HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

ANNUAL RESULTS ANNOUCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2009

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 2009, together with the comparative figures for the corresponding period in 2008, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2009

	Notes	**2009** **HK$'000**	2008 *As restated (Note2)* *HK$'000*
Continuing operations			
Turnover	*(3)*	**154,317**	—
Cost of sales		**(67,005)**	—
Gross profit		**87,312**	—
Other operating income		**218**	344
Distribution costs		**(15)**	—
Administrative expenses		**(18,827)**	(4,760)
Other expenses	*(4)*	**(112,882)**	—
Loss from operations		**(44,194)**	(4,416)
Finance costs	*(5)*	**(33,139)**	—
Loss before tax		**(77,333)**	(4,416)
Income tax expense		**—**	—
Loss for the year from continuing operations	*(6)*	**(77,333)**	(4,416)

	Notes	2009 HK$'000	2008 *As restated* *(Note2)* HK$'000
Discontinued operations			
Loss for the year from discontinued operations	*(7)*	**(98,734)**	(209,259)
Loss for the year		**(176,067)**	(213,675)
Other comprehensive loss			
Exchange differences on translating foreign operations		**—**	(1,552)
Total comprehensive loss for the year		**(176,067)**	(215,227)
Loss attributable to:			
Owners of the Company		**(179,113)**	(217,814)
Non-controlling interests		**3,046**	4,139
		(176,067)	(213,675)
Total comprehensive loss attributable to:			
Owners of the Company		**(179,113)**	(219,366)
Non-controlling interests		**3,046**	4,139
		(176,067)	(215,227)
Dividend	*(8)*	—	—
Loss per share	*(9)*		
From continuing and discontinued operations			
— Basic (cents per share)		**(15.82)**	(26.44)
— Diluted (cents per share)		**N/A**	N/A
From continuing operations			
— Basic (cents per share)		**(6.83)**	(0.54)
— Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**149**	114,574
Prepaid lease payments on land use rights		**—**	45,992
Goodwill	*(10)*	**226,511**	—
Intangible asset	*(11)*	**405,375**	—
Deferred tax assets		**—**	758
		632,035	161,324
Current assets			
Inventories		**—**	101,877
Trade and other receivables	*(12)*	**190,409**	80,666
Prepaid lease payments on land use rights		**—**	1,138
Bank balances and cash		**166,041**	46,887
		356,450	230,568
Assets classified as held for sale	*(13)*	**229,330**	—
		585,780	230,568
Current liabilities			
Trade and other payables	*(14)*	**109,416**	59,662
Loan from a director		**—**	14,438
Tax liabilities		**—**	11,444
Bank borrowings		**—**	124,869
		109,416	210,413
Liabilities directly associated with assets classified as held for sale	*(13)*	**161,423**	—
		270,839	210,413
Net current assets		**314,941**	20,155
Total assets less current liabilities		**946,976**	181,479
Non-current liability			
Convertible notes		**459,890**	—
Net assets		**487,086**	181,479
Capital and reserves			
Share capital		**124,868**	82,368
Reserves		**362,218**	99,111
Equity attributable to owners of the Company		**487,086**	181,479
Non-controlling interests		**—**	—
Total equity		**487,086**	181,479

NOTES

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except the new and revised HKFRSs affecting presenting and disclosure as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 3) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk.

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)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] *Effective for annual periods beginning on or after 1st July, 2009.*
[2] *Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.*
[3] *Effective for annual periods beginning on or after 1st January, 2010.*
[4] *Effective for annual periods beginning on or after 1st February, 2010.*
[5] *Effective for annual periods beginning on or after 1st July, 2010.*
[6] *Effective for annual periods beginning on or after 1st January, 2011.*
[7] *Effective for annual periods beginning on or after 1st January, 2013.*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

2. BASIS OF PREPARATION

Discontinued Operations

The Company entered into agreements (the "Disposal Agreements") with Sino Commend Limited on 16th October 2009 and 19th October 2009 to dispose of its entire interest in Hua Lien Group (Holding) Company, Limited (the "Target Group") and the disposal was completed on 28th February 2010. In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" issued by the HKICPA, the results of business segment of manufacturing and trading of leather have been presented as discontinued operations in the consolidated statement of comprehensive income for the year ended 31st December 2009, and the 2008 comparative of this segment also reclassified as discontinued operations accordingly.

