

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.*



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

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

**(Stock Code: 969)**

**(1) VERY SUBSTANTIAL ACQUISITION IN RESPECT OF THE ACQUISITION OF THE ENTIRE SHARE CAPITAL OF SATT;**

**(2) CONTINUING CONNECTED TRANSACTIONS;**

**(3) INCREASE IN AUTHORIZED SHARE CAPITAL;**

**(4) SPECIFIC MANDATE TO ISSUE NEW SHARES;**

**AND**

**(5) RESUMPTION OF TRADING**

### **THE ACQUISITION**

On 12 November 2008, the Company, Jumbo Right and the Vendor entered into the Sale and Purchase Agreement, pursuant to which, Jumbo Right has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at a total consideration of HK\$853.2 million (subject to adjustment as detailed in the sub-paragraph headed "Consideration and Payment Terms" under the paragraph headed "The Sale and Purchase Agreement" below). The total consideration of HK\$853.2 million shall be settled by (i) the issue of 300,000,000 Consideration Shares at an issue price of HK\$0.6 per Share by the Company to the Vendor; and (ii) the issue of the Tranche 1 Convertible Note in the principal amount of HK\$366,600,000 and the Tranche 2 Convertible Note in the principal amount of HK\$306,600,000 by the Company to the Vendor.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the Shareholders' approval. No Shareholder is required to abstain from voting at the EGM on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

## **THE CONTINUING CONNECTED TRANSACTIONS**

Prior to the date of this announcement, there were some continuous transactions between SATT and each of the indirect wholly-owned subsidiaries, the fellow subsidiaries and the holding company of the Vendor. As such, on 15 December 2008, the parties thereto entered into a number of formal agreements to cater for such transactions and upon Completion such transactions will constitute continuing connected transactions under Chapter 14A of Listing Rules.

### **The Tenancy Agreement**

On 15 December 2008, SATT as tenant and China Complant as landlord entered into the Tenancy Agreement in respect of leasing the office units located at Rooms 402, 403, 404 and 610, Complant Mansion, No.9 Xi Bin He Lu An Ding Men, Beijing, the PRC for an initial term of three years commencing from 1 January 2009.

### **The Supply and Service Agreements**

On 15 December 2008, each of African Company 1, African Company 2, African Company 3 and African Company 4 entered into an exclusive supply and service agreement with SATT, pursuant to which, each of them has agreed to order sugar manufacturing machineries, raw materials and service with origin of source from the PRC exclusively from SATT for an initial term of three years commencing from 1 January 2009.

Furthermore, on 15 December 2008, China Complant entered into a supply and service agreement with SATT, pursuant to which, China Complant has agreed to supply sugar manufacturing machineries, raw materials, or other similar products and service with origin of source from the PRC to SATT so as to enable SATT to provide the same to African Company 1, African Company 2, African Company 3 and African Company 4 and its other independent customers for an initial term of three years commencing from 1 January 2009. However, SATT is not obliged to source sugar manufacturing machineries, raw materials, or other similar products and service exclusively from China Complant. SATT shall source manufacturing machineries, raw materials and service from China Complant only if (i) SATT and the African Companies have entered into definitive agreement in respect of the supply of materials and services; (ii) the relevant materials and services have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant materials and services to SATT within reasonable time in accordance with the supply and service agreement between SATT and China Complant. Otherwise SATT shall be at liberty to source the relevant materials and services from other suppliers. Moreover, if any African sugar production project company (other than the African Companies) purchases materials and services from SATT, SATT may contract with any supplier in its discretion to source materials and services from the PRC or any other places.

## **LISTING RULES IMPLICATIONS**

Upon Completion, the Tenancy Agreement and the Supply and Service Agreements shall constitute continuing connected transactions for the Company based on the reasons that (i) the African Company 1 and African Company 4 are fellow subsidiaries of the Vendor, the African Company 2 and the African Company 3 are the indirect wholly owned subsidiaries of the Vendor and China Complant is one of the holding companies of the Vendor; (ii) upon Completion the Vendor shall become a connected person of the Company by being a substantial shareholder holding 26.7% of the enlarged issued share capital of the Company upon the allotment and issue of Consideration Shares; and (iii) upon Completion SATT shall become an indirect wholly owned subsidiary of the Company.

### **The Tenancy Agreement**

Given that the applicable percentage ratio of the Company in respect of the aggregate annual rental under the Tenancy Agreement is less than 2.5% and the annual rental payable by SATT is less than HK\$1,000,000, the Tenancy Agreement shall be exempted from the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **The Supply and Service Agreements**

Since the Supply and Service Agreements were entered into between the connected parties, they may be regarded as a series of continuing connected transactions under Rule 14A.25 of the Listing Rules for the purpose of calculating the applicable percentage ratios under the Listing Rules.

### ***The Supply and Service Agreement between SATT and China Complant***

The proposed maximum annual cap of the supply and service agreement between SATT and China Complant is USD13,140,000 (approximately HK\$102,492,000), USD14,191,000 (approximately HK\$110,689,800) and USD14,901,000 (approximately HK\$116,227,800) respectively for financial year ending 31 December 2009, 2010 and 2011.

The applicable percentage ratios (other than the profit ratios) in respect of these transactions, on an annual basis, will not be less than 2.5% and the proposed maximum annual cap will be higher than HK\$10 million, as such, the supply and service agreements between SATT with China Complant and the transactions contemplated thereunder shall be subject to reporting, announcement and the Independent Shareholders' approval at the EGM under the requirements of the Listing Rules.

### ***The Supply and Service Agreements between SATT and African Companies***

The aggregate maximum annual cap of the supply and service agreements between SATT and African Company 1, African Company 2, African Company 3 and African Company 4 is USD21,899,000 (approximately HK\$170,812,200) and USD23,651,000 (approximately HK\$184,477,800) and USD24,834,000 (approximately HK\$193,705,200) respectively for financial year ending 31 December 2009, 2010 and 2011.

The applicable percentage ratios (other than the profit ratios) in respect of these transactions, on an annual basis, will not be less than 2.5% and the aggregate maximum annual cap will be higher than HK\$10 million, as such, the supply and service agreements between SATT and African Companies and the transactions contemplated thereunder shall be subject to reporting, announcement and the Independent Shareholders' approval at the EGM under the requirements of the Listing Rules.

The vote of the Independent Shareholders at the EGM on the relevant resolutions shall be taken by poll. No Shareholder is required to abstain from voting at the EGM as the Vendor will only become the substantial shareholder of the Company after the Completion.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Supply and Service Agreements and the proposed annual caps in respect thereof and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and Independent Shareholders in this respect.

### **INCREASE IN AUTHORIZED SHARE CAPITAL**

As at the date of this announcement, the existing authorized share capital of the Company is HK\$150,000,000 divided into 1,500,000,000 Shares, of which 823,680,000 Shares have been issued and 164,736,000 Shares shall be issued upon the conversion of the existing warrants granted by the Company with the details of which set out in the announcement dated 14 August 2007. As such, the number of Shares which the Company may issue and allot under the existing authorized share capital is insufficient to cover the issue of the Consideration Shares and the Conversion Shares, if the conversion right attached thereto is to be exercised fully.

