SATT is following the market practice of charging interest for additional 11 months credit term extended to the customers. The interest rate is calculated with reference to the prevailing official benchmark one-year lending rates set by People's Bank of China as SATT will have to pay obtain its own external bank financing in the PRC.

As advised by the Management, the sales department of SATT and its designated persons are mainly responsible for checking the average price offered by at least two independent local suppliers of Africa Company 1, Africa Company 2 and PCSC at the time of the orders. The local market price shall also be calculated and estimated before each accounting year end. The sales department of SATT will continue to (i) update the relevant information according to the procurement demand; (ii) monitor the local market price; and (iii) update the prevailing official benchmark lending rates set by People's Bank of China, to ensure that each transaction is conducted in accordance with the stated pricing policy.

Where there is no same or similar local price available, the price will be determined on basis of cost-plus margin

Under the situation where there is no same or similar local market price available, the price for those particular Deliverables will be the aggregate of (i) the cost of such Deliverables offered by the China Complant; and (ii) the margin to be obtained by SATT. The margin will make reference to average margin earned by at least two PRC listed companies engaged in the trading of the same or similar Deliverables. The margin shall be calculated and estimated before each accounting year end. The sales department of SATT will update the relevant information annually in accordance to the latest financial statements of such listed companies.

The price of Deliverables will include the cost and gross profit of the relevant of technical support services. The price offered for Deliverable supplied by SATT will be one-time charges, including complete pre-sales service, in-sale service and after-sales service (including on-site support services for after-sales dispatch of technicians).

For the year 2019, such profit margin agreed between SATT and Africa Company 1, Africa Company 2 and PCSC to add on the cost of the Deliverables from China Complant will fall within the below percentage range of each category:

Transaction categories	Cost-plus margin %
Consumables Procurement	13.5%-27.8%
Chemicals and Fertilizer Procurement	19.9%-21.2%
Fixed Asset Procurement	15.2%-36.9%

These percentages would receive annual updates when applying to year 2020 and year 2021.

As advised by the Management, SATT would apply the same pricing policies regardless of whether the counterparty in a transaction is a connected person or an independent third parties. Also, we noted that the aforesaid pricing policies and the respective internal control procedures remains consistent with that of the 2015-2017 Supply and Service Agreements with Customers. It will ascertain the pricing policy for the 2019-2021 Supply Agreements with Customers is fair and reasonable and of normal commercial basis.

Assessment on the pricing policy and the internal control measures for the 2019-2021 Supply Agreements with Customers

As stated in the Letter from the Board, SATT serves as the quasi supply chain department in the PRC of Africa Company 1, Africa Company 2 and PCSC who outsourced the overseas supply chain function to SATT. Having considered that SATT is responsible for the procurement of the Deliverables sourced in the PRC and the term of exclusivity regarding the 2019-2021 Supply Agreements with Customers is legally binding, we are of the view that Africa Company 1, Africa Company 2 and PCSC will only purchase the Deliverables sourced in the PRC from SATT.

(i) Work done on pricing policy by reviewing continuing connected transaction of other listed issuers on the Stock Exchange

Regarding the pricing policy of the 2019-2021 Supply Agreements with Customers, we have reviewed circulars relating to continuing connected transactions of sales of materials by other listed issuers on the Stock Exchange to their connected persons, in which it is stated, listed issuers on the Stock Exchange will obtain quotations from at least two independent third parties to assess whether the sales of the relevant materials to the connected persons is on normal commercial terms.

In addition, in the event that SATT provides 365 days credit period to Africa Company 1, Africa Company 2 and PCSC, the 11 months implicit interest cost would be added in the quotations of the Deliverables. The interest rate is calculated with reference to the prevailing official benchmark one-year lending rates set by People’s Bank of China as SATT will have to pay obtain its own external bank financing in the PRC.

Regarding the above pricing policy, we have reviewed circulars relating to continuing connected transactions of financial services by other listed issuers on the Stock Exchange to their connected persons, in which it is stated that, the loan interest rates offered by the listed issuers on the Stock Exchange to their connected persons would be with reference to the loan interests rates offered by the major local commercial banks for the loan services in the same period and be conducted on normal commercial terms.

Thus, we are of the view that the abovementioned pricing policy of the 2019-2021 Supply Agreements with Customers is in line with the market practices and is fair and reasonable.

(ii) Work done on pricing policy by reviewing gross profit margin of the comparable PRC listed companies

As advised by the Management, since there are different types of products among each category of the Deliverables, the profit margin agreed to add on the cost of the Deliverables from China Complant will be determined with reference to the gross profit margin of the PRC listed companies engaged in such respective categories.

To assess the profit margin agreed to add on the cost of the Deliverables from China Complant, we have identified and reviewed, based on information extracted from Hithink RoyalFlush Information Network Co., Ltd. ("**Hithink RoyalFlush**"), the gross profit margin of the comparable companies where: (i) the shares of which are listed either on the Shenzhen Stock Exchange or the Shanghai Stock Exchange as at 31 December 2015, 2016 or 2017; (ii) belong to the respective industry categories (as stated below) according to the industry classification provided by Hithink RoyalFlush.