For details, please refer to Note 7.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information about these geographical markets is presented below:

2009

	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*
Manufacturing and trading of leather	–	246,128	246,128	–	(93,653)	(93,653)	–	33,008	33,008
Supporting services to sweetener and ethanol business	154,317	–	154,317	54,029	–	54,029	17,665	–	17,665
	154,317	246,128	400,445	54,029	(93,653)	(39,624)	17,665	33,008	50,673
Other non-operating expense				(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)			

2008

	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*
Manufacturing and trading of leather	—	537,003	537,003	—	(190,163)	(190,163)	—	32,358	32,358
Supporting services to sweetener and ethanol business	—	—	—	—	—	—	—	—	—
	—	537,003	537,003	—	(190,163)	(190,163)	—	32,358	32,358
Other non-operating expense				—	—	—			
Central administration cost				(4,416)	—	(4,416)			
Finance costs				—	(9,093)	(9,093)			
Loss before taxation				(4,416)	(199,256)	(203,672)			
Income tax expense				—	(10,003)	(10,003)			
Loss for the year				(4,416)	(209,259)	(213,675)			

4. OTHER EXPENSES

	2009 *HK$'000*	2008 *HK$'000*
Continuing operations		
Amortisation of intangible asset	**17,625**	—
Impairment loss of goodwill	**95,257**	—
	112,882	—

5. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Effective interest expense on convertible notes wholly repayable within five years	**33,139**	—

6. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2009	2008
	HK$'000	*HK$'000*
Loss for the year from operations has been arrived at after charging:		
Depreciation for property, plant and equipment	**40**	—
and after crediting:		
Interest income	**73**	344

7. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

The Company entered into Disposal Agreements with Sino Commend Limited on 16th October 2009 and 19th October 2009 to dispose of its entire interest in Target Group for an aggregate cash consideration of HK$101,500,000. On 1st March 2010, the Board announced that the conditions precedent under the Disposal Agreements had been fulfilled and the disposal was duly completed on 28th February 2010. Upon completion, the Target Group has ceased to be subsidiaries of the Group. As a result, the business segment of manufacturing and trading of leathers have classified as discontinued operations for the year ended 31st December 2009. The results of the discontinued operations included in the consolidated statement of comprehensive income are set out below.

	2009	2008
	HK$'000	*HK$'000*
Analysis of loss for the year from discontinued operations		
Turnover	**246,128**	537,003
Cost of sales	**(300,143)**	(603,421)
Gross loss	**(54,015)**	(66,418)
Other operating income	**1,673**	2,869
Distribution costs	**(64)**	(174)
Administrative expenses	**(12,251)**	(22,571)
Other expenses	**(28,996)**	(103,869)
Loss from operations	**(93,653)**	(190,163)
Finance costs	**(4,820)**	(9,093)
Loss before tax	**(98,473)**	(199,256)
Income tax expense	**(261)**	(10,003)
Loss for the year from discontinued operations	**(98,734)**	(209,259)
Loss for the year from discontinued operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	**31,870**	31,220
Amortisation of prepaid lease payments on land use rights	**1,138**	1,138
Total depreciation and amortisation	**33,008**	32,358
Allowance for inventories	**11,537**	13,833
Impairment loss on property, plant and equipment	**—**	70,000
Impairment loss on trade and other receivables	**28,996**	33,869
and after crediting:		
Interest income	**66**	—
Gain on disposal of property, plant and equipment	**282**	—

8. DIVIDEND

The Directors do not recommend the payment of a dividend for the years ended 31st December 2009 and 2008.

9. LOSS PER SHARE

From continuing and discontinued operations

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

	2009	2008
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share	**(179,113)**	(217,814)

	2009	2008
	'000	*'000*
Number of Shares		
Weighted average number of ordinary share for the purpose of basic loss per share	**1,132,447**	823,680

Diluted loss per share for the year ended 31st December 2009 and 2008 had not been disclosed, as the warrants outstanding in both periods and convertible notes outstanding as at 31st December 2009 had an anti-dilutive effect on the basic loss per share.

From continuing operations

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

	2009	2008
	HK$'000	*HK$'000*
Loss figures are calculated as follows:		
Loss for the purpose of basic loss per share	**(179,113)**	(217,814)
Less:		
Loss for the year from discontinued operations	**101,780**	213,398
Loss for the purpose of basic loss per share from continuing operations	**(77,333)**	(4,416)

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

From discontinued operations

Basic loss per share for the discontinued operations is HK8.99 cents per share (2008: HK25.9 cents), based on the loss for the year from the discontinued operations of HK$101,780,000 (2008: HK$213,398,000) and the denominators detailed above for basic loss per share.

