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 2008

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 2008, together with the comparative figures for the corresponding period in 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	(2)	**537,003**	615,203
Cost of sales		**(603,421)**	(753,113)
Gross loss		**(66,418)**	(137,910)
Other operating income		**3,213**	14,638
Distribution costs		**(174)**	(220)
Administrative expenses		**(27,331)**	(22,707)
Other expenses	(3)	**(103,869)**	(111,911)
Loss from operations	(4)	**(194,579)**	(258,110)
Interest on bank borrowings wholly repayable within five years		**(9,093)**	(11,292)
Loss before tax		**(203,672)**	(269,402)
Income tax expense	(5)	**(10,003)**	(18,660)
Loss for the year		**(213,675)**	(288,062)

	Notes	**2008**	2007
		HK$'000	*HK$'000*
Attributable to:			
Equity holders of the Company		**(217,814)**	(293,968)
Minority interests		**4,139**	5,906
		(213,675)	(288,062)
Dividend	*(6)*	**–**	–
Loss per share (cents)	*(7)*		
– Basic		**(26.44)**	(39.61)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31st December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**114,574**	203,430
Prepaid lease payments on land use rights		**45,992**	44,649
Deferred tax assets		**758**	10,254
		161,324	258,333
Current assets			
Inventories		**101,877**	155,206
Trade and other receivables	*(8)*	**80,666**	142,712
Prepaid lease payments on land use rights		**1,138**	1,078
Pledged bank deposits		**–**	1,500
Bank balances and cash		**46,887**	52,389
		230,568	352,885
Current liabilities			
Trade and other payables	*(9)*	**59,662**	17,589
Loan from a director		**14,438**	16,534
Tax liabilities		**11,444**	11,916
Amounts due to minority shareholders of subsidiaries		**–**	1,880
Bank borrowings		**124,869**	160,358
		210,413	208,277
Net current assets		**20,155**	144,608
Net assets		**181,479**	402,941
Capital and reserves			
Share capital		**82,368**	82,368
Reserves		**99,111**	318,477
Equity attributable to shareholders		**181,479**	400,845
Minority interests		**–**	2,096
Total equity		**181,479**	402,941

NOTES

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective for the Group's financial year and beginning on 1st January 2008.

HKAS 39 & HKFRS 7(Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC)-Int 9, which are effective for annual periods beginning on or after 1st July 2009, other amendments are effective for annual periods beginning on or after 1st January 2009 although there are separate transitional provisions for each standard.

[1] *Effective for annual periods beginning on or after 1st January 2009*
[2] *Effective for annual periods beginning on or after 1st July 2009*
[3] *Effective for annual periods ending on or after 30th June 2009*
[4] *Effective for annual periods beginning on or after 1st July 2008*
[5] *Effective for annual periods beginning on or after 1st October 2008*
[6] *Effective for transfers on or after 1st July 2009*

* *Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC)-Int 2.*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the Group's annual reporting period beginning 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. The directors of the Company anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information about these geographical markets is presented below:

2008

	USA	PRC	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**491,393**	**45,610**	**–**	**537,003**
RESULTS				
Segment results	**(165,820)**	**(29,131)**	**372**	**(194,579)**
Finance charges				**(9,093)**
Loss before tax				**(203,672)**
Income tax expense				**(10,003)**
Loss for the year				**(213,675)**

2007

	USA	PRC	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	438,292	156,860	20,051	615,203
RESULTS				
Segment results	(126,458)	(100,957)	(30,695)	(258,110)
Finance charges				(11,292)
Loss before tax				(269,402)
Income tax expense				(18,660)
Loss for the year				(288,062)

3. OTHER EXPENSES

	2008	2007
	HK$'000	*HK$'000*
Impairment loss recognised in respect of property, plant & equipment	**70,000**	–
Impairment loss recognised in respect of trade and other receivables	**33,869**	46,236
Impairment losses on property, plant and equipment, inventories and trade and other receivables for suspended Xian Hua Lien Tannery Co. Ltd.	**–**	65,675
	103,869	111,911

4. LOSS FROM OPERATIONS

	2008	2007
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	**31,220**	31,949
Amortisation of prepaid lease payment on land use rights	**1,138**	1,078
Total depreciation and amortization	**32,358**	33,027
Allowance for inventories	**13,833**	34,033
Gain on disposal of property, plant and equipment	**(56)**	(68)

5. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong profits tax calculated at 16.5% (2007: 17.5%) of the estimated assessable profit		
– current year	**11**	16
– overprovision in prior years	**(12)**	–
	(1)	16
PRC enterprise income tax		
– current year	**–**	–
Deferred tax		
– current year	**9,383**	18,644
– attributable to a change in tax rate	**621**	–
	10,004	18,644
	10,003	18,660

PRC enterprise income tax is calculated at the prevailing rates.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No.63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law. Under the New Tax Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was increased from 24% to 25% from 1st January 2008 onwards.

6. DIVIDEND

The Directors do not recommend the payment of a dividend for the years ended 31st December 2008 and 2007.

7. LOSS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Loss		
Loss for purpose of basic loss per share	**(217,814)**	(293,968)

	2008	2007
	'000	*'000*
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**823,680**	742,064

Diluted loss per share for the year ended 31st December 2008 and 2007 had not been disclosed, as the warrants outstanding in both years had an anti-dilutive effect on the basis loss per share for the year ended 2008 and 2007.

8. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 90 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK$69,242,000 (2007: approximately HK$97,171,000), the ageing analysis of which at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Up to 30 days	**15,527**	53,954
31 – 60 days	**34,405**	34,584
61 – 90 days	**19,310**	7,213
91 – 180 days	**–**	1,420
	69,242	97,171

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$40,971,000 (2007: approximately HK$17,339,000), the ageing analysis of which at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Up to 30 days	**18,987**	10,459
31 – 60 days	**5,073**	92
61 – 90 days	**4,636**	501
91 – 180 days	**6,811**	3,027
181 days to 1 year	**3,609**	1,739
Over 1 year	**1,855**	1,521
	40,971	17,339

BUSINESS REVIEW

For the year ended 31st December 2008, the Group had a turnover of approximately HK$537,003,000, a 12.7 percent decrease compared to approximately HK$615,203,000 in 2007. The decrease in turnover was mainly brought about by the reduction in demand in leather as a result of the global financial turmoil and economic crisis.

The Group's net loss attributable to the equity holders of the Company for the year ended 31st December 2008 was approximately HK$217,814,000 compared to net loss attributable to equity holders of approximately HK$293,968,000 in 2007. Basic loss per share for the year ended 2008 was HK26.44 cents (2007: HK39.61 cents). The net loss was mainly due to the following factors: (1) the gross trading loss of approximately HK$66.4 million, which caused mainly by the high manufacturing cost resulting from a consequent lack of absorption of overhead costs when manufacturing volume declined and the persistent high in raw materials, utility and labour costs; (2) the other expenses of approximately HK$103.9 million, which consisted of additional HK$70.0 million impairment provision of property plant and equipment caused by the reduction in recoverable amounts of those assets under the deteriorated business environments and additional of approximately HK$33.9 million for bad and doubtful debts had been made for the overdue trade receivables as those were hard to gain the loans from their banks under credit crunch and the customers of those lengthened their repayments.

With regard to geographical market segments, USA remained to be the main contributor to the Group's turnover. For the year ended 31st December 2008, turnover from USA represented 91.5% of total sales turnover as compared to 71.2% in 2007 and the business from the PRC represented 8.5% as compared 25.5% during the same period in 2007. The decline in orders from PRC was due to the fact that PRC as a big country doing leather goods manufacturing and processing was heavily impacted in the global financial crisis and also large numbers of leather goods orders were moved to the emerging leather industrial regions such as India and Vietnam since the competitiveness in price in PRC gradually became weak, importers quitted the import from PRC and lots of leather goods orders moved to India, Vietnam and other emerging leather industrial regions as well as many international brands tended to move their manufacturing place from China to this countries. To cope with decline in orders from PRC, the Group put effort on boosting the orders from the weakening USA markets, as most of international buyers held a watch-and-see attitude and many international buyers intending to quit the importing from China, our Group lowered the export prices to retain those customers and secure additional orders from USA and it resulted in 3% slightly fall in average export price.

FINANCIAL REVIEW

Liquidity and Financial Resources

Bank deposits and cash balances as at 31st December 2008 amounted to approximately HK$46,887,000 (31st December 2007: approximately HK$52,389,000), mainly denominated in Hong Kong Dollars, Renminbi and US dollars.

The Group financed its operation with cash flow generated internally and banking facilities. As at 31st December 2008, the Group's total borrowings was approximately HK$124,869,000 (31st December 2007: approximately HK$160,358,000). All the Group's borrowings are mainly denominated in Renminbi and US dollars with floating interest rates.

Total equity of the Group as at 31st December 2008 amounts to approximately HK$181,479,000 (31st December 2007: approximately HK$402,941,000). The Group's gearing ratio which is measured on the basis of the Group's total borrowings over the total equity as at 31st December 2008 was 68.81% (31st December 2007: 39.80%). The increase in the gearing ratio during 2008 resulted primarily from the decrease in total equity, which was mainly due to the increase in cash used in financing activities and impairment loss recognized in respect of property, plant and equipment, and trade and other receivables.