Accordingly, the Board proposes to increase its authorized share capital from HK\$150,000,000 comprising 1,500,000,000 Shares to HK\$600,000,000 comprising 6,000,000,000 Shares by creating 4,500,000,000 Shares which will be put to the Shareholder's approval at the EGM. The proposed increase in the authorized share capital of the Company is conditional on the Completion and the passing of an ordinary resolution by the Shareholders at the EGM. No Shareholder is required to abstain from voting at the EGM in respect of this proposed resolution.

### **SPECIFIC MANDATE TO ISSUE NEW SHARES**

A specific mandate for the issue of 1,422,000,000 new Shares will be sought in the EGM to cater for the issue of the Consideration Shares and the Conversion Shares.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 13 November 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 17 December 2008.

## **INTRODUCTION**

Reference is made to the announcement dated 25 July 2008 issued by the Company.

On 26 February 2008, the Company, Jumbo Right and the Vendor entered into the non-legally binding Letter of Intent regarding the Proposed Acquisition, pursuant to which, Jumbo Right may acquire the entire interests in Target BVI 1 and Target BVI 2 from the Vendor. Subsequent to the signing of the Letter of Intent, the Company and Jumbo Right further negotiated with the Vendor and decided to revise the structure of the transaction contemplated therein.

On 25 July 2008, the Company and Jumbo Right entered into the non-legally binding Amended Letter of Intent with the Vendor, pursuant to which: (1) there is a New Proposed Acquisition, whereby, Jumbo Right may acquire (subject to, inter alia, satisfaction of the SATT Due Diligence Review, the Company Due Diligence Review and the entering into of a formal Sale and Purchase Agreement) from the Vendor the entire interest in SATT; and (2) the Company and Jumbo Right shall continue to negotiate with the Vendor on the terms and conditions for the Proposed Acquisition.

On 12 November 2008, the Company, Jumbo Right and the Vendor entered into the Sale and Purchase Agreement, pursuant to which, Jumbo Right has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at a total consideration of HK\$853.2 million (subject to adjustment as detailed in the sub-paragraph headed “Consideration and Payment Terms” under the paragraph headed “The Sale and Purchase Agreement” below).

## **THE SALE AND PURCHASE AGREEMENT**

**(i) Date:**

12 November 2008

**(ii) Parties:**

Vendor: 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 both it and its beneficial owners are Independent Third Parties

Purchaser: Jumbo Right, a wholly-owned subsidiary of the Company

Company: the Company

The Vendor is ultimately beneficially owned as to 70% by China Complant and as to 30% by Africa-Asia Investment Limited. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and their ultimate beneficial owners are Independent Third Parties to the Company.

**(iii) Subject of the Transaction**

Pursuant to the Sale and Purchase Agreement, Jumbo Right has conditionally agreed to acquire the Sale Shares from the Vendor at a total consideration of HK\$853.2 million (subject to adjustment as detailed in the sub-paragraph headed "SATT Profit Guarantee" under the paragraph headed "Consideration and Payment Terms" below).

As at the date of this announcement, SATT is a wholly-owned subsidiary of the Vendor. Particulars of SATT are set out in the section headed "Background of SATT" below. Upon Completion, SATT shall become an indirectly wholly-owned subsidiary of the Company.

**(iv) Consideration and Payment Terms**

The total consideration for the Sale Shares is HK\$853.2 million (subject to adjustment as detailed in the sub-paragraph headed "SATT Profit Guarantee" below).

The consideration is arrived at after arm's length negotiations between the Company, Jumbo Right and the Vendor and with reference to the SATT Profit Guarantee of HK\$144 million, which represents a price-to-earning ratio of approximately 12.

The consideration of HK\$853.2 million shall be settled by the following ways upon Completion:

- (i) HK\$180 million is settled by 300,000,000 new Shares to be issued upon Completion at an issue price of HK\$0.60 per new Share, representing (i) approximately 36.4% of the existing issued share capital of the Company; (ii) approximately 26.7% of the enlarged issued share capital of the Company upon the allotment and issue of Consideration Shares; and (iii) approximately 13.4% of the enlarged issued share capital of the Company upon the allotment and issue of both of Consideration Shares and the Conversion Shares; and
- (ii) HK\$673.2 million is settled by the issue of Tranche 1 Convertible Note in the principal amount of HK\$366.6 million and Tranche 2 Convertible Note in the principal amount of HK\$306.6 million by the Company which are exercisable by the convertible note holder(s) at a Conversion Price of HK\$0.60 per Conversion Share. The maximum amount of 1,122,000,000 Conversion Shares will be issued, which (i) represents approximately 136.2% of the existing issued share capital of the Company; (ii) approximately 99.9% of the enlarged issued share capital of the Company upon the allotment and issue of Consideration Shares; and (iii) approximately 49.96% of the enlarged issued share capital of the Company upon issuance of Consideration Shares and full conversion of the Convertible Note.

### ***Issue price and Conversion Price***

The issue price of the Consideration Shares and the Conversion Price of the Conversion Shares at HK\$0.6 was arrived at after arm's length negotiation between the Vendor and Jumbo Right and represents:

- (i) a premium of approximately 7.1% to the closing price of HK\$0.56 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 8.7% to the average closing price per Share of approximately HK\$0.552 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 12.6% to the average closing price per Share of approximately HK\$0.533 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

- (iv) a premium of approximately 51.9% to the unaudited consolidated net assets value per Share of approximately HK\$0.395 as at 30 June 2008 (as calculated by the total net assets of approximately HK\$325.48 million as at 30 June 2008 and the number of outstanding Shares of 823.68 million); and
- (v) a premium of approximately 23.3% to the audited consolidated net assets value per Share of approximately HK\$0.487 as at 31 December 2007 (as calculated by the total net assets of approximately HK\$400.8 million as at 31 December 2007 and the number of outstanding Shares of 823.68 million).

The basis in respect of the issue price of the Consideration Shares and the Conversion Price of the Conversion Shares was determined between the Company, Jumbo Right and the Vendor, among others, after arm's length negotiations having taken into account SATT's business, current asset base and past stock price performance of the Company.

#### ***SATT Profit Guarantee***

The Vendor guarantees Jumbo Right that the aggregate profits after tax of SATT as shown in the audited consolidated accounts of SATT prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ending 31 December 2009 shall not be less than HK\$144 million.

In the event that the SATT Profit Guarantee is unable to be achieved, the total consideration of HK\$853.2 million shall be adjusted downward up to a maximum amount of HK\$673.2 million, being the aggregate principal amounts of the Tranche 1 Convertible Note and Tranche 2 Convertible Note. Such adjustment shall be calculated on a proportional basis with reference to the difference between the SATT Profit Guarantee and the relevant actual profit and shall be realized by deducting the principal amount of the Tranche 2 Convertible Note. In the event that the principal amount of the Tranche 2 Convertible Note is insufficient to cater for such adjustment, then the principal amount of the Tranche 1 Convertible Note shall also be deducted to cater for such adjustment or payment by cash in lieu of deducting the principal amount of the Tranche 1 Convertible Note shall be made by the Vendor to Jumbo Right if the principal amount of the Tranche 1 Convertible Note is insufficient to cater for such adjustment or that it becomes impossible to do so (including but not limited to the situation that the Tranche 1 Convertible Note has been partially or fully converted).

