# HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

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

**(Stock Code: 969)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

The board of directors (the "Board") of Hua Lien International (Holding) Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2010, together with the comparative figures for the corresponding period in 2009, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31st December 2010*

| | *Notes* | **2010**<br>***HK$'000*** | 2009<br>*HK$'000* |
|---|---|---|---|
| **Continuing operations** | | | |
| Turnover | *(3)* | **205,767** | 154,317 |
| Cost of sales | | **(120,930)** | (67,005) |
| Gross profit | | **84,837** | 87,312 |
| Other operating income | | **409** | 218 |
| Distribution costs | | **(21)** | (15) |
| Administrative expenses | | **(26,283)** | (18,827) |
| Other expenses | *(4)* | **(46,150)** | (112,882) |
| Profit (loss) from operations | | **12,792** | (44,194) |
| Finance costs | *(5)* | **(41,491)** | (33,139) |
| Loss before tax | | **(28,699)** | (77,333) |
| Income tax expense | *(6)* | **—** | — |

| | Notes | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| Loss for the year from continuing operations | (7) | **(28,699)** | (77,333) |
| **Discontinued operations** | | | |
| Profit (loss) for the year from discontinued operations | (8a) | **67,447** | (98,734) |
| **Profit (loss) for the year** | | **38,748** | (176,067) |
| **Other comprehensive expense** | | | |
| Reserve released upon disposal of subsidiaries | | **(33,398)** | — |
| **Total comprehensive income (expense) for the year** | | **5,350** | (176,067) |
| Profit (loss) attributable to: | | | |
| Owners of the Company | | **37,851** | (179,113) |
| Non-controlling interests | | **897** | 3,046 |
| | | **38,748** | (176,067) |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **4,453** | (179,113) |
| Non-controlling interests | | **897** | 3,046 |
| | | **5,350** | (176,067) |
| **Dividend** | (9) | **—** | — |
| **Earnings (loss) per share** | (10) | | |
| From continuing and discontinued operations | | | |
| — Basic (cents per share) | | **3.03** | (15.82) |
| — Diluted (cents per share) | | **2.93** | (15.82) |
| From continuing operations | | | |
| — Basic and Diluted (cents per share) | | **(2.30)** | (6.83) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31st December 2010*

| | Notes | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **297** | 149 |
| Goodwill | | **226,511** | 226,511 |
| Intangible asset | | **384,225** | 405,375 |
| | | **611,033** | 632,035 |
| **Current assets** | | | |
| Trade and other receivables | *(11)* | **184,117** | 190,409 |
| Bank balances and cash | | **306,141** | 166,041 |
| | | **490,258** | 356,450 |
| Assets classified as held for sale | | **—** | 229,330 |
| | | **490,258** | 585,780 |
| **Current liabilities** | | | |
| Trade and other payables | *(12)* | **108,371** | 109,416 |
| Liabilities directly associated with assets classified as held for sale | | **—** | 161,423 |
| | | **108,371** | 270,839 |
| **Net current assets** | | **381,887** | 314,941 |
| **Total assets less current liabilities** | | **992,920** | 946,976 |
| **Non-current liability** | | | |
| Convertible notes | | **501,381** | 459,890 |
| **Net assets** | | **491,539** | 487,086 |
| **Capital and reserves** | | | |
| Share capital | | **124,868** | 124,868 |
| Reserves | | **366,671** | 362,218 |
| **Total equity** | | **491,539** | 487,086 |

## NOTES

### 1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) In the current year, the Group has applied the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the HKICPA.

| | |
|---|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendments) | Eligible Hedged Items |
| HKFRS 1 (Revised) | First-time Adoption of HKFRSs |
| HKFRS 1 (Amendments) | Additional Exemptions for First-time Adopters |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| HK - Interpretation ("Int") 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| HK(IFRIC) - Int 17 | Distributions of Non-cash Assets to Owners |

HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The revised standard has no impact on the Group's or the Company's financial statements as there was no business combination transaction occurred in the year ended 31st December 2010;