10. GOODWILL

	HK$'000
Arising on acquisition of a subsidiary on 27th February 2009	**321,768**
Impairment loss recognised	**(95,257)**
At 31st December 2009	**226,511**

The goodwill represents the excess of the fair value of consideration of the acquisition of the Sino-Africa Technology & Trading Limited (the "SATT") over the fair value of the identified assets and liabilities at acquisition date of SATT. The valuation of the identified assets and liabilities at acquisition date are valued by BMI Appraisals Limited (the "BMIA"), an independent valuer and its valuations were carried out on the basis of market value, which is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Impairment testing for goodwill

For the purpose of impairment testing, goodwill has been allocated to an individual cash-generating unit ("CGU"). The recoverable amount of goodwill of CGU of supporting services to sweetener and ethanol business had assessed on basis of a valuation report from BMIA. The valuer assessed the value in use basing on cash flow projections of this CGU and applied a discount factor of 14% per annum in the calculation and determined that the goodwill was impaired by an amount of approximately HK$95,257,000 at the end of reporting period. As a result, the Group recognised approximately HK$95,257,000 impairment loss on goodwill attributable to the cash-generating unit of supporting service for the sweetener and ethanol business during the year (2008: Nil).

11. INTANGIBLE ASSET

	HK$'000
Customer relationship	
Arising on acquisition of a subsidiary on 27th February 2009	**423,000**
Amortisation for the year	**(17,625)**
At 31st December 2009	**405,375**

The customer relationship represents the present value of the future cash flow attributed to established customer base and other business relationships built up by SATT in African and other nations. The valuation is valued by BMIA. Excess earnings method is adopted in the valuation of the customer relationship. The excess earnings are the amount of anticipated economic benefits that exceeds the required rates of return on the contributory assets, including the fixed assets, the working capital, the workforce assembled and intangible assets other than the subject asset, used to generate those anticipated economic benefits. This intangible asset is purchased as part of a business combination of SATT during the year and has a definite useful life which is amortised on straight-line basis over the estimated useful life of 20 years.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of continuing operations of approximately HK$186,306,000 and trade receivables of discontinued operations of approximately HK$41,371,000 that classified as part of a disposal group held for sale, net of allowance for doubtful debts, a total of approximately HK$227,677,000 as at 31st December 2009 (2008: approximately HK$69,242,000), the following is an analysis of trade receivables by age, presented based on the invoice date. The Group allows a credit period of 90 days for trade customers of leather manufacturing and 365 days for trade customers of supporting services of sweetener and ethanol business. The analysis below includes those carrying amount of trade receivables of continuing operation and those related to discontinued operations which have classified as part of a disposal group held for sale.

	2009 ***HK$'000***	2008 *HK$'000*
Up to 30 days	**24,199**	15,527
31 — 60 days	**27,390**	34,405
61 — 90 days	**30,372**	19,310
91 — 180 days	**32,622**	—
181 days to 1 year	**78,027**	—
Over 1 year	**35,067**	—
	227,677	69,242

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As described in note 7, the Company had entered into Disposal Agreements with Sino Commend Limited to dispose of its entire interest in the Target Group for an aggregate cash consideration of HK$101,500,000 and the disposal was duly completed on 28th February 2010. The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale. The Group has already received HK$20,000,000 as first payment which included in trade and other payables. The major classes of assets and liabilities of disposal group as at 31st December 2009, except the intra-group other payables of approximately HK$71,690,000 eliminated on group consolidation, are as follows:

Analysis of net assets classified as held for sales

	2009
	HK$'000
Property, plant and equipment	**83,008**
Prepaid lease payments on land use rights	**45,992**
Deferred tax assets	**508**
Inventories	**43,530**
Trade and other receivables	**50,148**
Bank balances and cash	**6,144**
Assets classified as held for sale	**229,330**
Trade and other payables	**(47,925)**
Loan from a director	**(113)**
Tax liabilities	**(10,338)**
Bank borrowings	**(103,047)**
Liabilities directly associated with assets classified as held for sale	**(161,423)**
Net assets classified as held for sale	**67,907**

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of continuing operations of approximately HK$70,570,000 and trade payables of discontinued operations of approximately HK$34,324,000 classified as part of a disposal group held for sale, a total of approximately HK$104,894,000 as at 31st December 2009 (2008: approximately HK$40,971,000) The following is an analysis of trade payables by age based on the invoice date. The analysis below includes those carrying amount of trade payables of continuing operation and those related to discontinued operations which have classified as part of a disposal group held for sale.