The consideration will therefore be in a range of HK\$180 million to HK\$853.2 million. The adjustment formula will be:

$$\text{The shortfall of SATT Profit Guarantee} \quad \times \quad \frac{\text{HK\$853.2 million}}{\text{HK\$72 million}}$$

with a minimum of zero.

For the avoidance of doubt, save and except for the adjustment mechanism as illustrated above, no additional compensation will be provided by the Vendor to Jumbo Right in the event that SATT is unable to achieve the SATT Profit Guarantee or suffers any aggregate losses for years ending 31 December 2008 and 31 December 2009.

Pursuant to the Sale and Purchase Agreement, the parties thereto agreed that protection mechanisms shall be offered to each other to ensure (i) the feasibility of deducting the principal amount of the Tranche 2 Convertible Note in the event that the SATT Profit Guarantee is not achieved; and (ii) the due performance of all obligations by the Company under the Convertible Notes which have a term of 5 years. In this regard, upon Completion, (i) the Vendor shall deposit the Tranche 2 Convertible Note to an escrow agent, who is an Independent Third Party; and (ii) a share charge over the Sale Shares shall be executed by Jumbo Right in favour of the Vendor as security for the due performance of all obligations owing by the Company to the Vendor under the Convertible Notes and the relevant share charge enforcement documents shall be deposited to the aforesaid escrow agent.

### ***Escrow agreement***

Escrow agreement shall be entered into between Jumbo Right, the Vendor and an escrow agent upon Completion, pursuant to which both of Jumbo Right and the Vendor shall jointly engage the escrow agent to hold the documents in escrow including (i) the Tranche 2 Convertible Note; and (ii) the share certificates of the Sale Shares together with the relevant undated instruments of transfer, the undated written board resolutions and authorizations of Jumbo Right to approve, among others, the transfers of the Sale Shares.

### ***Share charge***

As security for the performance of all obligations of the Company under the Convertible Notes, Jumbo Right would as chargor execute a share charge in favour of the Vendor as chargee upon Completion. Pursuant to the terms of the share charge and the escrow agreement, the following security documents under the share charge shall be held and retained by the escrow agent during the continuance of the security:

- (i) all share certificates in relation to the Sale Shares;
- (ii) the instruments of transfer in respect of the Sale Shares duly executed by the Jumbo Right in blank in favour of the Vendor or its nominees;
- (iii) the undated resolutions and authorisations of Jumbo Right in respect of the implementation of clause (ii) above; and
- (iv) the undated written board resolutions of SATT duly signed by all directors of SATT to approve the transfers of the Sale Shares, the issue of relevant share certificates and appointment of new directors nominated by the Vendor.

The share charge shall be released or discharged absolutely when (i) more than 50% of the aggregate principal amount of the Convertible Notes has been paid to the noteholders and discharged in full by the Company; or (ii) more than 50% of the aggregate principal amount of the Convertible Notes has been converted, whichever is earlier.

Upon the release or discharge of the share charge, the escrow agent shall release the above security documents to Jumbo Right in accordance with the terms of the escrow agreement. However, in the event that enforcement of the security interests is resulted from the occurrence of certain events of defaults including, inter alia (i) the Company fails to pay any principal amount in respect of the Convertible Notes when due upon the maturity date of the Convertible Notes unless the non-payment of such amount is due to administrative or technical error and payment is not made within 7 Business Days of the due date thereof; or (ii) the occurrence of winding up insolvency, administration or dissolution of the Company or a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company or an administrator, liquidator or receiver of the Company is appointed for such purpose; or (iii) the listing of the Shares on the Stock Exchange are being revoked or withdrawn, the Vendor shall be entitled to unilaterally instruct the escrow agent to release the above documents to it in accordance with the terms of the escrow agreement.

(v) **The Convertible Notes**

***Principal terms of the Convertible Notes***

Issuer:	The Company
Aggregate principal amount of the Convertible Notes:	Tranche 1 Convertible Note: HK\$366,600,000 Tranche 2 Convertible Note: HK\$306,600,000
Conversion price:	HK\$0.6 per Conversion Share, subject to adjustment upon the occurrence of certain events including share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and issues of convertible securities by the Company.
Conversion shares:	Tranche 1 Convertible Note:  611,000,000 Shares, which represent approximately 74.2% of the existing issued share capital of the Company and approximately 35.2% of the enlarged issued share capital of the Company upon issuance of Consideration Shares and full conversion of the Tranche 1 Convertible Note  Tranche 2 Convertible Note:  511,000,000 Shares, which represent approximately 62.0% of the existing issued share capital of the Company and approximately 22.8% of the enlarged issued share capital of the Company upon issuance of the Consideration Shares and full conversion of the Tranche 1 Convertible Note and Tranche 2 Convertible Note
Interest rate:	Nil

**Maturity date:** The Business Day falling on the fifth anniversary of the issue date.

The Company shall redeem all outstanding principal amounts of the Convertible Notes on the maturity date.

Upon occurrence of events of default, all outstanding principal amounts of the Convertible Notes shall be mandatorily redeemed by the Company at the request of the holders of the Convertible Notes.

**Redemption price:** 100% of the amount of the Convertible Notes

**Early redemption:** The holders of the Convertible Notes shall have the right at any time before the maturity date to request the Company to redeem the whole or part of the outstanding principal amount of the Convertible Note at a price equal to 100% of the amount to be redeemed, provided that:

- (i) the holders of the Convertible Notes shall have obtained the written consent of the Vendor in relation to the early redemption and the amount to be redeemed;
- (ii) the holders of the Convertible Notes 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 Vendor'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 holders of the Convertible Notes for early redemption;
- (iv) the amount to be redeemed shall be at least HK\$600,000 or its integral multiples; and

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

At the time of early redemption, the Company shall also pay, if any, all other sums then due and payable by the Company under the Convertible Notes.

In respect of the right of early redemption exercisable by the holders of the Convertible Notes, the consent of the Vendor is required as the Vendor will represent itself and all other holders of the Convertible Notes in enforcing their interest under the Convertible Notes provided it has obtained authorization from holders of the Convertible Notes in aggregate holding not less than 50% of the then outstanding principal amount of the Convertible Notes.

Further, as the right of early redemption is subject to, amongst other conditions, the Company's financial situation at the material times, this arrangement would enable the Vendor on behalf of itself and other holders of the Convertible Notes as a whole to ensure that (i) the exercise of the right of early redemption would not prejudice or affect the right of other holders of the Convertible Notes as a whole taking into account the substantial amount of the Convertible Notes and (ii) conditions relating to the early redemption can be fulfilled.

Transferability: The Convertible Notes are freely transferable, but may not be transferred to a connected person of the Company without prior written consent of the Company.

Conversion period: The holders of the Convertible Notes may at any time on or after the date of issue of the Convertible Notes and on or prior to the maturity date, require the Company to convert, the whole or any part(s) of the principal amount outstanding under the Convertible Notes into Conversion Shares at the Conversion Price.

Conversion: The holders of the Convertible Notes shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Notes into Shares to the extent that immediately after such conversion, the holders of the Convertible Notes 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:

- (i) a general offer shall be given; or
- (ii) a whitewash waiver should be obtained in accordance with the requirement of the Takeovers Code.

