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

**華聯國際（控股）有限公司 \***

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

**(Stock Code: 969)**

### **INSIDE INFORMATION – RECENT DEVELOPMENT REGARDING THE OUTSTANDING CONVERTIBLE NOTE – PARTIAL REPAYMENT OF THE OUTSTANDING CONVERTIBLE NOTE AND THIRD EXTENSION OF LONG STOP DATE IN RELATION TO THIRD SUPPLEMENTAL UNDERTAKING**

#### **PARTIAL REPAYMENT OF THE OUTSTANDING CONVERTIBLE NOTE (NOW ACCOUNTED FOR AS AN AMOUNT DUE TO COMPLANT SUGAR) AND THIRD EXTENSION OF LONG STOP DATE IN RELATION TO THIRD SUPPLEMENTAL UNDERTAKING**

Complant Sugar issued on 22 December 2023 Third Supplemental Undertaking among other to extend the Long Stop Date for another two years to 31 December 2025, the effectiveness of which, is subject to the completion on date before the end of Second Extended Period (that is on or before 31 December 2023) of an undertaking from the Company to partially repay the Outstanding Convertible Note in principal sum of US\$1,000,000 (approximately HK\$7,850,000).

#### **IMPLICATIONS UNDER THE LISTING RULES**

The partial repayment of US\$1,000,000 (approximately HK\$7,850,000) of already existed debt obligation under Outstanding Convertible Note, for which does not constitute a “transaction” under Chapter 14 of the Listing Rules.

The extension of Long Stop Date under Third Supplemental Undertaking by Complant Sugar constitutes a connected transaction of the Company under the Listing Rules. As the extension of Long Stop Date and the Outstanding Convertible Note is not secured by any assets of the Group

and is conducted on normal commercial terms or better, the Third Supplemental Undertaking is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

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

## **I. BACKGROUND**

References are made to the announcements dated 18 October 2019, 2 January 2020, 28 December 2021 in respect of the non-irrevocable and unconditional undertaking dated 18 October 2019 (the “**Undertaking**”) which was amended by way of first supplemental undertaking dated 31 December 2019 (the “**First Supplemental Undertaking**”) and second supplemental undertaking dated 28 December 2021 (the “**Second Supplemental Undertaking**”) issued by COMPLANT International Sugar Industry Co., Ltd. (中成國際糖業股份有限公司) (“**Complant Sugar**”) in favour of the Company (the “**Announcements**”). Terms used in this announcement shall have the same meanings as those defined in the Announcements unless otherwise defined herein.

### **Undertaking**

On 18 October 2019, an irrevocable and unconditional undertaking (the “**Undertaking**”) issued by COMPLANT International Sugar Industry Co., Ltd. (中成國際糖業股份有限公司) (“**Complant Sugar**”) in favour of the Company. As disclosed in the Announcements, Complant Sugar have issued the Undertaking that conditional upon the entering into of an agreement for a formal repayment plan in the Outstanding Convertible Note, Complant Sugar agrees and undertakes that, before 31 December 2019 (or such other date as agreed by the parties in writing) (the “**Long Stop Date**”), (i) the failure of the Company to repay the Short Term Loan on and since the due date (being 27 February 2019) will not constitute an event of default; and (ii) Complant Sugar will not demand repayment of or performance of obligations under the Outstanding Convertible Note.

### **First Extended Period under First Supplemental Undertaking**

As additional time is required for the Company and Complant Sugar to negotiate and reach an agreement on a formal repayment plan, Complant Sugar issued a supplemental undertaking (the “**First Supplemental Undertaking**”) to the Undertaking on 31 December 2019 in favour of the Company. Pursuant to the First Supplemental Undertaking, Complant Sugar agreed to extend and postpone the Long Stop Date to 31 December 2021 (or such other date as agreed by the parties in writing) (the “**First Extended Period**”), (i) the failure of the Company to repay the

Outstanding Convertible Note on and since the due date (being 27 February 2019) will not constitute an event of default under the Convertible Note; and (ii) Complant Sugar will not demand repayment of or performance of obligations under the Outstanding Convertible Note.

### **Second Extended Period under Second Supplemental Undertaking**

Having considered the economic environment during the First Extended Period and the financial position of the Company as impacted by COVID 19, Complant Sugar issued on 27 December 2021 the second supplemental undertaking (the “**Second Supplemental Undertaking**”) to supplement the Undertaking and the First Supplemental Undertaking in favour of the Company. Pursuant to the Second Supplemental Undertaking, Complant Sugar agreed to extend and postpone the First Extended Period for another two years to 31 December 2023 (or such other date as agreed by the parties in writing) (the “**Second Extended Period**”). In other words, under the Second Supplemental Undertaking, conditional upon the entering into of an agreement for a formal repayment plan in relation to the Outstanding Convertible Note, Complant Sugar agrees and undertakes that, before 31 December 2023 (or such other date as agreed by the parties in writing), (i) the failure of the Company to repay the Outstanding Convertible Note on and since the due date (being 27 February 2019) will not constitute an event of default under the Convertible Note; and (ii) Complant Sugar will not demand repayment of or performance of obligations under the Outstanding Convertible Note.

## **II. EXISTING AMOUNT DUE UNDER OUTSTANDING CONVERTIBLE NOTE (NOW ACCOUNTED FOR AS AN AMOUNT DUE TO COMPLANT SUGAR)**

The convertible note due 27 February 2014 (which was extended to 27 February 2019), however since the ordinary resolution relating to the proposed extension of the maturity date of the outstanding convertible Note was voted down by the Independent Shareholders at the extraordinary general meeting of the Company held on 20 September 2019 (the “**Voted-Down**”). As the convertible note has lost its convertible feature after the Voted-Down, it is accounted for as an amount due to Complant Sugar under trade and other payable of the current liabilities in the audited report. The outstanding principal at as the date of this announcement is HK\$525,889,000 held by Complant Sugar, after a partial payment of US\$1,000,000 (approximately HK\$7,811,000) was made by the Company in December 2022.

### **III. THIRD EXTENDED PERIOD UNDER THIRD SUPPLEMENTAL UNDERTAKING**

It is because the economic outlook remains tilted to the downside, impacting our sales growth which made the revenue only achieving a single-digit growth in year 2022, while, inflation remains stubbornly high pushing up energy and raw material costs as well as growing wage pressures under continued labor-market tightness, impacting our operating costs and resulted in a slight single-digit decline in gross profit margin in year 2022, those factors have affected the progress of our improvement plan and made progress less than ideal and so the Company negotiated with Complant Sugar for a further extension of the Long Stop Day.

Complant Sugar issued on 22 December 2023 the third supplemental undertaking (the “**Third Supplemental Undertaking**”) to supplement the Undertaking, the First Supplemental Undertaking and the Second Supplemental Undertaking in favour of the Company. The effectiveness of which, is subject to the completion of the undertaking from the Company on date before the end of Second Extended Period (that is on or before 31 December 2023) to partially repay the Outstanding Convertible Note in principal sum of US\$1,000,000 (approximately HK\$7,850,000).

Pursuant to the Third Supplemental Undertaking, Complant Sugar agreed to extend and postpone the Third Extended Period for another two years to 31 December 2025 (or such other date as agreed by the parties in writing) (the “**Third Extended Period**”). In other words, under the Third Supplemental Undertaking, after the Third Supplemental Undertaking become effective, conditional upon the entering into of an agreement for a formal repayment plan in relation to the Outstanding Convertible Note, Complant Sugar agrees and undertakes that, before 31 December 2025 (or such other date as agreed by the parties in writing), (i) the failure of the Company to repay the Outstanding Convertible Note on and since the due date (being 27 February 2019) will not constitute an event of default under the Convertible Note; and (ii) Complant Sugar will not demand repayment of or performance of obligations under the Outstanding Convertible Note.

### **IV. BENEFITS UNDER THIRD EXTENDED PERIOD UNDER THIRD SUPPLEMENTAL UNDERTAKING**

#### **Considering that**

- (i) At the date of the announcement, the Company would not have sufficient internal resources to repay all the indebtedness due under the Outstanding Convertible Note that matured on 27 February 2019. The Board also still considers it impracticable to secure third-party financing on the favourable terms to the Company to settle the indebtedness due under the Outstanding Convertible Note at the current market situation;

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

All these (i) to (iii) are beneficial in maintaining the Group's financial results; and

- (iv) To Complant Sugar, as a substantial Shareholder, it will be benefited from the Third Supplemental Undertaking if the performance of the Company improves during the Third Extended Period. It will also be benefited from the Third Supplemental Undertaking as a creditor as the improvement of the Group's performance will provide greater flexibility to the Group and Complant Sugar to restructure the indebtedness under the Outstanding Convertible Note.

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

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

## V. LISTING RULES IMPLICATIONS

The partial repayment of US\$1,000,000 (approximately HK\$7,850,000) of already existed debt obligation under Outstanding Convertible Note, for which does not constitute a “transaction” under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The extension of Long Stop Date under Third Supplemental Undertaking by Complant Sugar, a significant shareholder of the Company, which is interested in approximately 13.69% of the issued share capital of the Company, constitutes a connected transaction of the Company under the Listing Rules. As the extension of Long Stop Date and the Outstanding Convertible Note is not secured by any assets of the Group and is conducted on normal commercial terms or better, the Third Supplemental Undertaking is fully exempted from shareholders’ approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

By order of the Board  
**Hua Lien International (Holding) Company Limited**  
**Zhang Zhaogang**  
*Chairman*

Hong Kong, 22 December 2023

*As at the date of this announcement, the Board comprises eight directors, of which three are executive directors, namely Mr. Han Hong, Mr. Wang Zhaohui and Mr. Zhang Qi, two are non-executive directors, namely Mr. Zhang Zhaogang and Ms. Chen Si, and three are independent non-executive directors, namely Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry.*

*\* For identification purpose only*