	2009	2008
	HK$'000	*HK$'000*
Up to 30 days	**40,637**	18,987
31 — 60 days	**7,524**	5,073
61 — 90 days	**6,281**	4,636
91 — 180 days	**13,633**	6,811
181 days to 1 year	**28,965**	3,609
Over 1 year	**7,854**	1,855
	104,894	40,971

BUSINESS REVIEW

For the year ended 31st December 2009, the Group recorded turnover from continuing operations of approximately HK$154,317,000 (2008: Nil) and turnover from discontinued operations of approximately HK$246,128,000 (2008: HK$537,003,000), a total of approximately HK$400,445,000, a 25.4 percent decrease compared to HK$537,003,000 in 2008. The decrease in turnover was mainly brought about by a significant 54.17 percent drop in revenue from discontinued leather operations due to the prominent shrinkage in demand of leather products in face of the global economic slowdown.

The Group's net loss for the year from continuing operations was approximately HK$77,333,000 (2008: HK$4,416,000) and net loss for the year from discontinued operations was approximately HK$98,734,000 (2008: HK$209,259,000) and the total loss attributable to the equity holders of the Company for the year ended 31st December 2009 (after the fixed distribution to non-controlling interest approximately HK$3,046,000) was approximately HK$179,113,000 compared to net loss attributable to equity holders of approximately HK$217,814,000 in 2008. Basic loss per share from continuing and discontinued operation for the year ended 2009 was HK15.82 cents (2008: HK26.44 cents). The approximately HK$77.3 million net loss from continuing operations was mainly brought by the HK$95.2 million impairment loss of goodwill which arose from acquisition of SATT in February 2009 while the approximately HK$98.7 million net loss from discontinued operations was mainly from the gross trading loss of approximately HK$54 million, which caused mainly by the decline in manufacturing volume reduced the economies of scale leading to an increase in per-unit fixed cost and the persistent high in raw materials, utility and labour costs and the additional approximately HK$29 million for impairment loss on trade and other receivables due to the deterioration of trading environment of discontinued operation lengthened the repayments and thus increased the credit risk from customers of this business segment.

For the segment result, the new business segment of provision of supporting services to sweetener and ethanol business acquired on 27th February 2009 recorded approximately HK$154,317,000 of revenue which accounted for approximately 39% of total revenue of the Group and contributed an operating profit approximately HK$54,029,000 during the year. Those had significantly mitigated the negative impact from discontinued leather operation of approximately HK$290,875,000 reduction in revenue and approximately HK$93,653,000 operating loss.

FINANCIAL REVIEW

Liquidity and Financial Resources

Bank deposits and cash balances as at 31st December 2009 amounted to approximately HK$166,041,000 from continuing operation and approximately of HK$6,144,000 from discontinued operation, a total of approximately HK$172,185,000 (2008: HK$46,887,000), mainly denominated in Hong Kong Dollars, Renminbi and US dollars.

Total equity of the Group as at 31st December 2009 amounts to approximately HK$487,086,000 (2008: HK$181,479,000).

The Group financed its operation with cash flow generated internally and banking facilities. As at 31st December 2009, the Group's total borrowings of approximately HK$562.8 million, consisted of the bank borrowings from discontinued operations that were wholly repayable within one year of approximately HK$103 million (2008: HK$124.9 million) and the outstanding five-year zero-coupon Hong Kong-dollar convertible notes from continuing operations of approximately HK$459.8 million (2008: Nil) as at the end of reporting period. All the Group's bank borrowings from discontinued operation are mainly denominated in, Renminbi and US dollars with floating interest rates, The debt to equity ratio of the Group as at 31st December 2009 calculated as a ratio of total borrowings (including convertible notes) to total equity was approximately 115.6% (2008: 68.8%). The increase in the gearing ratio during 2009 resulted primarily from the approximately HK$459.8 million increase in borrowings of convertible notes. These five-year zero-coupon Hong Kong-dollar convertible notes were issued on 27th February 2009 as part of consideration for acquisition of SATT.

Foreign Exchange exposure

The sales and purchases of the Group are mainly denominated in Renminbi and United States dollar. 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.

Currency exposure arising from net assets of the foreign operations of the Group is managed primarily through borrowings 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 2009 and 2008.

