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If you have sold or transferred all your shares in Hua Lien International (Holding) Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the 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.

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HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

華聯國際(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

CONNECTED TRANSACTION — PROPOSED EXTENSION OF THE MATURITY DATE OF OUTSTANDING CONVERTIBLE NOTE

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



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 4 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page IBC-1 of this circular. A letter from Donvex Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-13 of this circular.

A notice convening the EGM to be held at The Bauhinia Room, 27/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on 20 September 2019 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 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.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“China Compliant”	China National Complete Plant Import & Export Group Corporation Limited (中國成套設備進出口集團有限公司), 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) and owns 30% equity interest in Compliant Sugar and a controlling shareholder of the Company
“Company”	Hua Lien International (Holding) Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Compliant Sugar”	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 of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	being HK\$0.6 per Conversion Share
“Conversion Share(s)”	the Share(s) issuable upon the conversion of the Outstanding Convertible Note
“Convertible Note”	the convertible note due 27 February 2014 (which was extended to 27 February 2019) in the principal amount of HK\$673,200,000 issued by the Company, details of which are set out in the circular of the Company dated 23 January 2009 and 20 December 2013
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Donvex Capital” or “Independent Financial Adviser”	Donvex Capital Limited, a licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second Amendment Deed and the transactions contemplated thereunder
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Second Amendment Deed and the transactions contemplated thereunder
“Extension”	the extension of the maturity date of the Outstanding Convertible Note from 27 February 2019 to 27 February 2024
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry, being all independent non-executive Directors, established to give recommendations to the Independent Shareholders in respect of the Second Amendment Deed and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Complant Sugar, China Complant and their respective associates
“Last Trading Day”	26 February 2019, being the last trading day of the Shares immediately before the date of the Second Amendment Deed
“Latest Practicable Date”	8 August 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	being 27 February 2019 which will be conditionally extended to 27 February 2024 pursuant to the terms of the Second Amendment Deed
“Noteholder”	the holder of the Convertible Note from time to time
“Outstanding Convertible Note”	the Convertible Note in the principal amount of HK\$533,700,000 held by Complant Sugar

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Second Amendment Deed”	the second amendment deed dated 27 February 2019 entered into by the Company and Complant Sugar to conditionally extend the Maturity Date of the Convertible Note
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	Share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

華聯國際（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

Executive Directors:

Mr. Liu Xueyi
Mr. Han Hong
Mr. 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

Registered office:

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in Hong Kong:*

Room 1701, 17/F.
World-Wide House
19 Des Voeux Road Central
Central, Hong Kong

13 August 2019

To: the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION —
PROPOSED EXTENSION OF THE MATURITY DATE OF
OUTSTANDING CONVERTIBLE NOTE**

INTRODUCTION

Complant Sugar is the holder of the Outstanding Convertible Note with a principal amount of HK\$533,700,000 with a Maturity Date falling on 27 February 2019. On 27 February 2019, the Company and Complant Sugar entered into the Second Amendment Deed pursuant to which Complant Sugar conditionally agreed to extend the maturity date of the Outstanding Convertible Note for a further term of five years from 27 February 2019 to 27 February 2024.

** For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Second Amendment Deed and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Second Amendment Deed and transactions contemplated thereunder; (iii) a letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders in relation to the Second Amendment Deed and transactions contemplated thereunder; and (iv) a notice convening the EGM.

BACKGROUND INFORMATION

Reference is made to the announcement of the Company dated 16 December 2008, the circular of the Company dated 23 January 2009, the announcement of the Company dated 29 November 2013, the circular of the Company dated 20 December 2013 and the announcement of the Company dated 27 February 2019. The Company issued two tranches of the Convertible Note both on 27 February 2009 in the aggregate amount of HK\$673,200,000 with an initial maturity date of 27 February 2014 which was extended to 27 February 2019.

As at the date of the Second Amendment Deed and the Latest Practicable Date, the Convertible Note had a principal outstanding amount of HK\$533,700,000 which was held by Complant Sugar.

The Convertible Note was issued as a partial settlement of the consideration payable by the Group to Complant Sugar for the acquisition of the entire issued share capital of Sino-Africa Technology & Trading Limited under the sale and purchase agreement dated 12 November 2008. Further information about the acquisition can be referred to the circular of the Company dated 23 January 2009.

As at the Latest Practicable Date, there is only one Noteholder which is Complant Sugar. Further information of Complant Sugar is disclosed under the section headed “Information of the Company and Complant Sugar” in this circular.

According to the knowledge of the Directors, Complant Sugar has been indebted to China Complant which had been the controlling shareholder of Complant Sugar. Since China Complant disposed of 40% equity interest of Complant Sugar and ceased to be the controlling shareholder of Complant Sugar in July 2018, upon the request of China Complant, Complant Sugar charged the Outstanding Convertible Note to China Complant on 21 January 2019 to secure the indebtedness owed by Complant Sugar to China Complant. China Complant is entitled to enforce the charge on the Outstanding Convertible Note when: (i) Complant Sugar defaults in the payment of the indebtedness owed by it to China Complant; (ii) Complant Sugar breaches its other obligations to China Complant under the charge deed on the Outstanding Convertible Note; (iii) winding-up, dissolution or the appointment of a receiver is started against Complant Sugar, the Company or of all or a material part of its revenues and assets; or (iv) in the opinion of China Complant there occurs a material adverse change in the financial condition of Complant Sugar and/or the Company.

LETTER FROM THE BOARD

SECOND AMENDMENT DEED

On 27 February 2019, the Company and Complant Sugar entered into the Second Amendment Deed to amend the existing term(s) of the Outstanding Convertible Note held by Complant Sugar.

The Second Amendment Deed have been approved by the board of directors of Complant Sugar and the Company and the Second Amendment Deed is legally binding on Complant Sugar and the Company.

The proposed amendment

The proposed amendment of the terms and conditions of the Outstanding Convertible Note pursuant to the Second Amendment Deed is that the maturity date of the Outstanding Convertible Note is to be extended for a further term of five years from 27 February 2019 to 27 February 2024.

Save for the amendment above, other terms and conditions of the Outstanding Convertible Note shall remain unchanged and in full force and effect and binding on the parties.

Conditions precedent to the Second Amendment Deed

The Extension under the Second Amendment Deed is conditional upon the satisfaction of the following conditions:

- (i) the passing by the Independent Shareholders of the necessary resolution(s) at the EGM approving the Second Amendment Deed and the transactions contemplated thereunder;
- (ii) the Stock Exchange having approved the amendments on the Outstanding Convertible Note; and
- (iii) the Company having obtained all other necessary consents and approvals in respect of the Second Amendment Deed and the transaction contemplated thereunder in compliance with the relevant laws and regulations (including but not limited to the Listing Rules and the relevant laws of Hong Kong).

With respect to condition (iii), the Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares on the Stock Exchange.