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years;

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

(b) The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 7 and HKAS 1[1] |
| HKFRS 1 (Amendments) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2] |
| HKFRS 1 (Amendments) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3] |
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets[3] |
| HKFRS 9 (Revised) | Financial Instruments[4] |
| HKAS 12 (Amendments) | Deferred Tax : Recovery of Underlying Assets[5] |
| HKAS 24 (as revised in 2009) | Related Party Disclosures[6] |
| HKAS 32 (Amendments) | Classification of Rights Issues[7] |
| HK(IFRIC) – Int 14 (Amendments) | Prepayments of Minimum Funding Requirement[6] |
| HK(IFRIC) - Int 19 | Extinguishing Financial Liabilities with Equity Instruments[2] |

1 *Effective for annual periods beginning on or after 1st July 2010 or 1st January 2011, as appropriate*
2 *Effective for annual periods beginning on or after 1st July 2010*
3 *Effective for annual periods beginning on or after 1st July 2011*
4 *Effective for annual periods beginning on or after 1st January 2013*
5 *Effective for annual periods beginning on or after 1st January 2012*
6 *Effective for annual periods beginning on or after 1st January 2011*
7 *Effective for annual periods beginning on or after 1st February 2010*

HKFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1st January 2013 but is available for early adoption. The Group will apply this standard from 1st January 2013. It is not expected to have significant impact on the Group's or the Company's financial statements;

Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1st January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1st January 2011. The revised standard only results in changes in related party disclosures and does not have any impact to earnings per share;

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations that have been issued but are not yet effective will have no material impact on the consolidated financial statements.

## 3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information about these geographical markets is presented below:

**2010**

| | Revenue | | | Operating Profit (Loss) | | | Depreciation & Amortisation | | |
|---|---|---|---|---|---|---|---|---|---|
| | Continuing operations *HK$'000* | Discontinued operations *HK$'000* | Total *HK$'000* | Continuing operations *HK$'000* | Discontinued operations *HK$'000* | Total *HK$'000* | Continuing operations *HK$'000* | Discontinued operations *HK$'000* | Total *HK$'000* |
| Supporting services to sweetener and ethanol business | 205,767 | – | 205,767 | 41,282 | – | 41,282 | 21,258 | – | 21,258 |
| Manufacturing and trading of leather | – | 21,920 | 21,920 | – | (8,837) | (8,837) | – | 5,402 | 5,402 |
| | 205,767 | 21,920 | 227,687 | 41,282 | (8,837) | 32,445 | 21,258 | 5,402 | 26,660 |
| Impairment loss on trade and other receivables | | | | (25,000) | – | (25,000) | | | |
| Gain on disposal of subsidiaries | | | | – | 76,897 | 76,897 | | | |
| Central administration cost | | | | (3,490) | – | (3,490) | | | |
| Finance costs | | | | (41,491) | (604) | (42,095) | | | |
| Profit (loss) before taxation | | | | (28,699) | 67,456 | 38,757 | | | |
| Income tax expense | | | | – | (9) | (9) | | | |
| Profit (loss) for the year | | | | (28,699) | 67,447 | 38,748 | | | |

2009

| | Revenue | | | Operating Profit (Loss) | | | Depreciation & Amortisation | | |
|---|---|---|---|---|---|---|---|---|---|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Supporting services to sweetener and ethanol business | 154,317 | — | 154,317 | 54,029 | — | 54,029 | 17,665 | — | 17,665 |
| Manufacturing and trading of leather | — | 246,128 | 246,128 | — | (93,653) | (93,653) | — | 33,008 | 33,008 |
| | 154,317 | 246,128 | 400,445 | 54,029 | (93,653) | (39,624) | 17,665 | 33,008 | 50,673 |
| Impairment loss on goodwill | | | | (95,257) | — | (95,257) | | | |
| Central administration cost | | | | (2,966) | — | (2,966) | | | |
| Finance costs | | | | (33,139) | (4,820) | (37,959) | | | |
| Loss before taxation | | | | (77,333) | (98,473) | (175,806) | | | |
| Income tax expense | | | | — | (261) | (261) | | | |
| Loss for the year | | | | (77,333) | (98,734) | (176,067) | | | |