The holders of the Convertible Notes shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Notes 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.

Voting: The holders of the Convertible Notes will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of any of them being a holder of the Convertible Notes.

Listing: No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.

Ranking: The Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Notes will rank pari passu in all respects with all Shares outstanding at the date of issue of the Conversion Shares.

## ***Adjustments***

The Conversion Price is subject to adjustment provisions which are standard for convertible securities of similar type. The adjustment events will arise as a result of certain changes in the share capital of the Company including consolidation or subdivision of the Shares, capitalization of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Company. The Company will instruct its auditors or a merchant bank to certify in writing the adjustment (if any) made to the Conversion Price.

Based on the above analysis, the Directors consider that the terms of the Convertible Notes, including the Conversion Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the event that the Convertible Notes are transferred to connected persons of the Company, the Company will comply with relevant requirements under the Listing Rules.

### **(vi) Conditions Precedent of the Completion**

The Completion of the Acquisition is conditional upon, *inter alias*, the following conditions being fulfilled or waived, as the case may be:

- (a) Jumbo Right having completed and being satisfied with the results of the due diligence exercise on the assets, liabilities, operation, taxation, books and records and legal aspects of SATT;
- (b) the Vendor having obtained all necessary authorization, consents and approvals for the consummation of the Sale and Purchase Agreement and the transactions contemplated thereunder and such authorization, consents and approvals are still valid and effective at the Completion date; and there being no applicable laws, regulations, orders, decrees, notifications or judgments which have been implemented or enforced by any authorities to the effect that the transfer of the Sale Shares or the consummation of the transactions contemplated in the Sale and Purchase Agreement will be prohibited, restricted or seriously delayed or the SATT's business operation shall be materially or adversely affected after Completion;

- (c) Jumbo Right having received Certificate of Incumbency and a Certificate of Good Standing of SATT from the Vendor, of which the issuing date shall not be earlier than the tenth Business Day prior to the Completion;
- (d) a legal opinion from legal advisers in British Virgin Islands with respect to the SATT, Sale and Purchase Agreement and the transactions contemplated thereunder in such form and substance to the reasonable satisfaction of Jumbo Right having been provided by the Vendor, of which the issuing date shall not be earlier than the tenth Business Day prior to the Completion;
- (e) the obligations under the Sale and Purchase Agreement having been duly complied with or performed by the Vendor and Jumbo Right and the representations and warranties given by the Vendor and Jumbo Right under the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect as if given at all times between the date of the Sale and Purchase Agreement and the date of Completion (both dates inclusive);
- (f) there being no investigation, legal actions, claims, injunctions orders or proceedings in effect, threatened or is reasonably expected to operate to prohibit, restrict or to impose conditions or limitation on the consummation of any of the transactions contemplated in the Sale and Purchase Agreement or the Completion;
- (g) there being no material adverse change in the financial, business, trading and operations position of SATT between the date of the Sale and Purchase Agreement and the date of Completion (both dates inclusive);
- (h) the entering of the Supply and Service Agreements between SATT and each of the African Company 1, African Company 2, African Company 3 and African Company 4;
- (i) the entering of the Supply and Service Agreement between SATT and China Complant;
- (j) the entering into the Tenancy Agreement;
- (k) the completion of injecting USD2.95 million into the share capital of SATT by the Vendor through subscribing 2,950,000 new shares of USD1 each in SATT;

- (l) a legal opinion from legal advisers in Africa with respect to, inter alia, the establishment, the historical shareholding and the capacity to enter into contract in respect of each of the African Company 1, African Company 2, African Company 3 and African Company 4 in such form and substance to the satisfaction of Jumbo Right having been obtained by Jumbo Right;
- (m) the passing of the resolutions by the Shareholders by way of poll (if necessary) at EGM in relation to, inter alia, the purchase of the Sale Shares, the issue and allotment of the Consideration Shares and the Conversion Shares to the Vendor, and the Continuing Connected Transactions;
- (n) the approval for the listing of the Consideration Shares and the Conversion Shares, and the Continuing Connected Transactions having been obtained from the Stock Exchange; and
- (o) the Vendor having completed and being satisfied with the results of the due diligence exercise on the assets, liabilities, operation, taxation, books, records and legal aspects of the Group.

The parties to the Sales and Purchase Agreement agreed that the subscription money of USD2.95 million as referred to in condition (k) above shall be used by SATT to establish a WFOE in the PRC, which shall principally engage in the business of sourcing equipments, raw materials and accessories etc. Furthermore, the said amount as above shall also be used as the working capital of the aforesaid WFOE.

The Company will apply to the Stock Exchange for the listing for, and permission to deal in, the Consideration Shares and the Conversion Shares which may fall to be issued upon the exercise of the rights under the Convertible Notes.

Jumbo Right has the right to waive (with or without additional conditions imposed) condition (a), (c), (e), (f) and (g) above. The Vendor has the right to waive (with or without additional conditions imposed) condition (o) above.

If any condition set out above is not fulfilled (or waived, as the case may be) on or before 31 December 2008 or such later date as the parties may agree in writing, the Sale and Purchase Agreement shall cease and terminate, and no party shall have any obligation to complete the transactions contemplated thereunder. In addition, no party shall have any claims against the other party under the Sale and Purchase Agreement, except for any antecedent breaches committed prior to the termination of the Sale and Purchase Agreement.

Given that terms under the Sale and Purchase Agreement are determined at the arm's length negotiation, the Directors are of the view that the terms under Sale and Purchase Agreement are in the interests of the Company and the Shareholders as a whole. Therefore, Jumbo Right will not waive the condition as mentioned above if such waiver will result in the Acquisition being unfair and unreasonable and not in interests of the Company and the Shareholders as a whole.

## **REASONS AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the manufacture of raw hides and skins to leather and sale of wet blue and crust, and leather in the PRC. As mentioned in the 2007 annual report of the Company, the Company is always looking for new opportunities to diversify into new line of business to create additional source of revenue for the Group. The Acquisition contemplated under the Sale and Purchase Agreement would provide the Company with an opportunity to participate in sugar/sweeteners business in Africa and European nations. Since China Complant, the ultimate holding company of SATT, has established a long history in sugar/sweeteners business over 30 years, it has already built up a good reputation in Africa and an extensive connection to wide range of customers in Africa and European nations.

In addition, due to the extensive use of various types of sugar/sweetener resources for the production of biofuel such as ethanol, a platform will be provided to the Company to develop its experience in biofuel operation, which is also in line with the Group's strategy to explore business opportunities that will generate revenue and cash flows and provide a reliable source of income to the Group. The Directors expect that the demand for biofuel in Africa and/or other nations will grow rapidly, and that the Acquisition will bring additional earnings and long term value to the Company. As a long term investment, the Directors also consider that the Acquisition will contribute positively to the Company's future development and growth through a broadening base of business opportunities, which provide a long-term benefit to the Company and its Shareholders. Therefore, the Board considers that the Acquisition contemplated under the Sale and Purchase Agreement represents attractive opportunities for the Group to diversify into a new business segment. Based on the above factors, the Board considers that the Acquisition contemplated under the Sale and Purchase Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has no intention to discontinue its existing businesses and the Directors anticipate that these businesses will continue in the foreseeable future. Accordingly, the Company considers that there is no change of principal activities of the Company immediately subsequent to the completion of the Acquisition.