We noted that Hithink RoyalFlush is a company based in the PRC and principally engaged in the provision of Internet financial information services which is a listed issuer on the Shenzhen Stock Exchange (stock code: 300033.SZ) since 2009. Hithink RoyalFlush mainly provides financial information and data services, mobile financial information services, online market trading system services, fund sales services and other services to securities companies and mobile operators. Hithink RoyalFlush is also the data services provider authorised by Shanghai Stock Exchange, Shenzhen Stock Exchange and China Financial Futures Exchange. Being a well-established listed issuer, we consider Hithink RoyalFlush a reliable source of information for extracting the gross profit margin of the comparable companies.

Set out below are the comparable results:

Transaction categories	Cost-plus margin adopted by the Company for the year 2019	Comparable industry categories	Year	Number of comparable companies	Range of gross profit margin of the comparable companies	Average gross profit margin of the comparable compaines
Consumables Procurement	13.5%-27.8%	Light Industry Manufacturing — Household Light Industry	2017	68	4.97%-57.70%	24.12%
		Building materials	2017	70	1.55%-46.72%	27.75%
		Logistic Equipment — Vehicles Spare parts	2017	126	3.61%-63.91%	21.00%
		Ferrous metal — steel	2017	32	3.22%-32.03	13.54%
		Mechanical equipment — instrumentation	2017	29	12.94%-73.03	36.88%
		Agricultural, Forestry, Fishery and Husbandry — agricultural product processing	2017	35	1.87%-45.62%	14.40%
Chemicals and Fertilizer Procurement	19.9%-21.2%	Chemical Industry — Basic Chemistry	2017	51	1.74%-49.58%	19.89%
		Chemical Industry — Chemicals	2017	182	(1.94)%-73.05%	21.19%
Fixed Asset Procurement	15.2%-36.9%	Mechanical equipment — special equipment	2017	151	7.71%-61.93%	24.53%
		Logistic Equipment — Vehicles	2017	24	(48.18)%-38.80%	15.20%
		Mechanical equipment — general equipment	2017	124	(14.70)%-67.22%	21.14%

Based on the above, we noted that profit margin agreed to add on the cost of the Deliverables from China Complant for the year 2019 were determined with reference to the gross profit margin of the PRC listed companies engaged in such respective categories for the year 2017. As such, we are of the view that such price determination is fair and reasonable and on normal commercial terms.

(iii) Work done on pricing policy by enquiring the Management and the Directors

The Management advised that as the 2019-2021 Supply Agreements with Customers only allows Africa Company 1, Africa Company 2 and PCSC to source the Deliverables in the PRC from SATT on an exclusive basis, Africa Company 1, Africa Company 2 and PCSC would source the Deliverables from its local suppliers in Africa when the quotation of the particular Deliverables from the local suppliers is lower than that from SATT.

In order to ensure that the final prices of the Deliverables charged by SATT to Africa Company 1, Africa Company 2 and PCSC will be higher than the purchase cost of the Deliverables from China Complant, the purchase cost of the Deliverables will be compared with the corresponding local market price. The Company confirmed that the final prices of the Deliverables are determined through arm's length negotiations under normal commercial terms, and with reference to comparable market transaction prices. The final prices with respect to the sales of the Deliverables by SATT to Africa Company 1, Africa Company 2 and PCSC shall not be lower than the local market prices.

Having considered that Africa Company 1, Africa Company 2 and PCSC would procure the Deliverables from suppliers, either SATT or other independent local suppliers, with lowest quotation, it is fair and reasonable that the prices charged by SATT of the executed sale of Deliverables to Africa Company 1, Africa Company 2 and PCSC will not be higher that the corresponding quotations from independent local suppliers, which are also the reference of the prevailing local markets prices.

Regarding the implicit finance cost for the credit period granted by SATT, the Management advised that other local suppliers of Africa Company 1, Africa Company 2 and PCSC will in general charge interest at prevailing loan interest rate on the amount past due. As such we are of the view that charging implicit finance cost for the 365 days credit period to Africa Company 1, Africa Company 2 and PCSC is fair and reasonable and on normal commercial terms.

(iv) Work done on internal control measures by reviewing sample invoices and comparison quotation of SATT

In addition, we have reviewed 11 sample customer invoices regarding the sales of the Deliverables by SATT to each of Africa Company 1, Africa Company 2 and PCSC provided by the Company for each of the year 2015, 2016 and 2017 respectively and the respective comparison quotation from independent local suppliers. Such Deliverables were procured from China Complant by SATT and included all the three transaction categories among the 2019-2021 Supply Agreements with Customers.

Pursuant to the sample invoices and corresponding comparable quotation documents, we noted that the profit margin of particular Deliverables, being the difference between the purchase cost and the selling prices of the Deliverables, is comparable to those gross profit margin earned by other PRC listed companies engaged in trading of the same or similar Deliverables. Since a fair and reasonable profit margin has been earned by SATT, it is in the interests of the Company and Shareholders as a whole given than the final prices with respect to the sales of the Deliverables by SATT to Africa Company 1, Africa Company 2 and PCSC would not be lower than the local market prices.

As such, we consider that the internal control measures are in the interests of the Shareholders as their interests are safeguarded by a pricing management process ensuring terms of the Continuing Connected Transactions are determined with reference to the local market price and the gross profit margin earned by the PRC listed companies engaged in respective categories.

Since the same internal control measures have been adopted pursuant to the terms of the 2019-2021 Supply Agreements with Customers and Supplier, we are of the view that the transactions contemplated thereunder would be fair and reasonable and on normal commercial terms. As such, it is reasonable to conclude that SATT would be able to generate gross profit through the sales of the Deliverables, which are procured from either China Complant or independent third parties, to Africa Company 1, Africa Company 2 and PCSC.

Given that the Company would adopt the same pricing policy and the internal control measures regarding the sales of the Deliverables to both connected persons and independent third parties as stated in the 2019-2021 Supply Agreements with Customers, we are of the view that it will ascertain the prices of the Deliverables charged by SATT to Africa Company 1, Africa Company 2 and PCSC will be no less favourable than the prices to be charged by SATT to independent customers. As confirmed by the Management, SATT has no other customers other that Africa Company 1 to 4, CBB and PCSC and thus no historical transactions had been entered into between SATT and independent customers during the terms of the 2015-2017 Supply and Services Agreements with Customers.

(v) Review of the Continuing Connected Transactions by auditors

With reference to Rule 14A.56 of the Listing Rules, among others, the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group. We obtained the letter from the Company's auditors, showing their confirmation that, among others, nothing has come to their attention that causes them to believe that the transactions contemplated under the 2015-2017 Supply and Service Agreements with Customers was not, in all material respects, in accordance with the pricing policies of SATT. Since the internal control measures adopted in the 2019-2021 Supply Agreements with Customers remains consistent with that of the 2015-2017 Supply and Service Agreements with Customers, we are of the view that such internal control measures are able to ensure that the price the Deliverables to be supplied by SATT to Africa Company 1, Africa Company 2 and PCSC are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Assessment on the payment terms for the 2019-2021 Supply Agreements with Customers

As stated in the Letter from the Board, invoices will be issued after the Deliverables reached designated port and passed the quality inspection. Payment should be made in 365 days following the invoice date by bank transfer, bank draft or other mutually agreed methods. The payment terms under 2019-2021 Supply Agreements with Customers are after due consideration of the bearing capability of financial cost for the credit period on the profit margin generating from those transactions.

As advised by the Management, the Deliverables are mainly used for the sugar cane plantation and manufacturing. The business cycle of the sugar cane plantation and manufacturing industry, from planting the seed canes to the collection of proceed from the sales of raw sugar, is approximately 1 year. The proposed payment term of 365 days enables Africa Company 1, Africa Company 2 and PCSC to relief from the liquidity constraint and sustain the purchase order to SATT, which is in the interest of the Company.

In addition, SATT will only grant such credit period to Africa Company 1, Africa Company 2 and PCSC if the corresponding procurements are made from China Complant, which also grant 365 days credit period to SATT. Otherwise, Africa Company 1, Africa Company 2 and PCSC will settle the payment to SATT within 30 days.

Thus, the payment terms were determined after taking into account that (i) the special need of Africa Company 1, Africa Company 2 and PCSC arose from the long production cycle of the sugar cane plantation and sugar manufacturing industry; and (ii) the factor of implicit finance cost borne by SATT, together with the gross profit earned by SATT as stated above, will be taken into consideration during the price determination. We concur with the view of the Company that the payment term is comparable to market practice.

As such, we consider that the basis of the pricing policy, the internal control measures and the payment terms for the price determination of the 2019-2021 Supply Agreements with Customers is fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned.

3.4 Price determination for the 2019-2021 Supply Agreement with Supplier

As stated in the Letter from the Board, the 2019-2021 Supply Agreement with Supplier details specific pricing principles of the Deliverables.

Under the situation where PRC market price available, such Deliverables provided by China Complant will be quoted at the corresponding prices. The PRC market price of those Deliverables shall be the average quoted price of the same or similar type of Deliverables to be provided by at least two independents suppliers in the PRC on normal commercial terms in the ordinary course of business.

Under the situation where in absence of prevailing PRC market price of those customarily made Deliverables, the price will then be determined with reference to China Complant's actual cost payable to its PRC or overseas suppliers.

As advised by the Management, 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 two independent third party in the PRC. If prevailing PRC market price cannot be obtained for comparison for those customarily made Deliverables, they will refer to (i) the average price of at least two independents overseas suppliers; or (ii) third party supplier invoices provided by China Complant.

The prevailing PRC market price of each type of Deliverables shall be calculated and estimated before each accounting year end. The sales department of SATT will monitor the prevailing PRC market price to ensure that each transaction is conducted in accordance with the stated pricing policy.

Assessment on the pricing policy and the internal control measures for the 2019-2021 Supply Agreement with Supplier

(i) Work done on pricing policy by reviewing continuing connected transaction of other listed issuers on the Stock Exchange

Regarding the pricing policy of the 2019-2021 Supply Agreement with Supplier, we have reviewed circulars relating to continuing connected transactions of purchase of materials by other listed issuers on the Stock Exchange from their connected persons, in which it stated, listed issuers on the Stock Exchange will obtain quotations from at least two independent third parties to assess whether the purchase of the relevant materials from the connected persons is on normal commercial terms. Thus, we are of the view that such pricing policy of the 2019-2021 Supply Agreement with Supplier is in line with the market practices and is fair and reasonable.

(ii) Work done on pricing policy by enquiring the Management and the Directors

The Management advised that the engagement of China Complant by SATT pursuant to the 2015-2017 Supply Agreement with Supplier are on non-committed and non-exclusive basis. In the event that the quotation from China Complant to SATT were less favourable than those offered by other independent third parties to SATT, SATT would procure the respective Deliverables from other independent third parties instead. Given that same terms have been adopted in the 2019-2021 Supply Agreement with Supplier, we are of the view that the price charged by China Complant for the executed procurement from SATT would be fair and reasonable and on normal commercial terms.