## 4. OTHER EXPENSES

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Amortisation of intangible assets | **21,150** | 17,625 |
| Impairment loss on trade and other receivables | **25,000** | — |
| Impairment loss on goodwill | **—** | 95,257 |
| | **46,150** | 112,882 |

## 5. FINANCE COSTS

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Effective interest expense on convertible notes wholly repayable within five years | **41,491** | 33,139 |

## 6. INCOME TAX EXPENSE (RELATING TO CONTINUING OPERATIONS)

No provision for income tax expenses had been made as the Company and its subsidiaries has no assessable profits in their jurisdictions for the two years ended 31st December 2010 and 2009 and no material unprovided deferred tax at the end of reporting period 2010 and 2009.

## 7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year from continuing operations has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | **108** | 40 |
| and after crediting: | | |
| Interest income | **391** | 73 |

## 8. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

### (a) Description

The Company entered into Disposal Agreements with Sino Commend Limited on 16th October 2009 and 19th October 2009 to dispose of its entire issued share capital of Hua Lien Group (Holding) Company, Limited and the shareholder's loan, which engaged in manufacturing and trading of leather. The total consideration payable for the disposal is HK$101,500,000 in cash, of which approximately HK$29,370,000 represents the consideration for the sales of the sales shares and the balance approximately of HK$72,130,000 represents the consideration for assignment of the shareholder's loan. The disposal was completed on 28th February 2010.

The profit (loss) up to the date of disposal from the discontinued operations included in the consolidated statement of comprehensive income for the year are analysed as follows:

| | Note | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|---|
| Loss for the year from manufacturing and trading of leather | *8b* | **(9,450)** | (98,734) |
| Gain on disposal of subsidiaries | *8c* | **76,897** | — |
| | | **67,447** | (98,734) |

**(b) The financial performance**

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Turnover | **21,920** | 246,128 |
| Cost of sales | **(30,181)** | (300,143) |
| Gross loss | **(8,261)** | (54,015) |
| Other operating income | **805** | 1,673 |
| Distribution costs | **(4)** | (64) |
| Administrative expenses | **(1,377)** | (12,251) |
| Other expenses | **—** | (28,996) |
| Loss from operations | **(8,837)** | (93,653) |
| Finance costs | **(604)** | (4,820) |
| Loss before tax | **(9,441)** | (98,473) |
| Income tax expense | **(9)** | (261) |
| Loss for the year from discontinued operations | **(9,450)** | (98,734) |

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Profit (loss) for the year from discontinued operations has been arrived at after charging: | | |
| Amortisation of prepaid lease payments on land use rights | **190** | 1,138 |
| Depreciation of property, plant and equipment | **5,212** | 31,870 |
| Total depreciation and amortisation | **5,402** | 33,008 |
| and after crediting: | | |
| Interest income | **1** | 66 |

**(c ) Net assets disposed of:**

The net assets of Hua Lien Group (Holding) Company, Limited and its subsidiaries as at the date of disposal are as follow:

| | 28th February 2010 |
|---|---|
| Property, plant and equipment | **77,829** |
| Prepaid lease payments on land use rights | **45,802** |
| Deferred tax assets | **499** |
| Inventories | **35,050** |
| Trade and other receivables | **45,154** |
| Bank balances and cash | **7,187** |
| Trade and other payables | **(39,850)** |
| Loan from a director | **(285)** |
| Tax liabilities | **(10,338)** |
| Bank borrowings | **(103,047)** |
| Shareholder's loan | **(72,130)** |
| Translation reserve released | **(33,398)** |
| | **(47,527)** |
| Add: Shareholder's loan | **72,130** |
| | **24,603** |
| Gain on disposal of subsidiaries | **76,897** |
| Total consideration satisfied by cash | **101,500** |
| Net cash inflow arising on disposal | |
| Cash consideration | **101,500** |
| Bank balances and cash disposed of | **(7,187)** |
| | **94,313** |

No tax charge or credit arose on the disposal of Hua Lien Group (Holding) Company, Limited.