None of the conditions can be waived and if the above conditions are not fulfilled on or before 31 December 2019 or such later date as may be agreed between the Company and Complant Sugar, the Second Amendment Deed will lapse and become null and void. As at the date of this circular, none of the conditions above have been fulfilled. Pursuant to the terms of the Second Amendment Deed, if the above conditions are fulfilled after 27 February 2019, the Extension shall take retrospective effect and be effective from 27 February 2019.

LETTER FROM THE BOARD

Principal terms of the Outstanding Convertible Note

Principal amount	HK\$533,700,000
Interest rate	Zero coupon
Maturity date	The Business Day falling on the fifth anniversary of the issue date and was extended for a term of five years to 27 February 2019, which will be extended for a further term of five years to 27 February 2024. The Company shall redeem all outstanding principal amounts of the Outstanding Convertible Note on the Maturity Date. Upon occurrence of events of defaults, the Noteholder may give notice to the Company that the principal amount and all other sums payable under the Convertible Note shall immediately become due and payable.
Transferability	The Outstanding Convertible Note are freely transferable, but may not be transferred to a connected person of the Company without prior written consent of the Company
Redemption price	100% of the amount of the Outstanding Convertible Note
Early redemption	<p>The Noteholder shall have the right at any time before the Maturity Date to require the Company to redeem any portion of the Outstanding Convertible Note, provided that:</p> <ul style="list-style-type: none">(i) the Noteholder shall have obtained the written consent of Complant Sugar (if the Noteholder is not Complant Sugar) in relation to the early redemption and the amount to be redeemed;(ii) the Noteholder shall have given to the Company not less than 15 Business Days' prior written notice of its intention to request such redemption, specifying the amount to be redeemed and the date of the proposed redemption together with the Complant Sugar's written consent referred to in (i) above;(iii) the Company, having regard to the financial situation of the Group, accepts the request of the Noteholders for early redemption;(iv) the amount to be redeemed shall be at least HK\$300,000 or its integral multiples; and

LETTER FROM THE BOARD

- (v) the amount to be redeemed is not already the subject of a proposed conversion as stipulated in a conversion notice.

Regarding (iii) above, under the terms of the Convertible Note, there is no consequence if the Company does not accept the early redemption request of the Noteholder.

Conversion

The Noteholder shall have the right to convert the whole or part of the principal amount of the Outstanding Convertible Note during the period commencing from the issue date of the Convertible Note and ending upon the Maturity Date into Conversion Shares in amounts of not less than a whole multiple of HK\$300,000 on each conversion.

Conversion Price

HK\$0.6 per Conversion Share, subject to adjustment for, among other things, upon the occurrence of certain events including share subdivision or consolidation, capitalization issue, capital distribution, rights issues and other dilutive events.

The Conversion Price represents:

- (i) a premium of approximately 532% to the closing price of HK\$0.095 per Share as quoted on the Stock Exchange as at the date of the Second Amendment Deed;
- (ii) a premium of approximately 659% to the closing price of HK\$0.079 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (iii) a premium of approximately 565% to the average closing price per Share of approximately HK\$0.090 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date; and
- (iv) a premium of approximately 547% to the average closing price per Share of approximately HK\$0.093 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date.

LETTER FROM THE BOARD

The Board noted that the Conversion Price was at a significant premium to the closing price of the Share of HK\$0.095 as at the date of the Second Amendment Deed. To the knowledge of the Company, due to the said significant difference between the Share price and the Conversion Price, it would be unlikely for the Noteholder to exercise the conversion right of the Convertible Note in short term but the Noteholder might exercise the right of conversion if the difference between the Share price and the Conversion Price is reduced in long term. Further, it would not be desirable to amend the Conversion Price to a value close to the recent Share price since this would lead to significant dilution effect to the Shares being held by the existing Shareholders when the Noteholder chose to convert the Convertible Note. Therefore, the Board believes that maintaining the Conversion Price at HK\$0.6 per Conversion Share is in the interest of the Company and its Shareholders as a whole and it is not necessary to amend the Conversion Price.

Conversion Restrictions

The Noteholder shall not have the right to convert the whole or part of the outstanding principal amount of the Outstanding Convertible Note into Shares to the extent that immediately after such conversion, the Noteholder together with parties acting in concert with it, taken together, will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company (or in such percentage as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer) or otherwise, a general offer shall be given in accordance with the requirement of the Takeovers Code or where applicable, waiver from the Shareholders is obtained in accordance with the Takeovers Code.

Further, the Noteholder shall not have the right to convert the whole or part of the outstanding principal amount of the Outstanding Convertible Note into Shares to the extent that immediately after such conversion, there will not be sufficient public float of the Shares as required under the Listing Rules.

LETTER FROM THE BOARD

On 21 January 2019, Complant Sugar charged the Outstanding Convertible Note to China Complant. Despite the charge and currently China Complant being a controlling shareholder (as defined in the Listing Rules) of the Company, China Complant is not a party acting in concert with Complant Sugar under the Takeovers Code. Further, as at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, the charge on the Convertible Note has not become enforceable and therefore Complant Sugar is able to enjoy and exercise all the rights associated with the Conversion Shares including the voting rights and the entitlement of dividends. Therefore, the conversion restriction concerning the Takeovers Code is not applicable to China Complant and its parties acting in concert.

Voting right

The Noteholder will not be entitled to attend or vote at any general meeting of the Company by reason only of it being the Noteholder.

Please refer to the circulars of the Company dated 23 January 2009 and 20 December 2013 for further details of the Outstanding Convertible Note.

IRREVOCABLE UNDERTAKING

On 27 February 2019, Complant Sugar gave an irrevocable and unconditional undertaking in favour of the Company that conditional upon signing of the Second Amendment Deed, Complant Sugar agreed not to demand repayment of any outstanding amount under the Outstanding Convertible Note before 31 December 2019 or such other date as may be agreed between the Company and Complant Sugar. Further, in view of Complant Sugar having charged the Outstanding Convertible Note to China Complant, on 27 February 2019, China Complant gave its irrevocable consent to entering into of the Second Amendment Deed.

REASONS FOR THE EXTENSION

The Outstanding Convertible Note would be due on 27 February 2019. The Board noted that the Conversion Price was at a significant premium to the closing price of the Share of HK\$0.095 as at the date of the Second Amendment Deed. To the knowledge of the Company, due to the said significant difference between the Share price and the Conversion Price, it would be unlikely for the Noteholder to exercise the conversion right of the Convertible Note in short term but the Noteholder might exercise the right of conversion if the difference between the Share price and the Conversion Price is reduced in long term, and therefore the proposed amendment to extend the Maturity Date can relieve the imminent need of the Company to repay the Outstanding Convertible Note (in case the Outstanding Convertible Note remains outstanding as at its original maturity date), which in turn, can retain appropriate level of funds for its business development and general working capital of the Group.

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Further, since the Outstanding Convertible Note bears no interest and no guarantee or security is required, the Directors are of the view that it is in the interest of the Company and its Shareholders as a whole to utilize the resources of the Group for business development instead of for redemption of the Outstanding Convertible Note.

