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 2007

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 2007, together with the comparative figures for the corresponding period in 2006, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	(3)	**615,203**	718,909
Cost of sales		**(753,113)**	(694,855)
Gross (loss) profit		**(137,910)**	24,054
Other operating income		**14,638**	14,565
Distribution costs		**(220)**	(408)
Administrative expenses		**(68,943)**	(31,786)
Impairment losses on property, plant and equipment, inventories and trade and other receivables	(4)	**(65,675)**	(112,242)
Loss from operations	(5)	**(258,110)**	(105,817)
Interest on bank borrowings wholly repayable within five years		**(11,292)**	(8,619)
Loss before tax		**(269,402)**	(114,436)
Income tax (expenses) income for the year	(6)	**(18,660)**	1,597
Loss for the year		**(288,062)**	(112,839)
Attributable to:			
Equity holders of the Company		**(293,968)**	(73,362)
Minority interests		**5,906**	(39,477)
		(288,062)	(112,839)
Dividend	(7)	**–**	–
Loss per share *(cents)*	(8)		
– Basic		**(39.61)**	(10.68)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

at 31st December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**203,430**	221,065
Prepaid lease payments on land use rights		**44,649**	43,441
Deferred tax assets		**10,254**	27,560
		258,333	292,066
Current assets			
Inventories		**155,206**	186,173
Trade and other receivables	*(9)*	**142,712**	444,483
Prepaid lease payments on land use rights		**1,078**	1,024
Pledged bank deposits		**1,500**	1,500
Bank balances and cash		**52,389**	13,107
		352,885	646,287
Current liabilities			
Trade and other payables	*(10)*	**17,589**	78,825
Loan from a director		**16,534**	16,832
Tax liabilities		**11,916**	11,799
Amounts due to minority shareholders of subsidiaries		**1,880**	1,786
Bank borrowings		**160,358**	182,564
		208,277	291,806
Net current assets		**144,608**	354,481
Net assets		**402,941**	646,547
Capital and reserves			
Share capital	*(11)*	**82,368**	68,640
Reserves		**318,477**	575,811
Equity attributable to shareholders		**400,845**	644,451
Minority interests		**2,096**	2,096
Total equity		**402,941**	646,547

NOTES

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for accounting periods beginning 1st January 2007. The adoption 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.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

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

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions [2]
HK(IFRIC) – Int 12	Service Concession Arrangements [3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minim/Funding Requirements and their Interaction [3]

[1] *Effective for annual periods beginning on or after 1st January 2009*

[2] *Effective for annual periods beginning on or after 1st March 2007*

[3] *Effective for annual periods beginning on or after 1st January 2008*

[4] *Effective for annual periods beginning on or after 1st July 2008*

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format.

Business segment

The Group is solely engaged in the manufacture and sale of leather. All of the Group's turnover, contribution to operating results and assets were attributable to this business segment.

Geographical segments

The Group reports its primary segment information by geographical location of its customers who are principally located in the United States of America (the "USA") and the People's Republic of China (the "PRC").

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information about these geographical markets is presented below:

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 expenses				**(18,660)**
Loss for the year				**(288,062)**

2006

	USA	PRC	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	570,103	148,806	–	718,909
RESULTS				
Segment results	1,833	(111,666)	4,016	(105,817)
Finance charges				(8,619)
Loss before tax				(114,436)
Income tax income				1,597
Loss for the year				(112,839)

4. IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT, INVENTORIES AND TRADE AND OTHER RECEIVABLES

On 10th August 2006, the Board announced that the Xian production plant ("Xian Hua Lien") suspended operation pursuant to a notice issued by 西安市人民政府 (Xian People's Government) which encouraged enterprises in the region, where the Xian production plant was located, to relocate to other new industrial and logistics zone in Xian to conform with the government's plan of town restructuring. Due to several government authorities of different hierarchical level involved in the matters of compensation for different aspects of losses associated with the suspension of operation and relation for construction of a new production plant and the compensation relating to different laws and regulations which some of them are lacking implementation rules, this complicated and tough negotiation do not have much progress in 2007. In view that the progress of negotiation is in a stalemate, it is difficult to foresee the time that will be taken from relocation to full production run of new production plant. The Directors expects that it may take 2 to 3 years or more.

In view of future demolition of the buildings of Xian Hua Lien, the uncertainty of the time expected to be required for the negotiation and construction of the new production plant, the suspension of operation of Xian Hua Lien and the rapid change in market demand that creates uncertainty in the suitability and usability of inventories and plant and machinery in future production, the recoverable amount of the existing property, plant and equipment and the net realizable value of inventories are expected to be drastically reduced, therefore impairment losses on property, plant and equipment, part of the trade and other receivables and write down of inventories has already been made in last year. In current year, due to uncertain length of time in resumption of operation of Xian Hua Lien and difficulty in recovering the trade and other receivables after suspension of their trade relationships, after careful consideration by the Directors, further additional provision impairment losses on trade and other receivables that are past due beyond one year are made in this year.