(iii) Work done on internal control measures by reviewing sample invoices and comparison quotation of SATT

In addition, we have reviewed 11 sample supplier invoices of SATT for historical transactions between SATT and China Complant and the respective comparison quotation from independent third party by SATT for each of the year 2015, 2016 and 2017 respectively. We noted that the price for particular Deliverables offered by China Complant to SATT were no less favourable than those offered by other independent third parties to SATT.

As such, we consider that the internal control measures are in the interests of the Shareholders as their interests are safeguarded by a procurement management process ensuring terms of the Continuing Connected Transactions are determined with reference to market prices or terms of similar transactions to be entered into with independent third parties. Since the same internal control measures have been adopted pursuant to the terms of the 2019-2021 Supply Agreements with Customers and Supplier, we are of the view that the transactions contemplated thereunder would be fair and reasonable and on normal commercial terms.

Having considered the above factors, we consider that the pricing policy for the 2019-2021 Supply Agreement with Supplier would be fair and reasonable, on normal commercial terms, and in the interest of the Company and the Shareholders as a whole.

(iv) Review of the Continuing Connected Transactions by auditors

With reference to Rule 14A.56 of the Listing Rules, among others, the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions. We obtained the letter from the Company's auditors, showing their confirmation that, among others, nothing has come to their attention that causes them to believe that the transactions contemplated under the 2015-2017 Supply and Service Agreement with Supplier was not, in all material respects, entered into, in all material respects, in accordance with the relevant agreement governing the transactions. Since the internal control measures adopted in the 2019-2021 Supply Agreement with Supplier remains consistent with that of the 2015-2017 Supply and Service Agreement with Supplier, we are of the view that such internal control measures are able to ensure that the price the Deliverables to be supplied by China Complant to SATT are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Assessment on the payment terms for the 2019-2021 Supply Agreement with Supplier

Invoices will be issued after the Deliverables reached designated port and passed the quality inspection. Payment should be made in (i) 365 days following the invoice date if the Deliverables are procured from China Complant by SATT; and (ii) 30 days following the invoice date if the Deliverables are procured from other independent suppliers by SATT, by bank transfer, bank draft or other mutually agreed methods. The payment terms under 2019-2021 Supply Agreement with Supplier 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 basis of the pricing policy, the internal control measures and the payment terms for the price determination of the 2019-2021 Supply Agreement with Supplier is fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned.

3.5 Other major terms of the 2019-2021 Supply Agreements with Customers and Supplier

We have reviewed other major terms of the 2019-2021 Supply Agreements with Customers and Supplier 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 2019-2021 Supply Agreements with Customers and Supplier 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.

4 The Revised 2019-2021 Proposed Annual Caps with Customers and Supplier

4.1 The Revised 2019-2021 Proposed Annual Caps with Customers

As set out in the Letter from the Board, the historical transaction amounts, the 2015-2017 Approved Annual Caps with Customers, the utilisation rate of the 2015-2017 Approved Annual Caps with Customers and the Revised 2019-2021 Proposed Annual Caps with Customers are summarised as below:

Transaction categories	**Historical amounts / Historical utilisation rate**			**2015-2017 Approved Annual Caps with Customers**			**2019-2021 Revised Proposed Annual Caps with Customers**		
	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021
Consumables Procurement	US$7,942,000 (approximately HK$61,555,000)	US$6,019,000 (approximately HK$46,680,000)	US$8,130,000 (approximately HK$63,043,000)	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)	US$7,996,000 (approximately HK$62,004,000)	US$8,264,000 (approximately HK$64,079,000)	US$8,504,000 (approximately HK$65,938,000)
	42.8%	31.2%	40.5%						
Chemicals and Fertilizer Procurement	US$2,919,000 (approximately HK$22,625,000)	US$3,934,000 (approximately HK$30,507,000)	US$5,298,000 (approximately HK$41,084,000)	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)	US$7,267,000 (approximately HK$56,347,000)	US$7,678,000 (approximately HK$59,533,000)	US$8,020,000 (approximately HK$62,189,000)
	22.1%	28.6%	37.0%						
Fixed Asset Procurement	US$26,959,000 (approximately HK$208,955,000)	US$1,535,000 (approximately HK$11,901,000)	US$1,396,000 (approximately HK$10,821,000)	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)	US$1,534,000 (approximately HK$11,895,000)	US$1,564,000 (approximately HK$12,131,000)	US$1,583,000 (approximately HK$12,276,000)
	67.4%	3.7%	3.2%						
Total	US$37,820,000 (approximately HK$293,136,000)	US$11,488,000 (approximately HK$89,088,000)	US$14,824,000 (approximately HK$114,948,000)	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)	US$16,797,000 (approximately HK$130,246,000)	US$17,506,000 (approximately HK$135,744,000)	US$18,107,000 (approximately HK$140,402,000)

As stated in the Letter from the Board, the Revised 2019-2021 Proposed Annual Caps with Customers are determined with reference to a number of factors, including (i) the historical amount of transactions; (ii) the estimated business growth in agricultural and industrial production of Africa Company 1, Africa Company 2 and PCSC; and (iii) the potential price fluctuations in both the international and domestic markets for each type of the Deliverables.