Basis of determination of the extension period of five years

The extension period of five-year period was determined based on arms-length negotiation by the Group with Noteholder. The Board have taken into consideration below factors for determination the period for the Extension.

(i) *Alternative Forms of restructuring and refinancing*

For reason of low market liquidity of the Shares, it is unlikely for the Company to raise sufficient equity fund under the current market situation to repay the all or substantial part of Outstanding Convertible Note. Also, the poor financial results of the Group also affect the Group's ability to raise other bank borrowing for the repayment of Outstanding Convertible Note. The Board considers that the Extension is the only viable and sensible option for the Group because there is no increase of interest rates (which remains to be zero-coupon) and with no downward adjustment on Conversion Price which eliminated the possibility of increase in dilution effect on the Shareholders.

(ii) *Financial liquidity*

According to the Company's annual report for the year ended 31 December 2018, the Group had cash and cash equivalents of approximately HK\$72,456,000 as at 31 December 2018. Furthermore, the Group recorded a total capital deficiency of HK\$805,793,000 and total liabilities of HK\$1,077,324,000 (all of which were current liabilities and included the derivative and liabilities component of convertible note of a total of HK\$534,090,000) as at 31 December 2018. The Extension will enable the Group to postpone a substantial cash outflow for repayment if the maturity date of the Outstanding Convertible Note can be extended for another five years. In light of the current financial liquidity position, the extension of the maturity date of the Outstanding Convertible Note pursuant to the Second Amendment Deed would alleviate the pressure on cashflows and financial liquidity of the Group for the next five years.

LETTER FROM THE BOARD

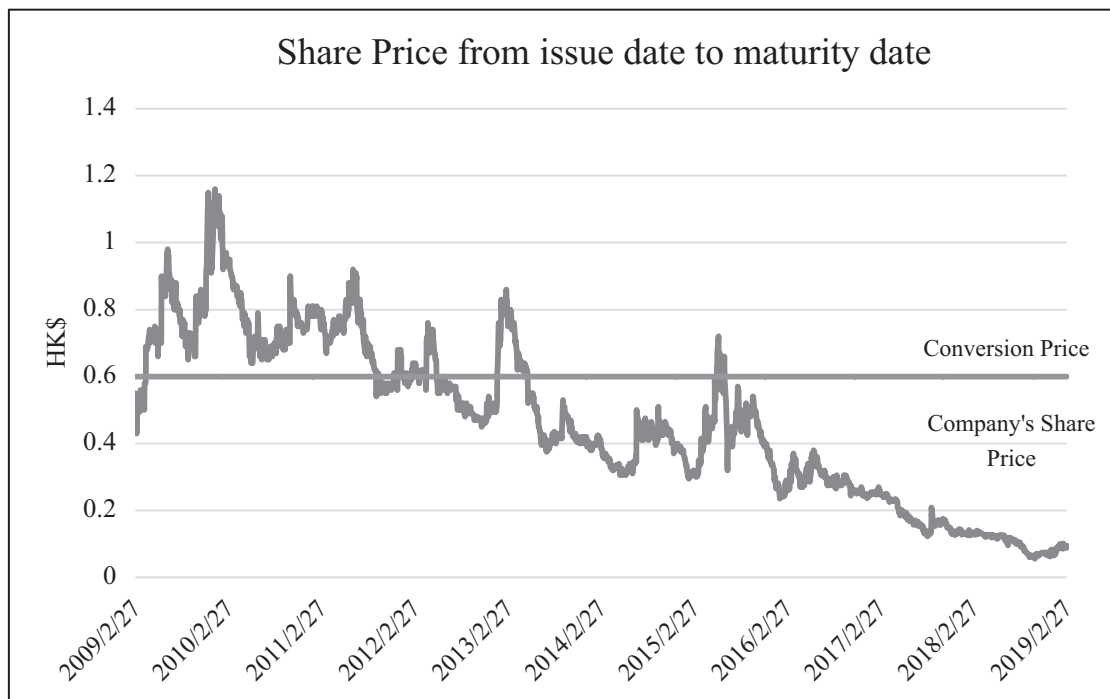
(iii) *Finance cost*

For the year ended 31 December 2018, the imputed interest expense on the Outstanding Convertible Note amounted to approximately HK\$46,900,000 for the zero-coupon Outstanding Convertible Note. Pursuant to the Second Amendment Deed, for the extension period from 27 February 2019 to 27 February 2024, the Outstanding Convertible Note will continue to be on zero-coupon basis. The Company expects that the yearly imputed interest expense under the current accounting policies on the Outstanding Convertible Note will be in line with the historical level. As such, the Company expects that there will not be any material adverse effect on the finance cost of the Group as a result of the extension of the Maturity Date of the Outstanding Convertible Notes.

(iv) *Prospects*

Amid of recent recovering market condition of the sugar business, the Group continues to maintain a cautious outlook towards its financial management in the short and medium term. As the Group needs to maintain certain working capital to fine-tune its business direction e.g. new trading business of the Group's supporting service business to independent third parties in 2019, therefore the Board decided to enter into the Second Amendment Deed with the Noteholder for another five-years term with the same zero-coupon rate.

(v) *Change in the Share price & recent equity market conditions*



Source:

<https://hk.finance.yahoo.com/quote/0969.HK/history?period1=1235664000&period2=1558368000&interval=1d&filter=history&frequency=1d>

LETTER FROM THE BOARD

The Company share price starts to derivate from the Conversion Price since 2015 when the Company recorded significant impairment loss on property, plant and equipment relating to sugar business of HK\$352,153,000, HK\$274,607,000, HK\$29,089,000 for year 2015 to 2017 respectively and impairment loss on goodwill and intangible assets relating to supporting service business of HK\$195,290,000, HK\$216,333,000, HK\$66,278,000 year 2015 to 2017. With no further significant loss in 2018, the Share price starts to recover gradually in 2019. Since the Conversion Price was at a significant premium to the closing price of the Share as at the date of the Second Amendment Deed, it is unlikely for the Noteholder to convert the Convertible Note in short term. The Extension is in the interest of the Company and the Shareholders as a whole and will allow the Company to preserve more working capital.

Vote Down Situation

The Company currently does not have enough financial resources to repay the Outstanding Convertible Note if the Extension is voted down by the Independent Shareholders. As the Company cannot repay the Noteholder the principal of the Outstanding Convertible Note, which will constitute an event of default. This will create going concern issue, adjustments might need to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts and to provide for any further liabilities which might arise.

If that situation happens, the Board will actively consider a range of solutions to address it. In particular, the Group will actively seek appropriate opportunities regarding possible disposals of certain assets as well as other possible settlement arrangements such as the conversion of Outstanding Convertible Note into new debt or conversion portion of it into equity of the Company. However, the Board emphasizes that no such agreement or material terms in relation to other form of debt restructuring proposal has been entered into or agreed between the Group and Complant Sugar as at the date of this circular.

No obvious disadvantage of the Extension

After considering the above factors for the reason and possible negative impact if the extension is voted down, the Board believe that the Extension is in the best interest of the Company and its Shareholders as a whole to vote for by the Independent Shareholders in view of the possible effect on financial position, the prospect of the Company, the change in the Company's Share price and the recent equity market conditions. The Board is not aware of any disadvantage of the Extension.

In light of the above, the Board considers that the terms and conditions of the Second Amendment Deed are fair and reasonable and the Extension is of the interest of the Company and the Shareholders as a whole. The Extension proposed under the Second Amendment Deed is arrived at after arm's length negotiation between the Company and Complant Sugar. The Directors are of the view that the Extension will not pose any significant impact on the operations of the Group.

LETTER FROM THE BOARD

Since Ms. Liu Yan, Mr. Liu Xueyi, Mr. Han Hong and Mr. Wang Zhaohui are the present or past directors or employee of China Complant and Complant Sugar and are considered to have a material interest in the transactions contemplated under the Second Amendment Deed, they have abstained from voting on the board resolution for approving the Second Amendment Deed and the transaction contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the Second Amendment Deed or should abstain from voting in respect of the relevant board resolutions.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of the Second Amendment Deed, Complant Sugar is the holder of the Outstanding Convertible Note with the principal amount of HK\$533,700,000.

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the full conversion of all Outstanding Convertible Note (assuming there being no other change in the share capital of the Company, save for the issue of the Conversion Shares upon the full conversion of the Outstanding Convertible Note):

Shareholders	As at the Latest Practicable Date		Upon full conversion of the Outstanding Convertible Note	
	Shares	%	Shares	%
China Complant (<i>Note 1</i>)	800,000,000	36.51	800,000,000	25.97
Complant Sugar (<i>Note 2</i>)	300,000,000	13.69	1,189,500,000	38.61
Other Shareholders	1,091,180,000	49.80	1,091,180,000	35.42
Total	<u>2,191,180,000</u>	<u>100.00</u>	<u>3,080,680,000</u>	<u>100.00</u>

Notes:

1. State-owned Assets Supervision and Administration Commission of the State Council holds 100% in State Development & Investment Corp., Ltd. which, in turn, holds 100% in China Complant which, in turn, holds 30% in Complant Sugar. China Complant holds 800,000,000 Shares. Complant Sugar charged the Outstanding Convertible Note to China Complant.
2. Complant Sugar holds 300,000,000 Shares and the Outstanding Convertible Note of principal amount of HK\$533,700,000 convertible into 889,500,000 Shares. Complant Sugar charged the Outstanding Convertible Note to China Complant.

LETTER FROM THE BOARD

INFORMATION OF THE COMPANY AND COMPLANT SUGAR

The Group is principally engaged in provision of supporting services sweetener business of sugar cane growing and sugar manufacturing in Jamaica.

Complant Sugar is principally engaged in, through its subsidiaries, sugar cane planting and production of sugar products and ethanol in Africa and Jamaica, and is the substantial shareholder (as defined in the Listing Rules) of the Company holdings 300,000,000 Shares which represent approximately 13.69% of the issued share capital of the Company. As at the Latest Practicable Date, State-owned Assets Supervision and Administration Commission of the State Council holds 100% in State Development & Investment Corp., Ltd. which, in turn, holds 100% in China Complant which, in turn, holds 30% in Complant Sugar. The remaining 30% and 40% shareholding interest in Complant Sugar were owned by Africa-Asia Investment Limited and Xinjiang Botai Energy Company Limited respectively. Save for State-owned Assets Supervision and Administration Commission of the State Council, being the ultimate beneficial owners of China Complant, the ultimate beneficial owners of Complant Sugar are Independent Third Parties.

LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The application for approval for the amendment on the terms and conditions of the Outstanding Convertible Note will be submitted to the Stock Exchange as soon as practicable.

Complant Sugar holds 300,000,000 Shares which represent approximately 13.69% of the issued share capital of the Company as at the Latest Practicable Date. Therefore, Complant Sugar is a connected person of the Company under the Listing Rules. Accordingly, the Extension constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

China Complant, which is the registered and beneficial owner of 30% of the total issued share capital of Complant Sugar, holds 800,000,000 Shares which represent approximately 36.51% of the issued share capital of the Company as at the Latest Practicable Date. To the best knowledge, information and belief of the Directors, save for Complant Sugar, China Complant and their respective associates, no other Shareholder has a material interest in the Extension and the transactions contemplated thereunder. As such, save for Complant Sugar, China Complant and their respective associates, no other Shareholder is required to abstain from voting on the resolution to approve the Extension and the transactions contemplated thereunder at the EGM. To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, save for Complant Sugar, no associate of China Complant is a Shareholder.

LETTER FROM THE BOARD

THE EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be held at The Bauhinia Room, 27/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on 20 September 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Second Amendment Deed and the transactions contemplated thereunder.

A proxy form for use at 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.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry, being all independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Second Amendment Deed are fair and reasonable so far as the Independent Shareholders are concerned and the entering into the Second Amendment Deed is in the interests of the Company and the Shareholders as a whole. Donvex Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

The Directors (including all independent non-executive Directors) consider that the terms of the Second Amendment Deed are fair and reasonable so far as the Independent Shareholders are concerned and the entering into the Second Amendment Deed is in the interests of the Company and the Shareholders as a whole, and therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Second Amendment Deed and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on page IBC-1 of this circular, the letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders set out on pages IFA-1 to IFA-13 of this circular and the information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

華聯國際(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

13 August 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION —
PROPOSED EXTENSION OF THE MATURITY DATE OF
OUTSTANDING CONVERTIBLE NOTE**

We refer to the circular of the Company dated 13 August 2019 (the “Circular”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Second Amendment Deed are fair and reasonable so far as the Independent Shareholders are concerned and the entering into the Second Amendment Deed is in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Second Amendment Deed and the advice from Donvex Capital in relation thereto, we are of the view that the terms of the Second Amendment Deed are fair and reasonable so far as the Independent Shareholders are concerned and the entering into the Second Amendment Deed is in the interests of the Company and the Shareholders as a whole. We are also of the view that the terms of the Second Amendment Deed are on normal commercial terms or better and in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Second Amendment Deed and the transactions contemplated thereunder. The letter from Donvex Capital containing its recommendations to us and the Independent Shareholders and the principal factors and reasons taken into the account by Donvex Capital in arriving at such recommendations is set out on pages IFA-1 to IFA-13 of this Circular.

Yours faithfully,

Independent Board Committee
Hua Lien International (Holding) Company Limited

Mr. Cheng Tai Kwan Sunny
*Independent
Non-executive Director*

Mr. Shi Zhu
*Independent
Non-executive Director*

Dr. Lu Heng Henry
*Independent
Non-executive Director*

* For identification purpose only

LETTER FROM DONVEX CAPITAL

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



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

13 August 2019

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

Dear Sirs,

CONNECTED TRANSACTION — PROPOSED EXTENSION OF THE MATURITY DATE OF OUTSTANDING CONVERTIBLE NOTE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Second Amendment Deed and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular of the Company dated 13 August 2019 to the Shareholders (the “**Circular**”), of which this letter form part. Reference is made to the announcement of the Company dated 25 July 2008, the circular of the Company dated 23 January 2009, the announcement of the Company dated 29 November 2013, the circular of the Company dated 20 December 2013 and the announcement of the Company dated 27 February 2019. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 27 February 2019 (after trading hours), the Company and Complant Sugar entered into the Second Amendment Deed pursuant to which Complant Sugar conditionally agreed to extend the maturity date of the Outstanding Convertible Note for a further term of five years from 27 February 2019 to 27 February 2024.

LETTER FROM DONVEX CAPITAL

Complant Sugar holds 300,000,000 Shares, which represent approximately 13.69% of the issued share capital of the Company, it is therefore a connected person of the Company under the Listing Rules. The Extension constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders approval requirements under Chapter 14A of the Listing Rules. China Complant, which is the registered and beneficial owner of 30% of the total issued share capital of Complant Sugar, holds 800,000,000 Shares which represent approximately 36.51% of the issued share capital of the Company as at the Latest Practicable Date. To the best knowledge, information and belief of the Directors, save for Complant Sugar, China Complant and their respective associates, no other Shareholder has a material interest in the Extension and the transactions contemplated thereunder. As such, save for Complant Sugar, China Complant and their respective associates, no other Shareholder is required to abstain from voting on the resolution to approve the Extension and the transactions contemplated thereunder at the EGM. To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, save for Complant Sugar, no associate of China Complant is a Shareholder.

The Independent Board Committee, comprising Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry, being all independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Second Amendment Deed are fair and reasonable so far as the Independent Shareholders are concerned and the entering into the Second Amendment Deed is in the interests of the Company and the Shareholders as a whole. The Company has appointed us to advise the Independent Board Committee and the Independent Shareholders in respect of the Second Amendment Deed and the transactions contemplated thereunder.

Independent Shareholders should also note that pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where alterations take effect automatically under the existing terms of such convertible debt securities. The amendments on the terms and conditions of the Outstanding Convertible Note pursuant to the Second Amendment Deed is subject to the approval by the Independent Shareholders, conditional on the Listing Committee granting approval for the listing of, and permission to deal in the Conversion Shares contemplated under the Outstanding Convertible Note. The application for approval for the amendment on the terms and conditions of the Outstanding Convertible Note will be submitted to the Stock Exchange as soon as practicable.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Ms. Doris Sy was the person signing off the opinion letter from the independent financial adviser contained in the Company's circular dated 30 April 2019 in respect of 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). Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Donvex Capital and the Company, or any other parties that could be reasonable regarded as hindrance to Donvex Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

LETTER FROM DONVEX CAPITAL

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 Second Amendment Deed, 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 Extension.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others, the Second Amendment Deed, the annual reports of the Company for the three years ended 31 December 2018 (the “**2016 Annual Report**”, “**2017 Annual Report**” and “**2018 Annual Report**”, respectively) 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 Extension 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.

LETTER FROM DONVEX CAPITAL

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 Second Amendment Deed and the Extension 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 Extension, we have taken into consideration the following principal factors and reasons:

1 Background information

Reference is made to the announcement of the Company dated 16 December 2008, the circular of the Company dated 23 January 2009, the announcement of the Company dated 29 November 2013, the circular of the Company dated 20 December 2013 and the announcement of the Company dated 27 February 2019. The Company issued two tranches of the Convertible Note both on 27 February 2009 in the aggregate amount of HK\$673,200,000 with an initial maturity date of 27 February 2014 which was extended to 27 February 2019.

As at the date of the Second Amendment Deed and the Latest Practicable Date, the Convertible Note had a principal outstanding amount of HK\$533,700,000 which was held by Complant Sugar.

The Convertible Note was issued as a partial settlement of the consideration payable by the Group to Complant Sugar for the acquisition of the entire issued share capital of Sino-Africa Technology & Trading Limited under the sale and purchase agreement dated 12 November 2008. Further information about the acquisition can be referred to the circular of the Company dated 23 January 2009.

As at the Latest Practicable Date, there is only one Noteholder which is Complant Sugar. Further information of Complant Sugar is disclosed under the section headed “Information of the Company and Complant Sugar” in the Circular.

LETTER FROM DONVEX CAPITAL

According to the knowledge of the Directors, Complant Sugar has been indebted to China Complant which had been the controlling shareholder of Complant Sugar. Since China Complant disposed of 40% equity interest of Complant Sugar and ceased to be the controlling shareholder of Complant Sugar in July 2018, upon the request of China Complant, Complant Sugar charged the Outstanding Convertible Note to China Complant on 21 January 2019 to secure the indebtedness owed by Complant Sugar to China Complant. China Complant is entitled to enforce the charge on the Outstanding Convertible Note when: (i) Complant Sugar defaults in the payment of the indebtedness owed by it to China Complant; (ii) Complant Sugar breaches its other obligations to China Complant under the charge deed on the Outstanding Convertible Note; (iii) winding-up, dissolution or the appointment of a receiver is started against Complant Sugar, the Company or of all or a material part of its revenues and assets; or (iv) in the opinion of China Complant there occurs a material adverse change in the financial condition of Complant Sugar and/or the Company.

Second Amendment Deed

On 27 February 2019 (after trading hours), the Company and Complant Sugar entered into the Second Amendment Deed to amend the existing term(s) of the Outstanding Convertible Note held by Complant Sugar.

The Second Amendment Deed have been approved by the board of directors of Complant Sugar and the Company and the Second Amendment Deed is legally binding on Complant Sugar and the Company.

The proposed amendment of the terms and conditions of the Outstanding Convertible Note pursuant to the Second Amendment Deed is that the maturity date of the Outstanding Convertible Note is to be extended for a further term of five years from 27 February 2019 to 27 February 2024.

Save for the amendment above, other terms and conditions of the Outstanding Convertible Note shall remain unchanged and in full force and effect and binding on the parties.

The Extension under the Second Amendment Deed is conditional upon the satisfaction of the following conditions:

- (i) the passing by the Independent Shareholders of the necessary resolution(s) at the EGM approving the Second Amendment Deed and the transactions contemplated thereunder;
- (ii) the Stock Exchange having approved the amendments on the Outstanding Convertible Note; and
- (iii) the Company having obtained all other necessary consents and approvals in respect of the Second Amendment Deed and the transaction contemplated thereunder in compliance with the relevant laws and regulations (including but not limited to the Listing Rules and the relevant laws of Hong Kong).

LETTER FROM DONVEX CAPITAL

With respect to condition (iii), the Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares on the Stock Exchange.

2 Reasons for and benefits for the entering into the Second Amendment Deed

As stated in the letter from the Board contained in the Circular, the Outstanding Convertible Note would be due on 27 February 2019 unless further extended. According to the principal terms of the Outstanding Convertible Note, the Company shall redeem all outstanding principal amounts of the Outstanding Convertible Note on the Maturity Date, which amount to HK\$533,700,000 as at the date of the Second Amendment Deed. The Conversion Price has been higher than average closing price of the Shares as quoted on the Stock Exchange during the period from the date of the Second Amendment Deed and up to and including the Latest Practicable Date (being HK\$0.089). In the circumstances, it is expected that Complant Sugar is not going to exercise its conversion rights and the Company is expected to have a substantial cash outflow (i.e. HK\$533,700,000) in order to redeem the Outstanding Convertible Note.

By entering into the Second Amendment Deed, the Extension can relieve the imminent need of the Company to repay the Outstanding Convertible Note, which in turn, can retain appropriate level of funds for its business development and general working capital of the Group. Further, the Outstanding Convertible Note bears no interest and there is no need for guarantee or security, the Directors are of the view that it is in the better interest of the Company and its Shareholders as a whole to utilise the resources of the Group for business development instead of for redemption of the Outstanding Convertible Note.

In light of the above, the Board considers that the terms and conditions of the Second Amendment Deed are fair and reasonable and the Extension is of the interest of the Company and the Shareholders as a whole. The Extension proposed under the Second Amendment Deed is arrived at after arm's length negotiation between the Company and Complant Sugar. The Directors are of the view that the Extension will not pose any significant impact on the operations of the Group.

Based on the above factors and after due and careful consideration, we concur with the view of the Board after taking into account the following assessment:

LETTER FROM DONVEX CAPITAL

Operating results and financial position of the Group

Set out below is a summary of the Group's operating results and financial position extracted from the 2016 Annual Report, 2017 Annual Report and 2018 Annual Report:

	For the year ended 31 December			
	2018	2017	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	134,490	240,458	328,623	366,308
Loss for the year	(93,162)	(101,288)	(659,937)	(704,475)

	As At 31 December			
	2018	2017	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total Current assets	258,485	384,320	423,555	564,273
Bank balances, deposits and cash	72,456	163,265	112,210	125,949

As set out in the table above, the amount of current assets of the Group had been on a decreasing trend. It decreased from approximately HK\$564.3 million for the year ended 31 December 2015 to approximately HK\$258.5 million for the year ended 31 December 2018.

Meanwhile, the bank balances, deposits and cash of the Group remained at a level lower than the amounts of the Outstanding Convertible Note (i.e. HK\$533,700,000) for the four years ended 31 December 2018. As at 31 December 2018, the Group's audited bank balances and cash was approximately HK\$72,456,000. The redemption of all outstanding principal amounts of the Outstanding Convertible Note on the Maturity Date will lead to a significant impact on the Company's liquidity.

As shown in the table above, the Group was loss making for the four years ended 31 December 2018. The loss of the Group was approximately HK\$93,126,000 and HK\$101,288,000 for the year ended 31 December 2018 and 2017 respectively. With reference to the 2016 Annual Report, 2017 Annual Report and 2018 Annual Report, such loss were mainly due to the severe business environment for the sugar cane growing and sugar manufacturing business in Jamaica and African countries.

As a result of the abovementioned unsatisfactory operating performances of the Group, the Group recorded an audited consolidated capital deficiency attributable to owners of the Company of approximately HK\$670,462,000 as at 31 December 2018.

Given that the Company has incurred loss for the four years ended 31 December 2018, it may not be appropriate to use most of the cash of the Group for the redemption of the Outstanding Convertible Note as the Group need to retain sufficient cash to finance the existing loss-making operations and its future business development.

LETTER FROM DONVEX CAPITAL

The Management is of the view that there is no guarantee as to whether the Group could turnaround its unsatisfactory financial performance in the foreseeable future. As a result, the Group may face difficulties to increase its cash balance substantially within a short term to satisfy the redemption of the Outstanding Convertible Note.

The Extension does relieve the imminent need of the Company to repay the Outstanding Convertible Note, which in turn, can retain appropriate level of funds for the general working capital of the Group.

As such, we are of the view that the Extension is in the best interests of the Company and the Shareholders as a whole after taking into account the Group's financial position and prospects of the Company.

Maintain the Zero-coupon rate for the Extension

Save for the Extension, all other terms of the Outstanding Convertible Note remain unchanged, including but not limited to zero coupon rate and no requirement for guarantee or security. As such, there would have no profit and loss impact of the Extension on the Group as a result of entering in the Second Amendment Deed.

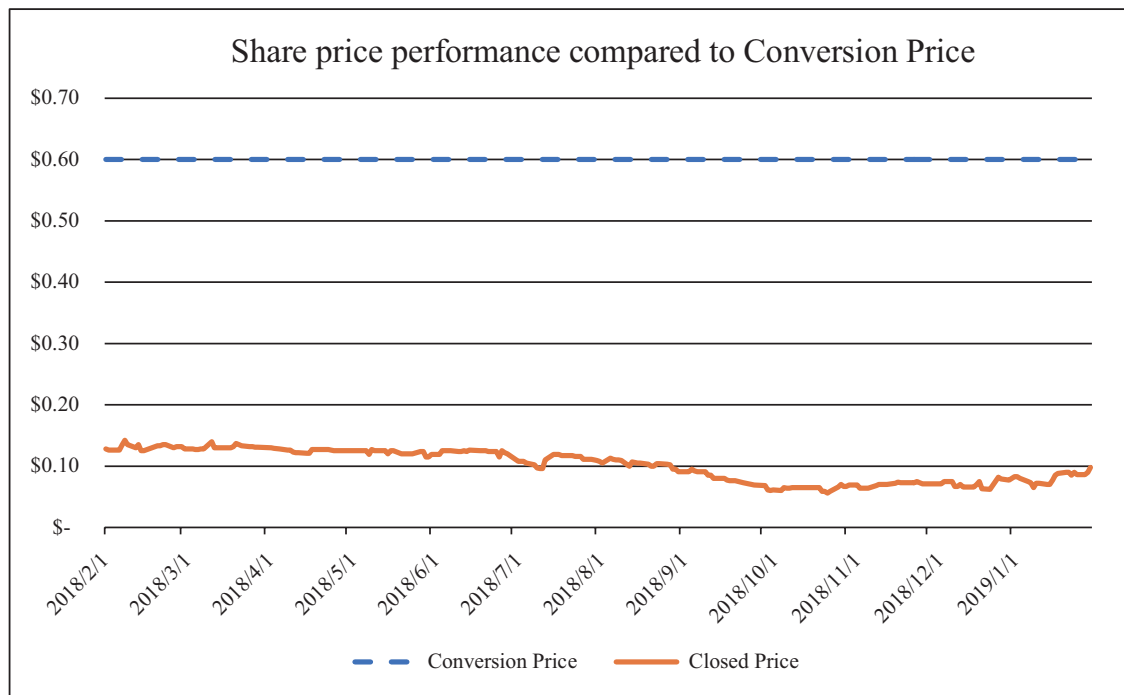
Comparison of Conversion Price with historical Share price

The Conversion Price of HK\$0.6 represents:

- (a) a premium of approximately 532% over the closing price of HK\$0.095 per Share as quoted on the Stock Exchange on the Second Amendment Deed;
- (b) a premium of approximately 659% to the closing price per Share of HK\$0.079 as quoted on the Stock Exchange on the Latest Practicable Date;
- (c) a premium of approximately 565% to the average closing price per Share of approximately HK\$0.090 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date; and
- (d) a premium of approximately 547% to the average closing price per Share of approximately HK\$0.093 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date.

LETTER FROM DONVEX CAPITAL

In order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 1 February 2018 up to and including 27 February 2019 (i.e. the date of the Second Amendment Deed) (the “**Review Period**”), being a period of approximately one year prior to and including the date of the Second Amendment Deed. The comparison of daily closing prices of the Shares and the Conversion Price is illustrated as follows:



Source: The Stock Exchange’s website

The closing prices of the Shares ranged from HK\$0.056 to HK\$0.142 with an average of HK\$0.100 over the Review Period. The Conversion Price of HK\$0.6 represents a premium of approximately 497.47% over the average closing price of the Shares and remained above the closing prices of the Shares during the Review Period. Considering (i) the downward trend of the closing price; (ii) a premium of approximately 497.47% over the average closing price; and (iii) the Conversion Price is above the closing prices of the Shares over the Review Period, we consider the Conversion Price of the Convertible Note to be fair and reasonable and thus maintaining such Conversion Price is in the interest of the Company and the Shareholders as a whole.

Comparison with other convertible bonds/notes

In assessing the fairness and reasonableness of the terms of the Convertible Note, we have attempted to research from public information for comparable transactions regarding (i) the subscription/placing of convertible bonds/notes under specific mandate; and (ii) extension of maturity date of convertible bonds/notes announced by companies listed on the Stock Exchange from 2 January 2019 and up to the date of the Second Amendment Deeds (the “**Comparables Period**”) (the “**Comparables**”).

LETTER FROM DONVEX CAPITAL

We note that the Hang Seng Index started to recover from 25,064.36 (i.e. closing on 3 January 2019) and had been on an increasing trend during the Comparables Period. We consider the Comparables to be subject to the same market sentiment during the Comparables Period. Therefore, the Comparables Period represents a suitable timeframe for our sampling to reflect the prevailing market conditions.

To the best of our knowledge and endeavour, we have found 6 transactions which met the said criteria and they are exhaustive as far as we are aware of. We consider the number of samples of the Comparables to be sufficient such that the average figures calculated are representative and not significantly affected by any individual comparable.

Notwithstanding the differences between the listed issuers of the Comparables and the Group in terms of business nature, financial performance, financial position as well as funding requirements, the Comparables are regarded as a general reference for the recent market practice. Set out below are the details of the Comparables:

Date of announcement	Company name (Stock code)	Interest rate (% per annum)	Term to maturity (years)	Premium/ (Discount) of the conversion price over/(to) closing price per share on the last trading day prior to/on the date of the announcement (%)
2019-01-11	TUS International Limited (872)	Nil	6	(14.31)
2019-01-18	Sino Energy International Holdings Group Limited (1096)	7.50	0.5	100.00
2019-01-24	ShiFang Holding Limited (1831)	3.00	3	9.09
2019-01-25	i-CABLE Communications Limited (1097)	2.00	10	8.70
2019-02-04	Sinco Pharmaceuticals Holdings Limited (6833)	6.00	1.5	22.00
2019-02-18	Asia Investment Finance Group Limited (33)	5.00	1	95.00
	<i>Maximum</i>	7.50	10	100.00
	<i>Minimum</i>	Nil	0.5	(14.31)
	<i>Average</i>	3.92	3.67	36.75
	<i>The Extension</i>	Nil	5	531.58

Interest rate

The interest rates of the Comparables ranged from nil to 7.50% with an average interest rate of approximately 3.92%.

LETTER FROM DONVEX CAPITAL

The Outstanding Convertible Note is interest-free. It is below the average of that of the Comparables and falls within the aforesaid market range.

It is in the interests of the Company and the Shareholders as a whole and in line with the market practice, we consider the interest rate of the Outstanding Convertible Note is fair and reasonable.

Term to maturity

The term of maturity of the Comparables ranged from 0.5 year to 10 years with an average term of maturity of approximately 3.67 years.

The term of maturity of the Extension is 5 years. It is higher than the average of that of the Comparables and falls within the aforesaid market range.

The term of maturity of the Extension is in line with the market practice and is in the interests of the Company and the Shareholders as a whole. We consider the term of maturity of the Extension is fair and reasonable.

Conversion Price

The conversion prices of the Comparables ranged from discount of approximately 14.31% to a premium of 100% with an average of a premium of approximately 36.75% over the closing price on the last trading day prior to/ on the date of the announcement of their respective shares.

The Conversion Price of the Outstanding Convertible Note represents a premium of approximately 532% over the closing price of the Shares on the date of the Second Amendment Deed. It is higher than the aforesaid market range. Therefore, we consider that the Conversion Price of the Outstanding Convertible Note is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Other financing alternative

As discussed with the Management, we understand that the Company has considered other alternative means of fund raising before executing the Second Amendment Deeds, including but not limited to, bank borrowings and equity financing. However, debt financing may subject to lengthy due diligence and negotiations with banks and, unlike the interest-free Outstanding Convertible Note, would also incur further interest burden to the Group. Meanwhile, in view of the unsatisfactory financial performance of the Group aforementioned, particularly the net loss of the Group for the recent financial years, the Company considers that it will likely to have difficulties in (a) obtaining bank borrowing; or (b) procuring placing agent for placing of new Shares and/or underwriters for rights issue or open offer of the Company.

LETTER FROM DONVEX CAPITAL

Upon alteration, the maturity date of the Outstanding Convertible Note will be extended by 5 years from 27 February 2019 to 27 February 2024. The Extension can relieve the imminent need of the Company to repay the Outstanding Convertible Note, which in turn, enable the Company to retain cash flow and liquidity of the Group instead of repaying the Outstanding Convertible Note within a relatively short period. Considering that (i) the Outstanding Convertible Note are interest-free; (ii) the Company does not have enough cash to settle the Outstanding Convertible Note at the date of the Second Amendment Deed; and (iii) the Company will likely to have difficulties in (a) obtaining bank borrowing; or (b) procuring placing agent for placing of new Shares and/or underwriters for rights issue or open offer of the Company as aforementioned, we concur with the Management that the Extension is the most appropriate financing alternative at the moment.

Negative impact on share price from heavy dilution if Outstanding Convertible Note fully converted

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the full conversion of all Outstanding Convertible Note (assuming there being no other change in the share capital of the Company, save for the issue of the Conversion Shares upon the full conversion of the Outstanding Convertible Note):

Shareholders	As at the Latest Practicable Date		Upon full conversion of the Outstanding Convertible Note	
	Shares	%	Shares	%
China Compliant (Note 1)	800,000,000	36.51	800,000,000	25.97
Compliant Sugar (Note 2)	300,000,000	13.69	1,189,500,000	38.61
Independent Shareholders	1,091,180,000	49.80	1,091,180,000	35.42
Total	2,191,180,000	100.00	3,080,680,000	100.00

Notes:

1. State-owned Assets Supervision and Administration Commission of the State Council holds 100% in State Development & Investment Corp., Ltd. which, in turn, holds 100% in China Compliant which, in turn, holds 30% in Compliant Sugar. China Compliant holds 800,000,000 Shares. Compliant Sugar charged the Outstanding Convertible Note to China Compliant.
2. Compliant Sugar holds 300,000,000 Shares and the Outstanding Convertible Note of principal amount of HK\$533,700,000 convertible into 889,500,000 Shares. Compliant Sugar charged the Outstanding Convertible Note to China Compliant.

LETTER FROM DONVEX CAPITAL

In view of the above calculation, percentage of Shares held by the other Shareholders (including the Independent Shareholders) sharply will decrease from approximately 49.8% as at the Latest Practicable Date to approximately 35.4% if all the Outstanding Convertible Note is being converted. Such dilution will irrevocably affect the price of the Shares and may not be of the best interest of the Independent Shareholders in the event that Complant Sugar exercises the conversion rights should the Company have not proceed for the redemption of the Outstanding Convertible Note on the Maturity Date.

Based on the foregoing, we concur with the Company that the Second Amendment Deed is a reasonable measure to avoid any material impact on the Company's financial position and operation as well as the interest of the Independent Shareholders.

RECOMMENDATION

Having taken into consideration the reasons as stated above, we are of the opinion that the terms of the Second Amendment Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the benefits of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Second Amendment Deed and transaction(s) contemplated thereunder.

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.

1. 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 the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interest of 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.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register maintained by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity	Number of the ordinary Shares held	Approximate percentage of issued share capital as at the Latest Practicable Date
Complant Sugar (<i>Note 1</i>)	Beneficial owner	1,189,500,000	54.29%
China Complant (<i>Note 1</i>)	Beneficial owner, interest of controlled corporation and security interests	1,989,500,000	90.80%
State Development Investment Corp., Ltd. (<i>Note 1</i>)	Interest of controlled corporation	1,989,500,000	90.80%
State-owned Assets Supervision and Administration Commission of the State Council (<i>Note 1</i>)	Interest of controlled corporation	1,989,500,000	90.80%

Note:

1. State-owned Assets Supervision and Administration Commission of the State Council holds 100% in State Development & Investment Corp., Ltd. which, in turn, holds 100% in China Complant which, in turn, holds 30% in Complant Sugar. China Complant holds 800,000,000 Shares. Complant Sugar holds 300,000,000 Shares and the Outstanding Convertible Note of principal amount of HK\$533,700,000 convertible into 889,500,000 Shares. Xinjiang Botai Energy Company Limited charged its 40% interest in Complant Sugar to China Complant. Complant Sugar charged the Outstanding Convertible Note to China Complant.

3. 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 are Directors and also the present or past directors or employee of China Complant and Complant Sugar. China Complant and Complant Sugar currently are interested in 800,000,000 and 300,000,000 Shares representing approximately 36.51% and 13.69% of the existing issued share capital of the Company respectively.

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.

4. 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 Sugar
Mr. Han Hong	China Complant and its subsidiaries	Sugar Cane Growing and Sugar Manufacturing	Past director of China Complant and director of Complant Sugar
Mr. Wang Zhaohui	China Complant and its subsidiaries	Sugar Cane Growing and Sugar Manufacturing	Finance manager of Complant Sugar

Save as the aforesaid, as at the Latest Practicable Date, none of the Directors and their respective associates had any interests in any business which competes or was likely to compete, either directly or indirectly, with the Group's business.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had a service contract with any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

6. DIRECTORS' INTEREST IN ASSETS

None of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up) and up to the Latest Practicable Date, 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.

7. DIRECTORS' INTEREST IN CONTRACTS

There was no contract of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisting as at the Latest Practicable Date.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest audited financial statements of the Group were made up.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice contained in this circular:

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

Donvex Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Donvex Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which have been, since 31 December 2018, being the date to which the latest published audited financial statements of the Group 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Room 1701, 17/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong during normal business hours (except Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of the EGM:

- (i) the Convertible Note;
- (ii) the deed of amendment dated 29 November 2013 entered into by the Company and Complant Sugar to extend the maturity date of the Convertible Note to 27 February 2019;
- (iii) the Second Amendment Deed;
- (iv) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (v) the letter from Donvex Capital, the text of which is set out in this circular; and
- (vi) the consent letter referred to in the paragraph headed “Expert and consent” in this Appendix.

11. MISCELLANEOUS

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

NOTICE OF EGM



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 an extraordinary general meeting (the “**Meeting**”) of Hua Lien International (Holding) Company Limited (the “**Company**”) will be held at The Bauhinia Room, 27/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on 20 September 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the second amendment deed (the “**Second Amendment Deed**”) dated 27 February 2019 and entered into between the Company and COMPLANT International Sugar Industry Co., Ltd. (中成國際糖業股份有限公司) in relation to the proposed extension of the maturity date for five years from 27 February 2019 to 27 February 2024 of the zero coupon convertible note with outstanding principal amount of HK\$533,700,000 issued by the Company on 27 February 2009 (the “**Outstanding Convertible Note**”) (a copy of the Second Amendment Deed has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the Conversion Shares; and

* For identification purpose only

NOTICE OF EGM

- (c) any one or more of the directors of the Company be and is/are hereby authorized to do all such acts and things and execute all such documents which he/they in his/their absolute discretion consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Second Amendment Deed and the transactions contemplated thereunder.”

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

Hong Kong, 13 August 2019

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

*Head office and 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 is entitled to appoint not more than two proxies to attend and vote instead of him/her. In the case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) at the Meeting and vote in its stead. A proxy need not be a member of the Company.
- (2) 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 or a notarially certified copy of such power or authority 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 by 11:00 a.m. (Hong Kong time) on 18 September 2019 or in any event not later than 48 hours before the time appointed for holding of the Meeting or any adjournment thereof.
- (3) The record date for determining the entitlement of the shareholders of the Company to attend and vote at the Meeting will be 16 September 2019. In order to qualify for the entitlement to attend and vote at the Meeting, all share transfer documents 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 by 4:00 p.m. (Hong Kong time) on 16 September 2019.
- (4) Completion and return of the proxy form in respect of the proposed ordinary resolution for the Meeting will not preclude a member from attending and voting in person at the Meeting (or any adjournment thereof) should he/she so wishes and in such event, the proxy form for the Meeting will be deemed to have been revoked.
- (5) All of the proposed ordinary resolution set out in this notice will be voted by independent shareholders of the Company and by way of a poll.

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- (6) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (7) A form of proxy for use in connection with the Meeting is enclosed and such form is also published on the respective websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and of the Company (<http://www.irasia.com/listco/hk/hualien/index.htm>).
- (8) As at the date of this notice, the board of directors of the Company (“**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.
- (9) 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 Meeting, the Meeting will be postponed. 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 members of the date, time and place of the rescheduled meeting.