The following impairment losses have been provided:

	2007	2006
	HK$'000	*HK$'000*
Impairment loss on property, plant and equipment	**–**	32,375
Impairment loss on trade and other receivables	**65,675**	30,435
Write-down of inventories	**–**	49,432
	65,675	112,242

5. LOSS FROM OPERATIONS

	2007	2006
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging (crediting):		
Allowance (write-back) for inventories	**34,033**	(847)
Depreciation for property, plant and equipment	**31,949**	34,398
Amortisation of prepaid lease payment on land use rights	**1,078**	1,024
Total depreciation and amortisation	**33,027**	35,422
(Gain) loss on disposal of property, plant and equipment	**(68)**	136
Allowance for bad and doubtful receivables	**46,236**	11,912

6. INCOME TAX EXPENSE (INCOME)

	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax calculated at 17.5% (2006: 17.5%) of the estimated assessable profit	**16**	21
PRC enterprise income tax	**–**	2,112
	16	2,133
Over provision of Hong Kong profits tax in prior years	**–**	(1)
Deferred tax	**18,644**	(3,729)
	18,660	(1,597)

PRC enterprise income tax is calculated at the prevailing rates.

On 16 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 6 December 2007, the State Council of the PRC issued Implementation Regulations of the new law. The enactment of New Tax Law is not expected to have any significant financial effect on the amounts accrued in the consolidated balance sheet in respect of taxation payable and deferred taxation.

7. DIVIDEND

The Directors do not recommend the payment of a dividend for the years ended 31st December 2007 and 2006.

8. 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:

	2007	2006
	HK$'000	*HK$'000*
Loss		
Loss for purpose of basic loss per share	**(293,968)**	(73,362)

	2007	2006
	'000	*'000*
Number of Shares		
Weighted average number of ordinary share for the purpose of basic loss per share	**742,064**	686,400

Diluted loss per share for the year ended 31st December 2007 has not been disclosed, as the warrants outstanding during the year had an anti-dilutive effect on the basic loss per share for the year ended 31st December 2007. No diluted loss per share was presented in 2006 as there was no potential dilutive shares during that year.

9. 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$97,171,000 (2006: HK$185,133,000), the ageing analysis of which at the balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
Up to 30 days	**53,954**	27,255
31 – 60 days	**34,584**	38,938
61 – 90 days	**7,213**	48,888
91 – 180 days	**1,420**	70,052
	97,171	185,133

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$17,339,000 (2006: HK$61,438,000), the ageing analysis of which at the balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
Up to 30 days	**10,459**	4,218
31 – 60 days	**92**	1,015
61 – 90 days	**501**	2,959
91 – 180 days	**3,027**	16,323
181 days to 1 year	**1,739**	28,192
Over 1 year	**1,521**	8,731
	17,339	61,438

11. SHARE CAPITAL

	Number of Shares		**Share Capital**	
	2007	2006	**2007**	2006
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary share of HK$0.1 each				
Authorised				
At beginning and end of year	**1,500,000**	1,500,000	**150,000**	150,000
Issued and fully paid				
At beginning of year	**686,400**	686,400	**68,640**	68,640
Share issued	**137,280**	–	**13,728**	–
At end of year	**823,680**	686,400	**82,368**	68,640

On 6th August 2007, the Company issued and allotted a total of 137,280,000 shares of HK$0.1 each for consideration of HK$0.262 per share. These new shares rank pari passu with the existing shares in all respects.

BUSINESS REVIEW

For the year ended 31st December 2007, the Group had a turnover of HK$615,203,000, a 14.4 percent decrease compared to HK$718,909,000 in 2006. The decrease in turnover was mainly brought about by the suspension of operation of production plant in Xian in September 2006.