## **BACKGROUND OF THE VENDOR**

The Vendor is a subsidiary of China Complant, a state-owned enterprise. Since its establishment, China Complant engages in China-aided complete plant projects in foreign countries and participates in the international economic co-operation projects. It is among the top 500 enterprises of the nation with largest import and export volume and it has been honored as one of the top 225 International Contractors by Engineering News Record, U.S.A. from 1996 to 2006.

## **BACKGROUND OF SATT**

SATT is a company incorporated in BVI with limited liability and is wholly owned by the Vendor. SATT is currently engaged in the provision of supporting services to African Company 1, African Company 2, African Company 3 and African Company 4 and other companies in respect of sweetener business including, but not limited to, (i) facilities, raw materials and goods supply services; (ii) management and technical staff; (iii) related consulting services on construction and contract manufacturing services.

Other than China Complant and the African Companies, SATT has no other major customers and suppliers. However, it is the intention of the Company that SATT shall set up a WFOE in the PRC for sourcing manufacturing machineries and raw materials in the PRC and exporting the same to the African Companies direct and thus, the role of China Complant as the major supplier of SATT will gradually be taken up by SATT.

SATT is not obliged to source sugar manufacturing machineries, raw materials or other similar products and services exclusively from China Complant. SATT shall source manufacturing machineries, raw materials and service from China Complant only if (i) SATT and the African Companies have entered into definitive agreements in respect of the supply of materials and services; (ii) the relevant materials and services have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant materials and services to SATT within reasonable time in accordance with the supply and service agreement between SATT and China Complant.

According to the unaudited financial statements of SATT under Hong Kong Financial Reporting Standards for the period from 13 November 2007 (date of incorporation) to 30 September 2008, as at 30 September 2008, the total assets of SATT were approximately HK\$107.24 million, its total liabilities were approximately HK\$32.07 million and its net assets were approximately HK\$75.17 million. During the period from 13 November 2007 (date of incorporation) to 30 September 2008, SATT recorded a net profit before and after taxation of approximately HK\$74.78 million and HK\$74.78 million respectively.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Sale and Purchase Agreement, including the aggregate consideration, are fair and reasonable.

Upon Completion, SATT will become an indirect wholly-owned subsidiary of the Company and its post-acquisition financial results will be consolidated into the Group's consolidated financial statements.

## SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION OF THE ACQUISITION

As at the date of this announcement, the Company has 823,680,000 Shares in issue and 164,736,000 non-listed warrants. The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the issue of the Consideration Shares; (iii) immediately after the issuance of the Consideration Shares and the full exercise of the conversion rights attaching to the Tranche 1 Convertible Note; (iv) immediately after the issuance of the Consideration Shares and after full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and the Tranche 2 Convertible Note and; (v) immediately after full exercise of subscription rights attaching to 164,736,000 non-listed warrants are as follows:

	As at the date of this announcement		Immediately after issuance of Consideration Shares		Immediately after (i) issuance of the Consideration Shares; and (ii) full exercise of the conversion rights attaching to the Tranche 1 Convertible Note		Immediately after (i) issuance of the Consideration Shares; and (ii) full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and Tranche 2 Convertible Note		Immediately after (i) issuance of the Consideration Shares; and (ii) full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and Tranche 2 Convertible Note; and (iii) full exercise of subscription rights attaching to non-listed warrant	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Mr. Liaw Yuan Chian (Note)	363,500,039	44.13	363,500,039	32.35	363,500,039	20.95	363,500,039	16.19	363,500,039	15.08
Holder of the non-listed warrants	-	-	-	-	-	-	-	-	164,736,000	6.84
The Vendor	-	-	300,000,000	26.70	911,000,000	52.52	1,422,000,000	63.32	1,422,000,000	58.99
The Public	460,179,961	55.87	460,179,961	40.95	460,179,961	26.53	460,179,961	20.49	460,179,961	19.09
<b>Total</b>	<b>823,680,000</b>	<b>100.00</b>	<b>1,123,680,000</b>	<b>100.00</b>	<b>1,734,680,000</b>	<b>100.00</b>	<b>2,245,680,000</b>	<b>100.00</b>	<b>2,410,416,000</b>	<b>100.00</b>

If taking into account the effect of the exercise of the 164,736,000 non-listed warrants, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after full exercise of subscription rights attaching to 164,736,000 non-listed warrants; (iii) immediately after the issue of the Consideration Shares; (iv) immediately after the issuance of the Consideration Shares and the full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and (v) immediately after the issuance of the Consideration Shares and after full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and the Tranche 2 Convertible Note are as follows:

	As at the date of this announcement		Immediately after full exercise of subscription rights attaching to non-listed warrants		Immediately after (i) full exercise of subscription rights attaching to non-listed warrants; and (ii) issuance of Consideration Shares		Immediately after (i) full exercise of subscription rights attaching to non-listed warrant; (ii) issuance of the Consideration Shares; and (iii) full exercise of the conversion rights attaching to the Tranche 1 Convertible Note		Immediately after (i) full exercise of subscription rights attaching to non-listed warrant; and (ii) issuance of the Consideration Shares; and (iii) full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and Tranche 2 Convertible Note	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Mr. Liaw Yuan Chian (Note)	363,500,039	44.13	363,500,039	36.78	363,500,039	28.21	363,500,039	19.14	363,500,039	15.08
Holder of the non-listed warrants	-	-	164,736,000	16.67	164,736,000	12.79	164,736,000	8.67	164,736,000	6.84
The Vendor	-	-	-	-	300,000,000	23.28	911,000,000	47.96	1,422,000,000	58.99
The Public	460,179,961	55.87	460,179,961	46.55	460,179,961	35.72	460,179,961	24.23	460,179,961	19.09
<b>Total</b>	<b>823,680,000</b>	<b>100.00</b>	<b>988,416,000</b>	<b>100.00</b>	<b>1,288,416,000</b>	<b>100.00</b>	<b>1,899,416,000</b>	<b>100.00</b>	<b>2,410,416,000</b>	<b>100.00</b>

*Note:* Mr. Liaw Yuan Chian, an executive Director, was deemed to be interested in 363,500,039 ordinary shares in the Company, which were held by Joyce Services Limited, a company in which Mr. Liaw Yuan Chian has a 58.87% beneficial interest.

The Company does not have present intention to issue shares other than the Consideration Shares and the Conversion Shares. If the Vendor converts the Convertible Notes so that they would have a shareholding of approximately 29.9% of the enlarged issued share capital, the shareholding of Mr. Liaw Yuan Chian will be diluted from 44.13% to approximately 25.75% of the enlarged issued share capital of the Company immediately (i) after full exercise of subscription rights attaching to 164,736,000 non-listed warrants; (ii) after issuance of the Consideration Shares; and (iii) exercise of the conversion rights attaching to the Tranche 1 Convertible Note and Tranche 2 Convertible Note.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and Conversion Shares.

The Directors have considered other means to finance the Acquisition. Despite the dilution effect to the Shareholders upon conversion of Convertible Notes, the Directors believe that the issue of the Convertible Notes to partially finance the Acquisition is the best means as determined by the Company.