**9. DIVIDEND**

The Directors do not recommend the payment of a dividend for the years ended 31st December 2010 and 2009.

## 10. EARNINGS (LOSS) PER SHARE

**From continuing and discontinued operations**

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings (loss)** | | |
| Profit (loss) for the purpose of basic and diluted earnings (loss) per share | **37,851** | (179,113) |

| | **2010** | 2009 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of Shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | **1,248,680** | 1,132,447 |
| Effect of dilutive potential ordinary shares: | | |
| Warrants | **41,120** | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | **1,289,800** | 1,132,447 |

The computation of diluted earnings per share for the year ended 31st December 2010 does not assume the conversion of the Company's outstanding convertible notes since their assumed exercise would result in an increase in earnings per share. The diluted loss per share for the year ended 31st December 2009 was the same as basic loss per share as there was no dilutive effect from the assumed exercise of warrants and conversion of the Company's outstanding convertible notes on the loss from continuing and discontinued operations attributable to owners of the Company.

**From continuing operations**

The calculation of the basic earnings (loss) per share from continuing operations attributable to owners of the Company is based on the following data:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit (loss) figures are calculated as follows: | | |
| Profit (loss) for the purpose of basic earnings (loss) per share | **37,851** | (179,113) |
| *Less:* | | |
| Profit (loss) for the year from discontinued operations | **66,550** | (101,780) |
| Loss for the purpose of basic and diluted loss per share from continuing operations | **(28,699)** | (77,333) |

The denominators used are the same as those detailed above for basic earnings (loss) per share.

The diluted loss per share for the year ended 31st December 2010 and 2009 is the same as basic loss per share presented as there was no dilutive effect from the assumed exercise of warrants and conversion of the Company's outstanding convertible notes on the loss from continuing operations attributable to owners of the Company.

**From discontinued operations**

Basic earnings per share for the discontinued operations is HK5.33 cents per share (2009: Basic loss per share HK8.99 cents), based on the profit for the year from the discontinued operations of approximately HK$66,550,000 (2009: loss of HK$101,780,000) and the denominators detailed above for basic loss per share.

Diluted earnings per share for the discontinued operations is HK5.16 cents per share, based on the profit for the year from the discontinued operations of approximately HK$66,550,000 and the denominators detailed above for diluted earnings per share. The diluted loss per share for the year ended 31st December 2009 was the same as basic loss per share as there was no dilutive effect from the assumed exercise of warrants and conversion of the Company's outstanding convertible notes on loss from discontinued operations attributable to owners of the Company.

## 11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of continuing operations of approximately HK$183,616,000. The Group allows a credit period of 365 days for trade customers of supporting services of sweetener and ethanol business. The comparative figures have been reclassified to conform to current year's presentation and consisted of trade receivables of continuing operations of approximately HK$186,305,000 and trade receivables of discontinued operation of approximately HK$41,372,000, a total of approximately HK$227,677,000.

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not yet due | **158,397** | 192,609 |
| Overdue 1 – 90 days | **25,219** | 35,068 |
| Overdue 91 – 180 days | **—** | — |
| Overdue 181 – 365 days | **—** | — |
| Overdue > 365 days | **—** | — |
| | **183,616** | 227,677 |

## 12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of continuing operations of approximately HK$91,913,000 as at 31st December 2010. The following is an analysis of trade payables by age based on the invoice date. The comparative figures have been reclassified to conform to current year's presentation and consisted of trade payables of continuing operations of approximately HK$70,570,000 and trade payables of discontinued operations of approximately HK$34,324,000, a total of approximately HK$104,894,000.