Foreign Exchange exposure

The sales and purchases of the Group are mainly denominated in Renminbi and United States dollar and Hong Kong 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 in the PRC 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 2008 and 2007.

Contingent Liabilities

At the balance sheet date, 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 balance sheet date, certain of the Group's prepaid lease payments on land use right, property, plant and machinery of approximately HK$112,842,000 (31st December 2007: prepaid lease payment of land use right, property, plant and machinery, bank deposits and inventories of approximately HK$204,090,000) 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 (Shaanxi 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 balance sheet date, 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 balance sheet date.

Besides, the pledged prepaid lease premium and certain of pledged buildings of Jiangmen Hua Lien Tannery Co. Ltd. ("Jiangmen Hua Lien") with carrying value of approximately HK$38.2 million at the balance sheet date 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 balance sheet date.

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 2008, the Group employed 455 (2007: 743) full time management, administrative and production staff in Hong Kong, Taiwan and the PRC.

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.

PROSPECTS

Influenced by the global financial crisis, unemployed people increases dramatically in developed countries and regions in Europe and America, the consuming capacity keeps declining, so the leather demand remains its shrinking trend. The price reduction of leather manufacturers made the international buyers mostly held the watch-and-see attitude. The foreign trade market on leather keep a weak and soft trend and the sales demand in USA and PRC market are very weak for the first quarter of 2009. We forecast the demand will continue to fall down for remaining 2009. The shrinking consumer markets, the protective measures taken by countries to cope with the crisis and international competition in industries will made the selling price hard to recover and tend to go down in 2009. Though the recent uptrend of raw materials and labour costs were restricted slightly, the overall production cost remains high in 2009. Therefore, trading loss on leather manufacturing and trading may still persist in 2009.

In order to mitigate the negative impact, the Group has diversified into new line of business by acquisition of Sino-Africa Technology & Trading Limited (the "SATT") on 27th February 2009 to bring in additional source of revenue. SATT engage in principally in the provision of supporting services to the African Companies in respect of sweetener business including, but not limited to, (i) facilities, raw materials and good supply services; (ii) management and technical staff; (iii) related consulting services on construction and contract manufacturing services.

POST BALANCE SHEET EVENTS

Pursuant to a conditional sale and purchase agreement dated 12th November 2008, Jumbo Right Investments Limited ("Jumbo Right"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement ("S&P") with COMPLANT International Sugar Industry Co., Ltd.("COMPLANT"), Jumbo Right would conditionally acquire 100% of the entire issued share capital of Sino-Africa Technology & Trading Limited ("SATT"), an indirect wholly-owned subsidiary of COMPLANT, at an aggregate consideration of HK$853.2 million. The consideration was satisfied by (i) HK$180 million was settled by the issue of 300,000,000 new shares of the Company at an issue price of HK$0.60 per new share; and (ii) HK$673.2 million was settled by the issue of 2 tranches of Convertible Notes which are exercisable by the convertible note holder(s) at a Conversion Price of HK$0.60 per share. Further details of this transaction were set out in the Company's circular to shareholders dated 23rd January 2009.

On 27th February 2009, all conditions precedent under the S&P have been completed, and Jumbo Right has completed the acquisition of the entire interest in SATT. The total consideration of HK$853.2 million was satisfied on 27th February 2009 by 300,000,000 new shares allotted and issued by the Company to COMPLANT at an issue price of HK$0.6 per share and the issue of Tranche 1 Redeemable Convertible Note of HK$366,600,000 and Tranche 2 Redeemable Convertible Note of HK$306,600,000, both of which carry no interest and will mature on the fifth anniversary of the issue date, namely, 27th February 2014. 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 shares of the Company at the conversion price. Holders of the convertible notes shall also have the right at anytime before the maturity date to request the Company to redeem the whole or part of the outstanding principal amount of the convertible notes at a price equal to 100% of the amount to be redeemed.

SATT became a wholly owned subsidiary of the Company since 27th February 2009. As the purchase price allocation under the purchase method of accounting for this acquisition is still in progress at the report date. Fair values of the acquiree's identifiable assets, liabilities or contingent liabilities can only be determined preliminarily by reference to the carrying value of net assets of SATT based on its audited financial statements as at 30 September 2008, which was approximately HK$75.2 million. The amount of goodwill arising as result this acquisition is tentatively assessed to be approximately of HK$778 million.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31st December 2008 except for the deviation as stated below:

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 Articles of Association 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.

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 2008.

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 period, 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 2008, 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, 23rd April 2009

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, Ms. Zhou Yan Xia and Mr. Kuang Yong and three are independent non-executive directors, namely Dr. Zheng Lui, Mr. Yu Chi Jui and Ms. Li Xiao Wei