## **CONTINUING CONNECTED TRANSACTIONS**

### **Tenancy Agreement**

Date	:	15 December 2008
Landlord	:	China Complant
Tenant	:	SATT
Premises	:	Rooms 402, 403, 404 and 610, Complant Mansion, No.9 Xi Bin He Lu An Ding Men, Beijing, the PRC
Rental	:	RMB553,440 (equivalent to approximately HK\$628,099) per year; and the rental is payable on an bi-annual basis
Management fee	:	RMB16,596 (equivalent to approximately HK\$18,835) per year which is inclusive of charges for water, electricity, air-conditioning, management and cleaning of common areas of the premises
Term	:	an initial term of three years commencing from 1 January 2009

## **The Supply and Service Agreements between SATT and African Companies**

On 15 December 2008, each of the African Company 1, African Company 2, African Company 3 and African Company 4 entered into an exclusive supply and service agreement with SATT, pursuant to which, each of them has agreed to order sugar manufacturing machineries, raw materials and service with the origin of source from the PRC exclusively from SATT for an initial term of three years commencing from 1 January 2009 in accordance with the following terms and conditions:

Date:	15 December 2008
Parties:	SATT; and African Company 1 SATT; and African Company 2 SATT; and African Company 3 SATT; and African Company 4
Terms:	Three years from 1 January 2009
Conditions precedent:	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
Nature of transactions:	The supply and service agreements are master agreements which set out the principles upon which the supply of machineries, raw materials and services by SATT to the African Company 1, African Company 2, African Company 3 and African Company 4 are to be carried out.

Pursuant to the supply and service agreements, SATT will enter into definitive agreements with each of the African Company 1, African Company 2, African Company 3 and African Company 4 from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in each of the supply and service agreements. Such detailed terms include but without limitation, prices, payment and settlement terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of machineries and raw materials and services required.

SATT and each of the African Company 1, African Company 2, African Company 3 and African Company 4 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 the African Company 1, African Company 2, African Company 3 and African Company 4 shall be no less favourable than those offered by SATT to independent third parties in the markets where each of the African Company 1, African Company 2, African Company 3 and African Company 4 are located.

Basis of consideration: The consideration in respect of the supplies is determined by reference to the market prices of similar machineries and raw materials and services required

The Proposed Caps:

Year ending

31 December 2009	USD21,899,000 (approximately HK\$170,812,200)
31 December 2010	USD23,651,000 (approximately HK\$184,477,800)
31 December 2011	USD24,834,000 (approximately HK\$193,705,200)

The proposed annual caps are determined with reference to the past actual transactions between each of the African Company 1, African Company 2, African Company 3 and African Company 4 with SATT and the anticipated growth of these transactions.

According to historical record of the transactions between each of the African Company 1, African Company 2, African Company 3 and African Company 4 with SATT from 13 November 2007 (date of incorporation) to 30 September 2008, the amounts of transactions between each of the African Company 1, African Company 2, African Company 3 and African Company 4 with SATT were approximately USD4.68 million, USD1.13 million, USD4.40 million and USD8.16 million respectively.

## **The Supply and Service Agreement of SATT and China Complant**

Furthermore, on 15 December 2008, China Complant entered into a supply and service agreement, pursuant to which, China Complant has agreed to supply sugar manufacturing machineries, raw materials, or other similar products and service with the origin of source from the PRC to SATT so as to enable SATT to provide for African Company 1, African Company 2, African Company 3 and African Company 4 and other independent customers for an initial term of three years commencing from 1 January 2009. However, SATT is not obliged to source sugar manufacturing machineries, raw materials, or other similar products and service exclusively from China Complant. SATT shall source manufacturing machineries, raw materials and service from China Complant only if (i) SATT and the African Companies have entered into definitive agreement in respect of the supply of materials and services; (ii) the relevant materials and services have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant materials and services to SATT within reasonable time in accordance with the supply and service agreement between SATT and China Complant.

The major terms and conditions of the Supply and Service Agreement are set out as below:

Date:	15 December 2008
Parties:	China Complant and SATT
Terms:	Three years from 1 January 2009
Condition precedent:	This agreement is subject to and conditional upon the approval by the Independent Shareholders at the EGM to be held in accordance with the requirements under the Listing Rules
Nature of transactions:	The supply and service agreements is the master agreement which set out the principles upon which the supply of machineries, raw materials and services by China Complant to SATT are to be carried out.

Pursuant to the supply and service agreements, 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 supply and service agreements. Such detailed terms include but without limitation, prices, payment and settlement terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of machineries and raw materials and services required.

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

Basis of consideration: The consideration in respect of the supplies is determined by reference to the market prices of similar machineries, raw materials and services required

The Proposed Caps:

Year ending

31 December 2009	USD13,140,000 (approximately HK\$102,492,000)
31 December 2010	USD14,191,000 (approximately HK\$110,689,800)
31 December 2011	USD14,901,000 (approximately HK\$116,227,800)

The proposed annual caps are determined with reference to the past actual transactions between SATT with African Companies, the average historical profit margin earned by SATT and the anticipated growth of these transactions.

According to unaudited management accounts of SATT from 13 November 2007 (date of incorporation) to 30 September 2008, the gross margin earned by SATT was approximately 53%.

Upon Completion, the Tenancy Agreement and the Supply and Service Agreements between SATT and China Complant as well as between SATT and each of the African Company 1, African Company 2, African Company 3 and African Company 4 shall constitute Continuing Connected Transactions for the Company based on the reasons that (i) the African Company 1 and African Company 4 are fellow subsidiaries of the Vendor, the African Company 2 and the African Company 3 are the indirect wholly owned subsidiaries of the Vendor and China Complant is one of the holding companies of the Vendor; (ii) upon Completion the Vendor shall become a connected person of the Company by being a substantial shareholder holding 26.7% of the enlarged issued share capital of the Company upon the allotment and issue of Consideration Shares; and (iii) upon Completion SATT shall become an indirect wholly owned subsidiary of the Company.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENT AND THE SUPPLY AND SERVICE AGREEMENTS**

The entering into the Tenancy Agreement is to provide premises for SATT to carry out its business.

The entering into the Supply and Service Agreements is to secure the Company's income flow in respect of the transactions originally carried on by the Vendor and to secure the sources of sugar manufacturing machineries, raw materials and services which it manages to provide to the African Company 1, African Company 2, African Company 3 and African Company 4 and independent customers after Completion.

The Directors (including the independent non-executive Directors whose views are given subject to the consideration of the independent financial adviser's recommendation) are of the view that the terms of the Tenancy Agreement and the Supply and Service Agreements, are arrived at after arm's length negotiation between SATT and the relevant parties thereto, and are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

As some of the relevant percentage ratios under Rule 14.07 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is therefore subject to reporting, announcement requirements and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, none of the Vendor or its associates hold any Share(s) in the Company and none of the Shareholders or their respective associates has any interest in the transaction contemplated under the Sale and Purchase Agreement which is different from other Shareholders. Accordingly, no Shareholders are required to abstain from voting on a resolution to approve the Acquisition.

### **The Tenancy Agreement**

Given that the applicable percentage ratio of the Company in respect of the aggregate annual rental under the Tenancy Agreement is less than 2.5% and the annual rental payable by SATT is less than HK\$1,000,000, the Tenancy Agreement shall be exempted from the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **The Supply and Service Agreements**

Since the Supply and Service Agreements were entered into between the connected parties, they may be regarded as a series of continuing connected transactions under Rule 14A.25 of the Listing Rules for the purpose of calculating the applicable percentage ratios under the Listing Rules.

### ***The Supply and Service Agreement between SATT with China Complant***

The proposed maximum annual cap of the Supply and Service Agreement between SATT and China Complant is USD13,140,000 (approximately HK\$102,492,000), USD14,191,000 (approximately HK\$110,689,800) and USD14,901,000 (approximately HK\$116,227,800) respectively for financial year ending 31 December 2009, 2010 and 2011.

The applicable percentage ratios (other than the profit ratios) in respect of these transactions, on an annual basis, will not be less than 2.5% and the proposed maximum annual cap will be higher than HK\$10 million, as such, the Supply and Service Agreement between SATT with China Complant and the transactions contemplated thereunder shall be subject to reporting, announcement and the Independent Shareholders' approval at the EGM under the requirements of the Listing Rules.

### ***The Supply and Service Agreements between SATT and African Companies***

The total maximum annual cap of the Supply and Service Agreements between SATT and African Company 1, African Company 2, African Company 3 and African Company 4 is USD21,899,000 (approximately HK\$170,812,200), USD23,651,000 (approximately HK\$184,477,800) and USD24,834,000 (approximately HK\$193,705,200) respectively for financial year ending 31 December 2009, 2010 and 2011.

The applicable percentage ratios (other than the profit ratios) in respect of these transactions, on an annual basis, will not be less than 2.5% and the aggregate maximum annual cap will be higher than HK\$10 million, as such, these Supply and Service Agreements between SATT and African Companies and the transactions contemplated thereunder shall be subject to reporting, announcement and the Independent Shareholders' approval at the EGM under the requirements of the Listing Rules.

The vote of the Independent Shareholders at the EGM on the relevant resolutions shall be taken by poll. No Shareholder is required to abstain from voting at the EGM as the Vendor will only become the substantial shareholder of the Company after Completion.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Supply and Service Agreements and the proposed annual caps in respect thereof and an Independent Financial Adviser has been appointed to advise the Independent Board Committee and Independent Shareholders in this respect.

A circular containing, among other information, further details of (i) the terms and conditions of the Sale and Purchase Agreement; (ii) the terms and conditions of the Convertible Notes; (iii) the terms and conditions of the Tenancy Agreement; (iv) the terms and conditions of the Supply and Service Agreements; (v) the proposed annual caps of the Continuing Connected Transactions; (vi) the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser; (vii) the financial information of the Group, SATT and the Enlarged Group; (viii) the proposed increase in the authorized share capital of the Company; (ix) the special mandate to be granted to the Directors; and (x) a notice convening the EGM will be despatched to the Shareholders as soon as possible.

## **INFORMATION OF AFRICAN COMPANY 1; AFRICAN COMPANY 2; AFRICAN COMPANY 3 AND AFRICAN COMPANY 4**

African Company 1 is a company incorporated in the Republic of Madagascar and its issued share capital is owned as to 92% by China Complant and as to 8% by seven individuals as at the date of the Sale and Purchase Agreement. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

African Company 2 is a company incorporated in the Republic of Sierra Leone and its issued share capital is owned as to 99% by Target BVI 1 and as to 1% by Target BVI 2. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

African Company 3 is a company incorporated in the Republic of Benin and its issued share capital is owned as to 99% by Target BV1 1 and as to 1% by Target BVI 2. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

African Company 4 is a company incorporated in the Republic of Madagascar and its issued share capital is owned as to 63% by China Complant and as to 7% by China National Complete Plant Import & Export Corporation Limited (中成進出口股份有限公司) and as to 30% by Sichuan Africa-Asia Enterprise Co., Ltd. as at the date of the Sale and Purchase Agreement. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

In addition, the aggregate annual production capacities of sugar cane and ethanol of African Company 1, African Company 2, African Company 3 and African Company 4 are approximately 150,000 tonnes and 20,000m<sup>3</sup> respectively.

## **INCREASE IN AUTHORIZED SHARE CAPITAL**

As at the date of this announcement, the existing authorized share capital of the Company is HK\$150,000,000 divided into 1,500,000,000 Shares, of which 823,680,000 Shares have been issued and 164,736,000 Share shall be issued upon the conversion of the existing warrants granted by the Company with the details of which set out in the announcement dated 14 August 2007. As such, the number of Shares which the Company may issue and allot under the existing authorized share capital is insufficient to cover the issue of the Consideration Shares and the Conversion Shares, if the conversion right attached thereto is to be exercised fully.

Accordingly, the Board proposes to increase the Company's authorized share capital from HK\$150,000,000 comprising 1,500,000,000 Shares to HK\$600,000,000 comprising 6,000,000,000 Shares by creating 4,500,000,000 Shares which will be put to the Shareholder's approval at the EGM. The proposed increase in the authorized share capital of the Company is conditional on the Completion and the passing of an ordinary resolution by the Shareholders at the EGM. No Shareholder is required to abstain from voting at the EGM in respect of this proposed resolution.

## **SPECIFIC MANDATE TO ISSUE NEW SHARES**

The Directors were granted the existing general mandate at the general meeting held on 20 June 2008 to allot, issue and otherwise deal with a maximum of 164,736,000 Shares, representing 20% of the total amount of the issued share capital of the Company of 823,680,000 Shares as the date of the aforesaid general meeting. Since the granting of the said general mandate, the Company has not utilized any portion in respect thereof.

Upon the issue of the Consideration Shares and the full conversion of the Convertible Notes, a total of 1,422,000,000 new Share is required to be issued by the Company. As such, a specific mandate for the issue of 1,422,000,000 new Shares will be sought in the EGM to cater for the issue of the Consideration Shares and the Conversion Shares.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 13 November 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 17 December 2008.

## DEFINITIONS

In this announcement, unless context otherwise requires, the following terms have the following meanings:

“Acquisition” or “New Proposed Acquisition”	the proposed acquisition of the entire interest in SATT from the Vendor by Jumbo Right
“Africa-Asia Investment Limited”	Africa-Asia Investment (非亞投資有限公司), a company incorporated under the laws of British Virgin Islands
“African Companies”	African Company 1, African Company 2, African Company 3 and African Company 4
“African Company 1”	La Sucrierie de COMPLANT de Madagascar (中成馬達加斯加糖業股份有限公司), a company incorporated in Republic of Madagascar and its issued share capital is owned as to 92% by China Complant and as to 8% by seven individuals as at the date of the Sale and Purchase Agreement
“African Company 2”	COMPLANT Magbass Sugar Complex Company Limited (中成馬格巴斯糖業有限責任公司), a company incorporated in Republic of Sierra Leone and its issued share capital is owned as to 99% by Target BVI 1 and as to 1% by Target BVI 2 as at the date of the Sale and Purchase Agreement
“African Company 3”	La Sucrierie de COMPLANT du Benin (中成貝寧糖業股份有限公司), a company incorporated in Republic of Benin and its issued share capital is owned as to 99% by Target BVI 1 and as to 1% by Target BVI 2 as at the date of the Sale and Purchase Agreement