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not yet due | **91,913** | 92,726 |
| Overdue 1 – 90 days | **—** | 644 |
| Overdue 91 – 180 days | **—** | 1,858 |
| Overdue 181 – 365 days | **—** | 1,812 |
| Overdue > 365 days | **—** | 7,854 |
| | **91,913** | 104,894 |

## 13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

## BUSINESS REVIEW

For the year ended 31st December 2010, the Group recorded turnover from continuing operations of approximately HK$205,767,000 (2009: HK$154,317,000). The increase in turnover from continuing operations was mainly benefited from accelerating growth in the Madagascar where one of the customers has begun its full production this year. There was an approximately HK$43 million increase in sales of fertilizers and an approximately HK$16 million increase in farm machinery during the year. The gross profit from continuing operations of HK$84.8 million was close to prior year's HK$87.3 million. The gross profit ratio was 41.2% (2009: 56.6%) and the fall in overall gross profit margin was mainly resulting from the customers in African countries, facing price pressure from its customers in European countries under the shadow of the European debt crisis, passed the price pressure up chain causing the average price to decrease. The profit from operations was approximately HK$12.8 million, up from a loss of approximately HK$44.2 million, which showed a marked improvement in operational performance from continuing operations from prior year. The profit from operations was mainly caused by the reduction of other expenses of approximately HK$66.7 million. After deducting the effective interest expense on convertible notes of approximately HK$41.5 million (2009: HK$33.1 million), the continuing operations recorded a net loss of approximately HK$28.7 million (2009: HK$77.3 million). The basic loss per share from continuing operations for the year ended 2010 was HK2.30 cents (2009: HK6.83 cents).

The turnover from discontinued operations of approximately HK$21,920,000 (2009: HK$246,128,000). The decreased was mainly due to the discontinued operations only accounted for two months results up to its disposal on 28th February 2010 and leather demand remains weak during that period. The net profit from discontinued operations for the year was approximately HK$67.4 million (2009: net loss of HK$98.7 million). The basic earnings per share from discontinued operations for the year was HK5.33 cents (2009: Basic loss per share of HK8.99 cents). The profit from discontinued operations was mainly resulting from the gain on disposal of leather operations of approximately HK$76.9 million and the gross loss from leather operations of approximately HK$8.3 million as a result of the weak leather demand in overseas markets, soaring price on raw materials for leather and the decrease in economy of scales causing the increase in per-unit leather manufacturing cost.

For the segment result, the continuing operations of supporting services to sweetener and ethanol business recoded revenue of approximately HK$205.8 million which represented approximately 90.4% of total revenue of the Group and contributed an operating profit of approximately HK$41.3 million during the year. While, the discontinued operations of leather business recoded revenue of approximately HK$21.9 million which represented approximately 9.6% of total revenue of the Group and recorded an operating loss of approximately HK$8.8 million during the year. Overall, the Group recorded a profit for the year of approximately HK$38.7 million from continuing and discontinued operation, up from a loss of approximately HK$176.1 million. The improved performance was mainly driven by the positive impact on disposal of the loss-making leather operations.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

Bank deposits and cash balances of continuing operations as at 31st December 2010 amounted to approximately HK$306,141,000 (2009: HK$166,041,000), mainly denominated in Hong Kong Dollars and United States Dollars.

Total equity of the Group as at 31st December 2010 amounts to approximately HK$491,539,000 (2009: HK$487,086,000).

The Group financed its operation with cash flow generated internally. The bank balances were placed in short term deposits with major banks in Hong Kong.

As at 31st December 2010, the Group's total borrowings consisted of the outstanding five-year zero-coupon Hong Kong-dollar convertible notes of continuing operations of approximately HK$501.4 million (2009: HK$459.9 million). The debt to equity ratio of the Group as at 31st December 2010 calculated as a ratio of total borrowings (including convertible notes) to total equity was approximately 102.0% (2009: 115.6%). The decrease resulted from derecognition of bank borrowing of approximately HK$103 million belonging to discontinued operation upon completion of its disposal on 28th February 2010. All the Group's borrowings as at 31st December 2010 were denominated in Hong Kong Dollars.