Pursuant to the First Supplemental Agreements, the annual caps for respective years from 2018 to 2020 being rolled forward by one-year. The reason for such revision is to accommodate the changes in annual cap requirement to match the backlog orders relating to the unfulfilled Deliverables in 2018 which is now rescheduled to be delivered in 2019 and by the same token the budgeted Deliverables for the 2019 and 2020 will now be rescheduled for delivery in 2020 and 2021 respectively.

In 2018, the customers fulfill their needs for the Deliverables by partly utilising the Deliverables from existing inventories and partly purchasing from locally from independent third-party suppliers. Due to long transportation time and procurement cycle from the PRC to countries where the customers located, the customers usually maintained a high volume of safety stocks. The above consumption of inventories in 2018 has reduced the safety stock level to a very low level. However, in order to preserve more working capital, the customers did not have plans for placing additional orders to replenish the consumed safety stocks. On that basis, the Board takes the view that 2019 Proposed Annual Caps with Customers is sufficient.

Assessment on historical utilisation rate of the 2015-2017 Approved Annual Caps with Customers

Pursuant to the 2017 Annual Report, the sugar cane growing, and manufacturing business of the Group was suffered from the severe business environment, the adverse weather condition 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 has suspended certain agricultural and factory operations of PCSC that are under serious loss since June 2016, which include two sugar estates of Bernard Lodge Sugar Estate and Monymusk Sugar Estate as well as one sugar factory of Monymusk Sugar Factory. It had reduced the available fund from operations for the Consumables Procurement and Chemicals and Fertilizer Procurement.

The Management advised that the capital expenditure for the working capital of the sugar estates and sugar factories of PCSC shall be postponed in order to mitigate the heavy operational loss in future operation. Substantial cost-cutting measures adopted to reduce the consumption of consumptive spare to preserve working capitals.

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 has further postponed the fixed assets investment of PCSC as detailed in the circular of the Company dated 4 March 2013.

As such, we are of the view that the reason for the historical utilisation rate of the 2015-2017 Approved Annual Caps with Customers is justifiable.

Assessment on the reasonableness of the Revised 2019-2021 Proposed Annual Caps with Customers

To assess the fairness and reasonableness of the Revised 2019-2021 Proposed Annual Caps with Customers, we have taken into consideration the following aspects:

(i) *The expected development of the Group's sugar business segment for the three years ending 31 December 2021*

As stated in the 2017 Annual Report, a new licence to import refined sugar, a regulated business in Jamaica, has been granted to PCSC, in an attempt by the Jamaican government to control the leakage of imported refined sugar in retail market in Jamaica. PCSC now is one of the three of the approved marketing agents permitted to import refined sugar for the retail trading in Jamaica. Pursuant to the report "Jamaica Sugar Annual Report 2017" published by the United States Department of Agriculture, Office of Agricultural Affairs, as Jamaica does not produce refined sugar, and therefore needs to import to satisfy the domestic demand. During the year ended 31 December 2016, the country imported 70,000 tonnes of refined sugar. The demand for refined sugar for 2017 and 2018 is expected to remain stable.

In addition, pursuant to the 2017 Annual Report, the Monymusk Sugar Factory of PCSC in Jamaica have resumed the sugar and molasses manufacturing operation since March 2018. It has also launched extensive program which include the farmer loans and equipment rental services to assist the local farmers to boost their sugar cane productivity in the Monymusk and the Bernard Lodge region of Jamaica

As such, the Directors believe that the Group's sugar business segment would be supported by the new licence granted and the resumption of the manufacturing operation. Thus, the Consumables Procurement, the Chemicals and Fertilizer Procurement and Fixed Asset Procurement are expected to sustain at approximately the historical level of that for the year ended 31 December 2017.

As stated in the Letter from the Board, the operations of the Bernard Lodge and Monymusk Sugar Estate and Monymusk Sugar Factory under PCSC and Africa Company 3, Africa Company 4 as well as CBB has been suspending.

Based on our discussion with the Management regarding the subsequent effect of such suspension, they expressed that such adverse impact had been revealed in the historical utilisation rate of the 2015-2017 Approved Annual Caps with Customers and estimated that those factors are least likely to have further negative impact on Africa Company 1, Africa Company 2 and PSCS.

We have further enquired the Management whether the events leading to the suspension of Africa Company 3 have any impact to the operations of Africa Company 2 given Africa Company 2 is also incorporated in the Republic of Madagascar. The Management advised that (i) Africa Company 2 and Africa Company 3 locate in different region of Madagascar; and (ii) the staff of Africa Company 2 and Africa Company 3 belonged to two different trade unions. Thus, the large-scale riots happened in 2014 which affected the operation of Africa Company 3 had no adverse impact to the operation of Africa Company 2.

We have also reviewed the information of sales of the Deliverables from SATT to each of Africa Company 1, Africa Company 2 and PSCS for each of the three years ended 31 December 2017. Apart from the substantial decrease in the Fixed Asset Procurement from the year 2015 to 2016, we did not notice drastic changes or decreasing trend from the historical utilisation rate of the 2015-2017 Approved Annual Caps with Customers. We also notice no drastic changes or decreasing trend on the purchase of the Deliverables by Africa Company 2 from SATT.

As such, we concur with the Company's view that the adverse impact of the abovementioned suspension of operations had been revealed and are least likely to have further negative impact on Africa Company 1, Africa Company 2 and PSCS. Meanwhile, we are of the view that the Directors' expectation that the Consumables Procurement, the Chemicals and Fertilizer Procurement and Fixed Asset Procurement are expected to sustain at approximately the historical level of that for the year ended 31 December 2017 is fair and reasonable.

(ii) Calculation of the Revised 2019-2021 Proposed Annual Caps with Customers

Upon our request, we obtained a list showing the calculation of the proposed annual cap regarding the Revised 2019-2021 Proposed Annual Caps with Customers for each of the three years ending 31 December 2021. We noted that SATT provided an estimate of the forecasted sale amount for the three years ending 31 December 2021 based on the communication with Africa Company 1, Africa Company 2 and PCSC. As advised by the Management, the forecasted sale amount was approved by management of each of SATT, Africa Company 1, Africa Company 2 and PCSC before submitting to the Company for consolidation and review.

We noted that the Company anticipated an aggregate of HK$130 million, HK$136 million and HK$140 million transaction amount for the 2019-2021 Supply Agreements with Customers for the years ending 31 December 2019, 2020 and 2021 respectively. The estimated total transaction amounts for the 2019-2021 Supply Agreements with Customers are expected to sustain at approximately the historical level of that for the year ended 31 December 2017. We noted that the proposed annual cap for the year 2019 represents a moderate increment of approximately 13% as compared to the historical amount for the year 2017, which is followed by stable year-on-year increments of approximately 4% in the proposed annual caps for the years 2020 and 2021. We have enquired with and given to understand that the increase in 2019 was due to the planned shifting of chemicals and fertiliser procurement from locally after the recent improvement in inventory space to store large overseas shipments of chemicals and fertiliser from the PRC to replace the higher price local supplies. As such, there is an increase of approximately HK$11 million of chemicals and fertiliser will be procured by PCSC for the year 2019.

Except the above change, as confirmed by the Company, there is currently no specific expansion plan for the years 2019 and 2020. Thus, the Company expects steady business operation level for the two years ending 2020 and a buffer of 1%-6% is included in each of the transaction categories of the 2019-2021 Supply Agreements with Customers to account for the uncertainty regarding factors including, but not limited to, inflation, currency exchange rate and pricing of the Deliverables.

We had further enquired the Management whether the Revised 2019-2021 Proposed Annual Caps with Customers is sufficient to cover the sales by SATT to Africa Company 1, Africa Company 2 and PCSC in 2019 in light of the backlog orders and the fact that no transactions have taken place in 2018. The Management advised that the Company had communicated with Africa Company 1, Africa Company 2 and PCSC regarding, among others, the respective revised annual caps amount before entering into the First Supplemental Agreement. After taking into account, among others, their respective production capacity, Africa Company 1, Africa Company 2 and PCSC concluded that their production schedules (i) in 2019 can be fulfilled by the backlog orders relating to the unfulfilled Deliverables in 2018; and (ii) in 2020 and 2021 can be fulfilled accordingly due to the postponed of the Continuing Connected Transactions in preceding years.

Moreover, in the event that the aggregate annual value of the transactions contemplated under the 2019-2021 Supply Agreements with Customers exceed the Revised 2019-2021 Proposed Annual Caps with Customers, or that there is any material amendment to the terms of the 2019-2021 Supply Agreements with Customers, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Based on the foregoing factors and reasons, and after taking into account that the Revised 2019-2021 Proposed Annual Caps with Customers are in line with (i) the historical figures; and (ii) the proposed business development plan of the Group, we are of the view that the Revised 2019-2021 Proposed Annual Caps with Customers, with moderate year-on-year growth for the year 2019 and followed by steady milder year-on-year growth for the year 2020 and 2021, are fairly and reasonably determined.

However, as the Revised 2019-2021 Proposed Annual Caps with Customers relate to future events, we therefore express no opinion as to how closely the actual amount to be incurred under the 2019-2021 Supply Agreements with Customers correspond with the Revised 2019-2021 Proposed Annual Caps with Customers.

4.2 The Revised 2019-2021 Proposed Annual Caps with Supplier

As set out in the Letter from the Board, the historical transaction amounts, the 2015-2017 Approved Annual Caps with Supplier, the utilisation rate of the 2015-2017 Approved Annual Caps with Supplier and the Revised 2019-2021 Proposed Annual Caps with Supplier are summarised as below:

Transaction categories	Historical amounts / Historical utilisation rate			2015-2017 Approved Annual Caps with Suppliers			2019-2021 Revised Proposed Annual Caps with Supplier		
	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021
Consumables Procurement	US$4,912,000 (approximately HK$38,075,000)	US$2,633,000 (approximately HK$20,423,000)	US$4,244,000 (approximately HK$32,908,000)	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)	US$4,292,000 (approximately HK$33,284,000)	US$4,343,000 (approximately HK$33,674,000)	US$4,394,000 (approximately HK$34,073,000)
	50.7%	26.3%	40.7%						
Chemicals and Fertilizer Procurement	US$1,148,000 (approximately HK$8,902,000)	US$2,599,000 (approximately HK$20,152,000)	US$4,301,000 (approximately HK$33,354,000)	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)	US$6,202,000 (approximately HK$48,088,000)	US$6,511,000 (approximately HK$50,487,000)	US$6,815,000 (approximately HK$52,847,000)
	10.7%	23.3%	37.0%						
Fixed Asset Procurement	US$21,800,000 (approximately HK$168,964,000)	US$769,000 (approximately HK$5,964,000)	US$816,000 (approximately HK$6,329,000)	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)	US$941,000 (approximately HK$7,298,000)	US$961,000 (approximately HK$7,448,000)	US$973,000 (approximately HK$7,548,000)
	73.0%	2.0%	2.1%						
Total	US$27,860,000 (approximately HK$215,941,000)	US$6,001,000 (approximately HK$46,539,000)	US$9,361,000 (approximately HK$72,591,000)	US$56,889,000 (approximately HK$441,123,000)	US$59,188,000 (approximately HK$458,950,000)	US$61,579,000 (approximately HK$477,490,000)	US$11,435,000 (approximately HK$88,669,000)	US$11,815,000 (approximately HK$91,610,000)	US$12,182,000 (approximately HK$94,468,000)

Assessment on the historical utilisation rate of the 2015-2017 Approved Annual Caps with Supplier

Given that SATT procured the Deliverables from China Complant to satisfy the orders from Africa Company 1, Africa Company 2 and PCSC, the historical severe business environment of the Group's sugar business segment resulted from the factory as stated above affected the utilisation rate of the 2015-2017 Approved Annual Caps with Customers. Based on the aforementioned, we are of the view that the historical utilisation rate of the 2015-2017 Approved Annual Caps with Supplier is justifiable.

Pursuant to the First Supplemental Agreements, the annual caps for respective years from 2018 to 2020 have been rolled forward by one-year. The reason for such revision is to accommodate the changes in annual caps requirement to match the backlog orders relating to the unfulfilled Deliverables in year 2018 which is now rescheduled to be delivered in 2019 and by the same token the budgeted Deliverables for the 2019 and 2020 will now be rescheduled for delivery in 2020 and 2021 respectively.

In 2018, the customers of SATT partly used the Deliverables from existing inventory and partly purchasing from locally from independent third-party suppliers to fulfill their needs for the Deliverables. Due to long transportation time and procurement cycle, the customers usually have higher safety stocks. The consumption in 2018 has reduced the safety stock level. To preserve more working capital and historical high safety inventories, the customers did not have plans for additional purchases to replenish the consumed safety stocks after the reduction of inventory level in 2018. Therefore, SATT does not need to place additional order to China Complant for those inventory replenishment orders. On that basis, the Board takes the view that 2019 Proposed Annual Caps with Supplier is sufficient.

Assessment on the reasonableness of the Revised 2019-2021 Proposed Annual Caps with Supplier

To assess the fairness and reasonableness of the Revised 2019-2021 Proposed Annual Caps with Supplier, we have taken into consideration the following aspects:

(i) *The business relationship between SATT and China Complant in relation to the provision of Deliverables and the business development SATT*

Upon our request, we obtained a list showing the calculation of the proposed annual cap regarding the Revised 2019-2021 Proposed Annual Caps with Supplier for each of the three years ending 31 December 2021.

We noted that the Revised 2019-2021 Proposed Annual Caps with Supplier were determined with reference to (i) the historical amount of transactions with China Complant for the three years ended 31 December 2017; (ii) the Revised 2019-2021 Proposed Annual Caps with Customers between SATT and the Africa Company 1, Africa Company 2 and PCSC; (iii) the average historical gross profit margin that was earned by SATT on each type of Deliverables for the three years ended 31 December 2017; and (iv) the forecasted change in gross profit margin that will be earned by SATT on each type of Deliverables. The factors which will affect the gross margin earned by SATT included, but not limited to, (1) the forecasted inflation difference between the PRC and African Countries and Jamaica; and (2) the forecasted change in foreign exchange rate among RMB, USD and currency in the African Countries and Jamaica.

Due to the fact that China Complant (i) has been providing the Deliverables to SATT for its supply to the order from Africa Company 1, Africa Company 2 and PCSC since 1 January 2009 and (ii) has been offering a competitive price and consistently meeting the Group's requirement in terms of quality of Deliverables, 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.

As advised by the Company, due to the fact that SATT procures the Deliverables from China Complant to satisfy the needs from Africa Company 1, Africa Company 2 and PCSC, the Revised 2019-2021 Proposed Annual Caps with Supplier is determined on the basis of quantity of Deliverables in the procurement plan from Africa Company 1, Africa Company 2 and PCSC.

Thus it is fair and reasonable to determine the Revised 2019-2021 Proposed Annual Caps with Supplier with reference to (i) the historical amount of transactions with China Complant; (ii) the Revised 2019-2021 Proposed Annual Caps with Customers; (iii) the average historical gross profit margin that was earned by SATT on each type of Deliverables for the three years ended 31 December 2017; and (iv) the forecasted change in gross profit margin that will be earned by SATT on each type of Deliverables. The aforesaid Revised 2019-2021 Proposed Annual Caps with Supplier in relation to the Deliverables 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 2017 provided by the Management and noted that the average historical gross profit margin of SATT for each type of the Deliverables for the aforesaid periods were comparable to the forecasted gross profit margin of SATT.

We had further enquired the Management whether the Revised 2019-2021 Proposed Annual Caps with Supplier is sufficient to cover the purchase by SATT from China Complant in 2019 in light of the backlog orders and the fact that no transactions have taken place in 2018. The Management advised that the Revised 2019-2021 Proposed Annual Caps with Supplier were determined with reference to the Revised 2019-2021 Proposed Annual Caps with Customers. Given that the Revised 2019-2021 Proposed Annual Caps with Customers would remain the same after entering into the First Supplemental Agreement as stated above, it is reasonable for the current determination of the Revised 2019-2021 Proposed Annual Caps with Supplier.

Moreover, in the event that the aggregate annual value of the transactions contemplated under the 2019-2021 Supply Agreements with Supplier exceed the Revised 2019-2021 Proposed Annual Caps with Supplier, or that there is any material amendment to the terms of the 2019-2021 Supply Agreements with Supplier, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Having taken into account the aforesaid factors, we consider that the Revised 2019-2021 Proposed Annual Caps with Supplier are in line with (i) the historical gross profit margin of SATT; (ii) the background of China Complant; and (iii) the business prospects of the Group's sugar business segment. We are of the view that the Revised 2019-2021 Proposed Annual Caps with Supplier are fairly and reasonably determined.

However, as the Revised 2019-2021 Proposed Annual Caps with Supplier relate to future events, we therefore express no opinion as to how closely the actual amount to be incurred under the 2019-2021 Supply Agreement with Supplier correspond with the Revised 2019-2021 Proposed Annual Caps with Supplier.

Views

Having reviewed the information and discussed with the Management regarding the bases and assumptions for determining the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier which include, among others, (i) the historical amounts in purchase and sales of the Deliverables by SATT; (ii) the estimated development of the Group's sugar business segment; and (iii) the historical profit margin and revenue generated by SATT, we are of the view that the bases for determining the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the terms and conditions under the 2019-2021 Supply Agreements with Customers and Supplier 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 Revised 2019-2021 Proposed Annual Caps with Customers and Supplier 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 Continuing Connected Transactions and the Revised 2019-2021 Proposed Annual Caps with Customers and Supplier.

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

Ms. Doris Sy is a person licenced to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Donvex Capital Limited who has over 17 years of experience in corporate finance industry.

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, none of the Directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Company.

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

As at the Latest Practicable Date, Ms. Liu Yan, Mr. Liu Xueyi, Mr. Han Hong and Mr. Wang Zhaohui (by virtue of their relationships with China Complant and COMPLANT, Ms. Liu Yan, Mr. Liu Xueyi, Mr. Han Hong, and Wang Zhaohui, both Directors, are both also the present or past directors or employee of China Complant and 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 2018 (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 the Latest Practicable Date, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules were as follows:

Director	Name of company	Nature of competing business	Nature of interest
Ms. Liu Yan	China Complant and its subsidiaries	Sugar Cane Growing and Sugar Manufacturing	Director of China Complant
Mr. Liu Xueyi	China Complant and its subsidiaries	Sugar Cane Growing and Sugar Manufacturing	Past director of China Complant and COMPLANT
Mr. Han Hong	China Complant and its subsidiaries	Sugar Cane Growing and Sugar Manufacturing	Past director of China Complant and director of COMPLANT
Mr. Wang Zhaohui	China Complant and its subsidiaries	Sugar Cane Growing and Sugar Manufacturing	Finance manager of COMPLANT

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

The Independent Financial Adviser 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 2018, 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 the Independent Financial Adviser is given as of the date of this circular for incorporation herein. The Independent Financial Adviser 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 2018, 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 Room 1701, 17/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong for 14 days from the date of this circular:

(i) the letter dated 30 April 2019 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 68 to 69 of this circular;

(ii) the letter of advice dated 30 April 2019 from Donvex Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 70 to 107 of this circular;

(iii) the written consent of Donvex Capital Limited referred to in paragraph V of this Appendix; and

(iv) the 2019-2021 Supply Agreements with Customers and Supplier and the First Supplemental Agreements in respect of the Continuing Connected Transactions.

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 Pacific Room, 2/F., Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Friday, 31 May 2019 at 11:00 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 three 2019-2021 Supply Agreements with Customers all dated 7 November 2018 as renamed and amended by the three supplemental agreements dated 4 February 2019 entered into between Sino-Africa Technology & Trading Limited (中非技術貿易有限公司, "**SATT**") and La Sucrerie de COMPLANT du Benin, Sucrerie Cote Ouest de COMPLANT de Madagascar (Ouest Sucre) as well as Pan-Caribbean Sugar Company Limited respectively, together with the 2019-2021 Supply Agreement with Supplier dated 7 November 2018 as renamed and amended by the supplemental agreements dated 4 February 2019 entered into between SATT and China National Complete Plant Import & Export Corporation Limited (中國成套設備進出口（集團）有限公司) (the "**2019-2021 Supply Agreements with Customers and Supplier**") (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 revised 2019-2021 proposed annual caps for customers and supplier 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 2019-2021 Supply Agreements with Customers and Supplier and the transactions contemplated thereunder."

Yours faithfully,
For and on behalf of the Board of
Hua Lien International (Holding) Company Limited
Ms. Liu Yan
Chairman

Hong Kong, 30 April 2019

* *For identification purpose only*

Principal Place of Business in Hong Kong:
Room 1701, 17/F.,
World-Wide House,
19 Des Voeux Road Central, 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) 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.

(3) 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 Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

(4) 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.

(5) In order to qualify for attending and voting at 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 Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Friday, 24 May 2019.

(6) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the EGM may be re-scheduled. The Company will post an announcement on the websites of the Company at http://www.irasia.com/listco/hk/hualien/index.htm and the Stock Exchange at http://www.hkexnews.hk to notify the shareholders of the Company of the date, time and place of the rescheduled meeting if under adverse weather.

(7) 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.