Contingent Liabilities

At the end of 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

At the end of reporting period, certain of the Group's prepaid lease payments on land use rights, property, plant and machinery of discontinued operation of approximately HK$102,516,000 (2008: HK$112,842,000) were pledged to banks to secure general banking facilities granted to the Group.

On 12th September 2006, Bank of China, Xian Branch (the "Bank of China") which lent USD9.8 million to the Xian Hua Lien Tannery Co. Ltd. ("Xian Hua Lien") obtained a writ from 陝西省高級人民法院 (Shannxi Province Highest People's Court) that granted the bank the legal rights to freeze and sequestrate all the assets of Xian Hua Lien including property, plant and equipment, inventories, trade receivables and bank balances. At the end of reporting period, Bank of China continued to sequestrate the bank accounts, the property, plant and machinery and inventories of Xian Hua Lien as additional security which have no carrying value at the end of reporting period.

Besides, the pledged prepared lease premium and certain of pledged buildings of Jiangmen Hua Lien Tannery Co. Ltd. (" Jiangmen Hua Lien") with carrying value of approximately HK$24.5 million at the end of reporting period continued to sequestrate by Bank of China. The same assets was also sequestrated by Bank of Construction, Jiangmen Branch (the pledgee of those assets) at the end of reporting period.

As the sequestration does not affect the lawful right to use, the encumbrances on pledged assets do not have material influence on present trading operation of Jiangmen Hua Lien.

Employees and Remuneration Policy

At 31st December 2009, the Group employed 397 full time management, administrative and production staff in Hong Kong, Taiwan and the PRC, of which 82 belonged to continuing operations and 315 belonged to discontinued operations (2008: 455).

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 and provides staff quarters to staff in the PRC.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year, the Group acquired the entire issued share capital of SATT at the total consideration of HK$853,200,000 settled by the issue of the 300,000,000 consideration shares of HK$0.6 each and the issue of two tranches of five-year zero-coupon Hong Kong-dollar convertible notes for an aggregate principal amount of HK$673,200,000. The acquisition constituted a very substantial acquisition and continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). It was approved by the shareholders of the Company at a extraordinary general meeting held on 20th February 2009. Details of this very substantial acquisition and continuing connected transactions were set out in the Company's circular dated 23rd January 2009. The acquisition was duly completed on 27th February 2009.

On the other hand, the Company entered into the Disposal Agreements with Sino Commend Limited on 16th October 2009 and 19th October 2009 to dispose of its entire interest in the Target Group for an aggregate cash consideration of HK$101,500,000. Details of the transactions were set out in the Company's announcement and circular dated 20th October 2009 and 23rd November 2009 respectively. On 1st March 2010, the Board of Directors announced that the conditions precedent under the Disposal Agreements had been fulfilled and the disposal was duly completed on 28th February 2010. Upon completion, the Target Group had ceased to be subsidiaries of the Group.

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

Further to the issue of 300,000,000 consideration shares at HK$0.6 each on 27th February 2009, the Company also entered into a subscription agreement with three independent subscribers on 5th June 2009 in respect of the subscription of total 100,000,000 new shares at a subscription price of HK$0.60 per share. On 22nd June 2009, the subscription was completed and raised net proceeds of approximately HK$58,271,000.

PROSPECTS

The group had disposed the loss-making leather business on 28th February 2010. While, the sales orders of supporting services for sweetener and ethanol business remains satisfactory for first quarter of 2010 and expect it remains robust in second quarter as the Africa's sugar cane industry is benefited by the recently high sugar price. The Board, therefore, expects the profitability and financial position of the Group may significantly improve in 2010.

Furthermore, as announced on 1st February 2010, the Company signed a memorandum of understanding on 31st January 2010 with China-Africa Development Fund（中非發展基金有限公司）(the "CADFund") and Complant International Sugar Industry Co., Ltd.（中成國際糖業股份有限公司）(the "COMPLANT") in connection with the Possible Transactions as set out in the announcement, the Company will enter into joint ventures with CADFund and COMPLANT for a long term strategic cooperation to develop Ethanol Biofuel Business in various African countries. The Possible Transactions will lay down a strong foundation for our future development in Africa.

Our Group may also engage in other balanced vertical integration in African countries to extend our scale of operation in sweetner and ethanol business in future.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 31st December 2009, 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 20th February 2009 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 2009.

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 2009, 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, 22nd April 2010

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