“African Company 4”	Sucrierie Cote Ouest de COMPLANT de Madagascar (Quest Sucre) (中成馬達加斯加西海岸糖業股份有限公司), a company incorporated in Republic of Madagascar and its issued share capital is owned as to 63% by China Complant, as to 7% by China National Complete Plant Import & Export Corporation Limited (中成進出口股份有限公司) and as to 30% by Sichuan Africa-Asia_Enterprise Co. Limited as at the date of the Sale and Purchase Agreement
“Amended Letter of Intent”	the amended letter of intent dated 25 July 2008 entered into among the Company, Jumbo Right and the Vendor in respect of the Letter of Intent, the New Proposed Acquisition and the Proposed Acquisition
“Board”	the board of Directors
“Business Day”	a day on which banks are open for general banking business in Hong Kong other than (i) a Saturday or Sunday or (ii) a day on which a black rainstorm warning or typical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 09:00 a.m. and 12:00 noon or not cancelled before 12:00 noon
“BVI”	British Virgin Islands
“China Complant”	China National Complete Plant Import and 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 owns 70% equity interest in the Vendor
“Company”	Hua Lien International (Holding) Company Limited, a company incorporated in the Cayman Islands with limited liability, with its Shares listed on the main board of the Stock Exchange
“Company Due Diligence Review”	a due diligence review of the financial condition, legal and business affairs of the Company and to the satisfaction of the Vendor

“Company Due Diligence Review Period”	the due diligence period as extended by the Amended Letter of Intent up to 31 December 2008 or such other date as the parties thereto may agree
“Completion”	the completion of the Acquisition
“connected person”	has the same meaning as defined in the Listing Rules
“Consideration Shares”	300,000,000 new Shares to be allotted and issued by the Company at an issue price of HK\$0.6 per Share by the Company as partial consideration for the Acquisition
“Continuing Connected Transaction(s)”	the Tenancy Agreement and the Supply and Service Agreement(s)
“Conversion Price”	HK\$0.6 per Share
“Conversion Shares”	Shares to be issued upon the conversion of the Convertible Notes
“Convertible Notes”	Tranche 1 Convertible Note and Tranche 2 Convertible Note
“Director(s)”	the director(s) of the Company
“EGM”	extraordinary general meeting of the Company
“Enlarged Group”	the Group as enlarged upon Completion
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region
“Independent Board Committee”	the independent committee of the Board, comprising three independent non-executive Directors, namely Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei, which has been formed for the purpose of advising the Independent Shareholders as to terms of the Supply and Service Agreements and purposed annual caps in respect thereof

“Independent Financial Advisor”	Grand Vinco Capital Limited, a wholly owned subsidiary of Vinco Financial Group Limited and a licensed corporation to advise on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance
“Independent Shareholders”	Shareholders other than any Shareholder who has a material interest in the continuing connected transactions concerned and its associates
“Independent Third Party(ies)”	Person(s), who are third parties independent of the Company and its connected persons
“Jumbo Right”	Jumbo Right Investments Limited, a company incorporated in BVI with limited liability and is wholly owned by the Company
“Last Trading Day”	12 November 2008, being the last trading day of the Shares immediately before trading in the Shares was suspended before the issue of this announcement
“Letter of Intent”	the letter of intent dated 26 February 2008 entered into between the Vendor, Jumbo Right and the Company in relation to the Proposed Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Acquisition”	the proposed acquisition of the entire interests of Target BVI 1 and Target BVI 2 from the Vendor by Jumbo Right
“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 currently wholly owned by the Vendor

“SATT Due Diligence Review”	a due diligence review of the financial condition, legal and business affairs of SATT and to the satisfaction of Jumbo Right
“SATT Due Diligence Review Period”	the due diligence period as extended by the Amended Letter of Intent up to 31 December 2008
“SATT Profit Guarantee”	the aggregate profit after tax of SATT at the amount of HK\$144 million for the two financial years ending 31 December 2009
“SATT Shares”	ordinary share(s) of USD1 each in the share capital of SATT
“Sale and Purchase Agreement”	a legally binding sales and purchase agreement dated 12 November 2008 entered into by the Company, Jumbo Right and the Vendor in respect of the sale and purchase of the Sale Shares
“Sale Shares”	comprising (i) 50,000 SATT Shares, which represent all the issued share capital of SATT as at the date of the Sale and Purchase Agreement; and (2) 2,950,000 SATT Shares to be issued and credited as fully paid before the Completion
“Share(s)”	Ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply and Service Agreement(s)”	(i) the four legally binding supply and service agreements entered into between SATT and each of the African Company 1, African Company 2, African Company 3 African Company 4 respectively on 15 December 2008 in respect of provision of sugar manufacturing machineries, raw materials and service with origin of source from the PRC exclusively from SATT for an initial term of three years commencing from 1 January 2009; and

- (ii) a legally binding exclusive supply and service agreement entered into between China Complant and SATT on 15 December 2008 in respect of provision of sugar manufacturing machineries, raw materials with origin of source from the PRC and service exclusively from China Complant, or to order similar products and services required by other independent customers from China Complant for an initial term of three years commencing from 1 January 2009

“Takeovers Code”	The Hong Kong Code of Takeovers and Mergers
“Target BVI 1”	COMPLANT International Holdings Limited (中成國際控股有限公司), a company incorporated in BVI with limited liability and is wholly owned by the Vendor
“Target BVI 2”	Joy Day Holdings Limited (朝悦控股有限公司), a company incorporated in BVI with limited liability and is wholly owned by the Vendor
“Tenancy Agreement”	a legally binding tenancy agreement entered into between China Complant and SATT on 15 December 2008 in respect of leasing office units located at Rooms 402, 403 and 404 and 610, Complant Mansion, No.9 Xi Bin He Lu An Ding Men, Beijing, the PRC, from China Complant to SATT for an initial term of three years commencing from 1 January 2009
“Tranche 1 Convertible Note”	the redeemable convertible notes in an aggregate principal amount of HK\$366,600,000 (subject to adjustment), which shall confer a conversion right on the note holder(s) to convert the outstanding principal amount of the redeemable convertible note held by it into Shares at the Conversion Price
“Tranche 2 Convertible Note”	the redeemable convertible notes in an aggregate principal amount of HK\$306,600,000 (subject to adjustment), which shall confer a conversion right on the note holder(s) to convert the outstanding principal amount of the redeemable convertible note held by it into Shares at the Conversion Price

“Vendor”	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 both it and its beneficial owners are third parties independent of the Company and its connected persons
“WFOE”	wholly foreign owned enterprise
“USD”	U.S. dollars, the lawful currency of the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	percentage

By Order of the Board  
**Hua Lien International (Holding) Company Limited**  
**Shih Chian Fang**  
*Chairman*

Hong Kong, 16 December 2008

*As at the date of this announcement, the Board comprises four executive directors, Mr. Shih Chian Fang, Mr. Liaw Yuan Chian, Ms. Zhou Yan Xia and Mr. Kuang Yong, and three independent non-executive directors, Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei.*

*For the purpose of illustration only and unless otherwise stated, conversions of RMB and USD in Hong Kong dollars in this announcement is based on the exchange rate of RMB1.00 to HK\$1.1349 and USD1.00 to HK\$7.80. Such conversions should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.*