The Group's net loss attributable to the equity holders of the Company for the year ended 31st December 2007 was HK$293,968,000 compared to net loss attributable to equity holders of HK$73,362,000 in 2006. Basic loss per share was HK39.61 cents (2006: HK10.68 cents). The net loss was mainly due to the following factors: (1) the 25.7% decrease in gross margin created a trading loss of HK$137.9 million, which was resulting from the approximately 11% decrease in average selling price due to the shifting in demand of customers to the relatively lower price in-fashion products during the year and the approximately 14% increase in cost of goods sold resulting from the approximately 8% increase in average cost of raw materials resulting from surging price of agricultural products which also pushed up the price of raw hides and coupled with the rising in crude oil which also pushed up the price of chemical materials and the price of basic energy cost and the HK$34.0 million increase in allowance for inventories as the net realisable value of leather was reduced resulting from the loss in gross margin; (2) an additional impairment provision in administrative expenses of HK$46.2 million for bad and doubtful debts has been made during the year for the increase in overdue trade receivables for reason of deterioration of their business environment due to the high anti-dumping tax imposed by the European Union on footwear products originating from China and lowering and abolishing the export tax refund rate for export tax refund rate on leather products as well as their rising production costs; and (3) an additional impairment provision of HK$65.7 million of its trade and other receivables of the suspended production plant in Xian, that are past due beyond one year resulting from difficulty in recovering for reason of suspension of their trade relationship with production plant in Xian.

With regard to geographical market segments, USA remained to be the main contributor to the Group's turnover. For the year ended 31st Dec 2007, turnover from USA represented 71.2% of total sales turnover as compared to 79.3% in 2006 and the business from the PRC represented 25.5% as compared 20.6% during the same period in 2006. There is no material change in market segments during the year under review.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, the Group has relied primarily upon funds generated internally from the Group's operating activities and revolving credit facilities provided by the Group's principal bankers. As at 31st December 2007, the Group's total borrowings is HK$160,358,000 as compared to HK$182,564,000 at 31st December 2006. Of the total borrowings, HK$160,358,000 (2006: HK$182,564,000) is repayable within one year and HK$Nil (2006: HK$Nil) is repayable after one year.

Shareholders' funds of the Group as at 31st December 2007 amounts to HK$400,845,000 (2006: HK$644,451,000). The Group's gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at 31st December 2007 is 40.0% (2006: 28.3%).

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 is expected to be minimal. Bank borrowings are also mainly denominated in Renminbi and United States dollar and the interests are charged on a floating rate basis. The Group's management oversees the movement of interest rates very closely and takes appropriate measures to minimise the Group's interest rate risks whenever necessary.

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 31st December 2007, certain of the Group's prepaid lease payment on land use right, property, plant and machinery with an aggregate carrying value of approximately HK$151 million (2006: HK$137 million), inventories of approximately HK$51 million (2006: HK$52 million) and bank deposits of approximately HK$1.5 million (2006: HK$1.5 million) were pledged to banks to secure general banking facilities granted to the Group.

On 12th September 2006, Bank of China, Xian Branch 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 the Xian Hua Lien including property, plant and equipment, inventories, accounts receivables and bank balances. During the year, the discussion with Xian Government about the compensation and Bank of China, Xian Branch for the repayment arrangements is still in stalemate. At balance sheet date, Bank of China, Xian Branch 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. As the slow progress in compensation negotiation with government authorities will inevitably lengthen the timing for repayment of the loan, the Bank of China, Xian Branch further increase the loan security by extending their scope of sequestration during the year to the pledged prepaid lease premium and certain of pledged buildings of Jiangmen Hua Lien Tannery Co Ltd. ("Jiangmen Hua Lien") (the guarantor of the loan) with carrying value of approximately HK$40.6 million at the balance sheet date. As the sequestration do not affect the lawful right to use and is a subordinatory right on those pledged assets, the Directors believe that this encumbrance on pledged assets will not significantly influence the operation of Jiangmen Hua Lien.

Employee Remuneration Policy

At 31st December 2007, the Group employed 743 (2006: 771) 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

The performance in manufacture and sale of leather may still be unsatisfactory for the first half of 2008 because the sales demand still concentrates on the lower price in-fashion products and the cost of raw materials is continually rising. In order to mitigate the negative impact, the Board will further examine the possibility of selling price adjustment to lessen the pressure of eroding gross margin and closer monitor the outstanding trade receivables to reduce credit risk. In addition, the Board is investigating the possibility of diversifying into new line of business to create additional source of revenue.

SUBSEQUENT EVENTS

On 26 February 2008, the Company and its wholly-owned subsidiary, Jumbo Right Investments Limited ("Jumbo Right") entered into a letter of intent with an independent third party, pursuant to which Jumbo Right may acquire from the independent third party the entire interests in its three wholly owned subsidiaries in Africa, which are engaged in sugar cane plantation and production of sugar and ethanol in Africa and sale of such products in the African and European markets.

The total consideration for the above proposed acquisition is approximately HK$1.28 billion, for which, the Company will issue new shares, at an issue price of HK$0.60 per new share and issues convertible notes of the Company, which are exercisable by the convertible noteholder(s) at a conversion price of HK$0.60 per new share. For further details, please refer to the Company's announcement dated on 27 February 2008. The proposed acquisition is under due diligence review and is not yet completed at the date of this report.

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 2007 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 2007.

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 2007, 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, 24th April 2008

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.