### Foreign Exchange exposure

The sales and purchases of the Group during the year are mainly denominated in the same currency of United States Dollars. Hence, the Group's exposure to foreign exchange risk arising from sales and purchases is expected to be minimal. The use of financial instruments for hedging purposes is not considered necessary.

The Group manages the currency exposure arising from net assets of foreign operations of the Group primarily through financing denominated in the relevant foreign currencies. The Group did not use any derivative financial instruments to hedge for its foreign exchange risk exposure on net assets during the year ended 31st December 2010.

### Contingent Liabilities

At the end of the reporting period, the Company had not provided any guarantees in favour of any third party nor were there any significant contingent liabilities.

### Pledge of Assets

No assets of the Group had been pledged as at 31st December 2010.

**Employees and Remuneration Policy**

At 31st December 2010, the Group employed 53 full time management, administrative and operation staff in Hong Kong and the PRC (2009: 397).

The Group's emolument policies are formulated on the bases of individual performance and the salary trend in the various regions, and are reviewed every year. The Company has set up share options plan.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Company disposed the entire issued share capital of Hua Lien Group (Holding) Company, Limited and the shareholder's loan, which engaged in manufacturing and trading of leather. The total consideration payable for the disposal is HK$101,500,000 in cash, of which approximately HK$29,370,000 represents the consideration for the sales of the sales shares and the balance of approximately of HK$72,130,000 represents the consideration for assignment of the shareholder's loan. The disposal was completed on 28th February 2010.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates or jointly-controlled entities during the period under review.

## CAPITAL STRUCTURE

There was no change in capital structure for the year ended 31st December 2010.

## PROSPECTS

Looking ahead, the sales orders of supporting services for sweetener and ethanol business from our customers in African countries expects to be stable for first half of the year following the improvement in fundamentals in country economy of their customers in European countries and coupled with high agricultural commodities price encouraging more their production.

Following the disposal of the loss-making leather business on 28th February 2010, the operation of the Group has been more streamlined and the resources can fully concentrate on expanding the supporting services for sweetener and ethanol business and its upstream developments. The initial works for the ethanol biofuel joint venture with China Africa Development Fund and COMPLANT International Sugar Industry Co. Ltd. are progressing. This is an important investment as it will establish a platform from which the Group would profitably grow. The Board is also assessing the feasibility of other expansion plans in other countries and continues to evolve into integrated supply chains. We believe our business model is capable of creating value for all stakeholders.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code of Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules for the year months ended 31st December 2010, except for the following deviations.

### Code Provision A.4.1

None of the existing independent non-executive directors of the Company is appointed for a specific term. However, all the independent non-executive directors are subject to retirement by rotation at each annual general meeting under the bye-laws of the Company. As such, the company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG code.

### Code Provision E.1.2

Under the code provision E.1.2. of the CG Code, the chairman of the independent board committee should also be available to answer questions at any general meeting to approve a connected transaction and any other transaction that is subject to independent shareholders’ approval. Dr. Zheng Liu, the chairman of the independent board committee, did not attend an extraordinary general meeting held on 8th December 2010 due to other business engagement. Her appointed delegate was present at the extraordinary general meeting to answer the shareholders’ questions.

## AUDIT COMMITTEE

The Company’s Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31st December 2010.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31st December 2010, containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of Hong Kong Exchange and Clearing Limited at www.hkex.com.hk and the website of the Company at http://finance.thestandard.com.hk/en/0969hualien in due course.

By order of the Board
**Shih Chian Fang**
*Chairman*

Hong Kong, 25th March 2011

*As at the date hereof, the Board comprises seven directors, of which four are executive directors, namely Mr. Shih Chian Fang, Mr. Han Hong, Mr. Xiao Longlong and Mr. Hu Yebi and three are independent non-executive directors, namely Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei*