IMPORTANT

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hua Lien International (Holding) Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

(1) VERY SUBSTANTIAL ACQUISITION IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SATT; (2) CONTINUING CONNECTED TRANSACTIONS; (3) INCREASE IN AUTHORIZED SHARE CAPITAL; AND (4) SPECIFIC MANDATE TO ISSUE NEW SHARES

Financial adviser to the Company

Access Capital

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

VINCO

Grand Vinco Capital Limited

wholly owned subsidiary of Vinco Financial Group Limited

Resolutions will be proposed at the extraordinary general meeting of Hua Lien International (Holding) Company Limited to be held at The Banyan, Level 3, Renaissance Kowloon Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 20 February 2009 at 12:00 noon to approve the matters referred to in this circular. Whether or not you are able to attend the extraordinary general meeting in person, you are requested to complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon and return it to the Company's principal place of business in Hong Kong at Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjournment thereof should you so wish.

23 January 2009

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

"Acquisition" or "New Proposed Acquisition"	the proposed acquisition of the entire interest in SATT from the Vendor by Jumbo Right
"Africa-Asia Investment"	Africa-Asia Investment Limited (非亞投資有限公司), a company incorporated under the laws of British Virgin Islands
"African Companies"	African Company 1, African Company 2, African Company 3 and African Company 4
"African Company 1"	La Sucrerie de COMPLANT de Madagascar (中成馬達加斯加糖業股份有限公司), a company incorporated in Republic of Madagascar and its issued share capital is owned as to 92% by China Complant and as to 8% by seven individuals as at the date of the Sale and Purchase Agreement
"African Company 2"	COMPLANT Magbass Sugar Complex Company Limited (中成馬格巴斯糖業有限責任公司), a company incorporated in Republic of Sierra Leone and its issued share capital is owned as to 99% by Target BVI 1 and as to 1% by Target BVI 2 as at the date of the Sale and Purchase Agreement
"African Company 3"	La Sucrerie de COMPLANT du Benin (中成貝寧糖業股份有限公司), a company incorporated in Republic of Benin and its issued share capital is owned as to 99% by Target BVI 1 and as to 1% by Target BVI 2 as at the date of the Sale and Purchase Agreement
"African Company 4"	Sucrerie Cote Ouest de COMPLANT de Madagascar (Ouest Sucre) (中成馬達加斯加西海岸糖業股份有限公司), a company incorporated in Republic of Madagascar and its issued share capital is owned as to 63% by China Complant, as to 7% by China National Complete Plant Import & Export Corporation Limited (中成進出口股份有限公司) and as to 30% by Sichuan Africa-Asia Enterprise Co. Limited as at the date of the Sale and Purchase Agreement

"Amended Letter of Intent"	the amended letter of intent dated 25 July 2008 entered into among the Company, Jumbo Right and the Vendor in respect of the Letter of Intent, the New Proposed Acquisition and the Proposed Acquisition
"Board"	the board of Directors
"Business Day"	a day on which banks are open for general banking business in Hong Kong other than (i) a Saturday or Sunday or (ii) a day on which a black rainstorm warning or typical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 09:00 a.m. and 12:00 noon or not cancelled before 12:00 noon
"BVI"	British Virgin Islands
"China Complant"	China National Complete Plant Import & Export Corporation (Group)（中國成套設備進出口（集團）總公司）, a state-owned company incorporated in the PRC and owns 70% equity interest in the Vendor
"Company"	Hua Lien International (Holding) Company Limited, a company incorporated in the Cayman Islands with limited liability, with its Shares listed on the main board of the Stock Exchange
"Company Due Diligence Review"	a due diligence review of the financial condition, legal and business affairs of the Company and to the satisfaction of the Vendor
"Company Due Diligence Review Period"	the due diligence period as extended by the Amended Letter of Intent up to 31 December 2008 or such other date as the parties thereto may agree
"Completion"	the completion of the Acquisition
"connected person"	has the same meaning as defined in the Listing Rules

"Consideration Shares"	300,000,000 new Shares to be allotted and issued by the Company at an issue price of HK$0.6 per Share as partial consideration for the Acquisition
"Continuing Connected Transaction(s)"	the Tenancy Agreement and the Supply and Service Agreement(s)
"Conversion Price"	HK$0.6 per Share
"Conversion Shares"	Shares to be issued upon the conversion of the Convertible Notes
"Convertible Notes"	Tranche 1 Convertible Note and Tranche 2 Convertible Note
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held at The Banyan, Level 3, Renaissance Kowloon Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 20 February, 2009 at 12:00 noon to approve the matters as set out in the notice of EGM, a copy of which is set out on pages 195 to 197 of this circular
"Enlarged Group"	the Group as enlarged upon Completion
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region
"Independent Board Committee"	the independent committee of the Board comprising three independent non-executive Directors, namely, Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei, which has been formed for the purpose of advising the Independent Shareholders as to the terms of the Supply and Service Agreements and the purposed annual caps in respect thereof
"Independent Financial Adviser"	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited and a licensed corporation to advise on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

"Independent Shareholders"	Shareholders other than any Shareholder who has a material interest in the continuing connected transactions concerned and its associates
"Independent Third Party(ies)"	Person(s), who are third parties independent of the Company and its connected persons
"Jumbo Right"	Jumbo Right Investments Limited, a company incorporated in BVI with limited liability and is wholly owned by the Company
"Last Trading Day"	12 November 2008, being the last trading day of the Shares immediately before trading in the Shares was suspended before the issue of the Company's announcement dated 16 December 2008
"Latest Practicable Date"	21 January 2009, being the latest practicable date prior to the printing of this circular
"Letter of Intent"	the letter of intent dated 26 February 2008 entered into between the Vendor, Jumbo Right and the Company in relation to the Proposed Acquisition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	People's Republic of China, but for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Proposed Acquisition"	the proposed acquisition of the entire interests of Target BVI 1 and Target BVI 2 from the Vendor by Jumbo Right
"SATT"	Sino-Africa Technology & Trading Limited (中非技術貿易有限公司), a company incorporated in BVI with limited liability and is currently wholly owned by the Vendor

"SATT Due Diligence Review"	a due diligence review of the financial condition, legal and business affairs of SATT and to the satisfaction of Jumbo Right
"SATT Due Diligence Review Period"	the due diligence period as extended by the Amended Letter of Intent up to 31 December 2008
"SATT Profit Guarantee"	the aggregate profit after tax of SATT at the amount of HK$144 million for the two financial years ending 31 December 2009
"SATT Shares"	ordinary share(s) of USD1 each in the share capital of SATT
"Sale and Purchase Agreement"	a legally binding sale and purchase agreement dated 12 November 2008 entered into by the Company, Jumbo Right and the Vendor in respect of the sale and purchase of the Sale Shares
"Sale Shares"	comprising (i) 50,000 SATT Shares, which represent all the issued share capital of SATT as at the date of the Sale and Purchase Agreement; and (2) 2,950,000 SATT Shares to be issued and credited as fully paid before the Completion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	Ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Specific Mandate"	the specific mandate sought to be granted by the Shareholders at the EGM to the Directors in relation to the issue and allotment of the Consideration Shares and the Conversion Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supply and Service Agreement(s)"	(i) the four legally binding supply and service agreements entered into between SATT and each of the African Company 1, African Company 2, African Company 3 African Company 4 respectively on 15 December 2008 in respect of the provision of sugar manufacturing machineries, raw materials and services with origin of source from the PRC exclusively by SATT for an initial term of three years commencing from 1 January 2009; and (ii) a legally binding supply and service agreement entered into between China Complant and SATT on 15 December 2008 in respect of the provision of sugar manufacturing machineries, raw materials and services with origin of source from the PRC by China Complant, or to order similar products and services required by other independent customers from China Complant for an initial term of three years commencing from 1 January 2009
"Takeovers Code"	The Hong Kong Code of Takeovers and Mergers
"Target BVI 1"	COMPLANT International Holdings Limited (中成國際控股有限公司), a company incorporated in BVI with limited liability and is wholly owned by the Vendor
"Target BVI 2"	Joy Day Holdings Limited (朝悅控股有限公司), a company incorporated in BVI with limited liability and is wholly owned by the Vendor
"Tenancy Agreement"	a legally binding tenancy agreement entered into between China Complant as landlord and SATT as tenant on 15 December 2008 in respect of leasing office units located at Rooms 402, 403 and 404 and 610, Complant Mansion, No. 9 Xi Bin He Lu, An Ding Men, Beijing, the PRC for an initial term of three years commencing from 1 January 2009

"Tranche 1 Convertible Note"	the redeemable convertible note(s) in an aggregate principal amount of HK$366,600,000 (subject to adjustment), which shall confer conversion right on the note holder(s) to convert the outstanding principal amount of the redeemable convertible note(s) held by it into Shares at the Conversion Price
"Tranche 2 Convertible Note"	the redeemable convertible note(s) in an aggregate principal amount of HK$306,600,000 (subject to adjustment), which shall confer conversion right on the note holder(s) to convert the outstanding principal amount of the redeemable convertible note(s) held by it into Shares at the Conversion Price
"Vendor"	COMPLANT International Sugar Industry Co., Ltd.（中成國際糖業股份有限公司）, a company incorporated in the Cayman Islands with limited liability and both it and its beneficial owners are Independent Third Parties
"WFOE"	wholly foreign owned enterprise
"USD"	U.S. dollars, the lawful currency of the United States of America
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	percentage

For the purpose of illustration only and unless otherwise stated, conversions of RMB and USD into Hong Kong dollars in this circular is based on the exchange rate of RMB1.00 to HK$1.1349 and USD1.00 to HK$7.80. Such conversions should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

Executive Directors:
Mr. SHIH Chian Fang *(Chairman)*
Mr. LIAW Yuan Chian *(Managing Director)*
Ms. ZHOU Yan Xia
Mr. KUANG Yong

Independent Non-executive Directors:
Dr. ZHENG Liu
Mr. YU Chi Jui
Ms. LI Xiao Wei

Registered Office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal Place of Business in Hong Kong:
Unit 2513A, 25th Floor
113 Argyle Street
Mongkok
Kowloon
Hong Kong

23 January 2009

To the Shareholders,

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SATT; (2) CONTINUING CONNECTED TRANSACTIONS; (3) INCREASE IN AUTHORIZED SHARE CAPITAL; AND (4) SPECIFIC MANDATE TO ISSUE NEW SHARES

INTRODUCTION

Reference is made to the announcement dated 25 July 2008 issued by the Company.

On 26 February 2008, the Company, Jumbo Right and the Vendor entered into the non-legally binding Letter of Intent regarding the Proposed Acquisition, pursuant to which, Jumbo Right may acquire the entire interests in Target BVI 1 and Target BVI 2 from the Vendor. Subsequent to the signing of the Letter of Intent, the Company and Jumbo Right further negotiated with the Vendor and decided to revise the structure of the transaction contemplated therein.

On 25 July 2008, the Company and Jumbo Right entered into the non-legally binding Amended Letter of Intent with the Vendor, pursuant to which: (1) there is a New Proposed Acquisition, whereby, Jumbo Right may acquire (subject to, inter alia, satisfaction of the SATT Due Diligence Review, the Company Due Diligence Review and the entering into of a formal Sale and Purchase Agreement) from the Vendor the entire interest in SATT; and (2) the Company and Jumbo Right shall continue to negotiate with the Vendor on the terms and conditions for the Proposed Acquisition.

On 12 November 2008, the Company, Jumbo Right and the Vendor entered into the Sale and Purchase Agreement, pursuant to which, Jumbo Right has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at a total consideration of HK$853.2 million (subject to adjustment as detailed in the sub-paragraph headed "Consideration and Payment Terms" under the paragraph headed "The Sale and Purchase Agreement" below).

The purpose of this circular is to give you, among others, (i) further information regarding the Sale and Purchase Agreement, the Acquisition, the Continuing Connected Transactions, the proposed increase in the authorized share capital of the Company, the proposed granting of the Specific Mandate; (ii) the recommendation of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; (iv) the financial information of the Group and SATT in accordance with Rule 14.69(4); and (v) the notice of the EGM.

THE SALE AND PURCHASE AGREEMENT

(i) Date:

12 November 2008

(ii) Parties:

Vendor:	COMPLANT International Sugar Industry Co., Ltd.（中成國際糖業股份有限公司）, a company incorporated in the Cayman Islands with limited liability, and both it and its beneficial owners are Independent Third Parties
Purchaser:	Jumbo Right, a wholly-owned subsidiary of the Company
Company:	the Company

The Vendor is ultimately beneficially owned as to 70% by China Complant and as to 30% by Africa-Asia Investment. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and their ultimate beneficial owners are Independent Third Parties to the Company.

(iii) Subject of the Transaction

Pursuant to the Sale and Purchase Agreement, Jumbo Right has conditionally agreed to acquire the Sale Shares from the Vendor at a total consideration of HK$853.2 million (subject to adjustment as detailed in the sub-paragraph headed "SATT Profit Guarantee" under the paragraph headed "Consideration and Payment Terms" below).

As at the Latest Practicable Date, SATT is a wholly-owned subsidiary of the Vendor. Particulars of SATT are set out in the section headed "Background of SATT" below. Upon Completion, SATT shall become an indirectly wholly-owned subsidiary of the Company.

(iv) Consideration and Payment Terms

The total consideration for the Sale Shares is HK$853.2 million (subject to adjustment as detailed in the sub-paragraph headed "SATT Profit Guarantee" below).

The consideration is arrived at after arm's length negotiations between the Company, Jumbo Right and the Vendor and with reference to the SATT Profit Guarantee of HK$144 million, which represents a price-to-earning ratio of approximately 12.

The consideration of HK$853.2 million shall be settled by the following ways upon Completion:

(i) HK$180 million is settled by 300,000,000 new Shares to be issued upon Completion at an issue price of HK$0.60 per new Share, representing (i) approximately 36.4% of the existing issued share capital of the Company; (ii) approximately 26.7% of the enlarged issued share capital of the Company upon the allotment and issue of Consideration Shares; and (iii) approximately 13.4% of the enlarged issued share capital of the Company upon the allotment and issue of both of Consideration Shares and the Conversion Shares; and

(ii) HK$673.2 million is settled by the issue of Tranche 1 Convertible Note in the principal amount of HK$366.6 million and Tranche 2 Convertible Note in the principal amount of HK$306.6 million by the Company which are exercisable by the convertible note holder(s) at a Conversion Price of HK$0.60 per Conversion Share. The maximum amount of 1,122,000,000 Conversion Shares will be issued, which (i) represents approximately 136.2% of the existing issued share capital of the Company; (ii) approximately 99.9% of the enlarged issued share capital of the Company upon the allotment and issue of Consideration Shares; and (iii) approximately 49.96% of the enlarged issued share capital of the Company upon issuance of Consideration Shares and full conversion of the Convertible Note.

Issue price and Conversion Price

The issue price of the Consideration Shares and the Conversion Price of the Conversion Shares at HK$0.6 was arrived at after arm's length negotiation between the Vendor and Jumbo Right and represents:

(i) a premium of approximately 1.7% to the closing price of HK$0.59 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a premium of approximately 7.1% to the closing price of HK$0.56 per Share as quoted on the Stock Exchange as at the Last Trading Day;

(iii) a premium of approximately 8.7% to the average closing price per Share of approximately HK$0.552 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 12.6% to the average closing price per Share of approximately HK$0.533 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(v) a premium of approximately 51.9% to the unaudited consolidated net assets value per Share of approximately HK$0.395 as at 30 June 2008 (as calculated by the total net assets of approximately HK$325.48 million as at 30 June 2008 and the number of outstanding Shares of 823.68 million); and

(vi) a premium of approximately 23.3% to the audited consolidated net assets value per Share of approximately HK$0.487 as at 31 December 2007 (as calculated by the total net assets of approximately HK$400.8 million as at 31 December 2007 and the number of outstanding Shares of 823.68 million).

The basis in respect of the issue price of the Consideration Shares and the Conversion Price of the Conversion Shares was determined between the Company, Jumbo Right and the Vendor, among others, after arm's length negotiations having taken into account SATT's business, current asset base and past stock price performance of the Company.

SATT Profit Guarantee

The Vendor guarantees Jumbo Right that the aggregate profits after tax of SATT as shown in the audited consolidated accounts of SATT prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ending 31 December 2009 shall not be less than HK$144 million.

In the event that the SATT Profit Guarantee is unable to be achieved, the total consideration of HK$853.2 million shall be adjusted downward by an amount up to a maximum sum of HK$673.2 million, being the aggregate principal amounts of the Tranche 1 Convertible Note and Tranche 2 Convertible Note. Such adjustment shall be calculated on a proportional basis with reference to the difference between the SATT Profit Guarantee and the relevant actual profit and shall be realized by deducting the principal amount of the Tranche 2 Convertible Note. In the event that the principal amount of the Tranche 2 Convertible Note is insufficient to cater for such adjustment, then the principal amount of the Tranche 1 Convertible Note shall also be deducted to cater for such adjustment or payment by cash in lieu of deducting the principal amount of the Tranche 1 Convertible Note shall be made by the Vendor to Jumbo Right if the principal amount of the Tranche 1 Convertible Note is insufficient to cater for such adjustment or that it becomes impossible to do so (including but not limited to the situation that the Tranche 1 Convertible Note has been partially or fully converted).

The consideration will therefore be in a range of HK$180 million to HK$853.2 million. The adjustment formula will be:

$$\text{The shortfall of SATT Profit Guarantee} \times \frac{\text{HK\$853.2 million}}{\text{HK\$72 million}}$$

with a minimum of zero.

For the avoidance of doubt, save and except for the adjustment mechanism as illustrated above, no additional compensation will be provided by the Vendor to Jumbo Right in the event that SATT is unable to achieve the SATT Profit Guarantee or suffers any aggregate losses for years ending 31 December 2008 and 31 December 2009.

Pursuant to the Sale and Purchase Agreement, the parties thereto agreed that protection mechanisms shall be offered to each other to ensure (i) the feasibility of deducting the principal amount of the Tranche 2 Convertible Note in the event that the SATT Profit Guarantee is not achieved; and (ii) the due performance of all obligations by the Company under the Convertible Notes which have a term of 5 years. In this regard, upon Completion, (i) the Vendor shall deposit the Tranche 2 Convertible Note to an escrow agent, who is an Independent Third Party; and (ii) a share charge over the Sale Shares shall be executed by Jumbo Right in favour of the Vendor as security for the due performance of all obligations owing by the Company to the Vendor under the Convertible Notes and the relevant share charge enforcement documents shall be deposited to the aforesaid escrow agent.

Escrow agreement

An escrow agreement shall be entered into between Jumbo Right, the Vendor and an escrow agent upon Completion, pursuant to which both of Jumbo Right and the Vendor shall jointly engage the escrow agent to hold the documents in escrow including (i) the Tranche 2 Convertible Note; and (ii) the share certificates of the Sale Shares together with the relevant undated instruments of transfer, the undated written board resolutions and authorizations of Jumbo Right to approve, among others, the transfers of the Sale Shares.

Share charge

As security for the performance of all obligations of the Company under the Convertible Notes, Jumbo Right as chargor would execute a share charge in favour of the Vendor as chargee upon Completion. Pursuant to the terms of the share charge and the escrow agreement, the following security documents under the share charge shall be held and retained by the escrow agent during the continuance of the security:

(i) all share certificates in relation to the Sale Shares;

(ii) the instruments of transfer in respect of the Sale Shares duly executed by Jumbo Right in blank in favour of the Vendor or its nominees;

(iii) the undated resolutions and authorisations of Jumbo Right in respect of the implementation of clause (ii) above; and

(iv) the undated written board resolutions of SATT duly signed by all directors of SATT to approve the transfers of the Sale Shares, the issue of relevant share certificates and appointment of new directors nominated by the Vendor.

The share charge shall be released or discharged absolutely when (i) more than 50% of the aggregate principal amount of the Convertible Notes has been paid to the noteholders and discharged in full by the Company; or (ii) more than 50% of the aggregate principal amount of the Convertible Notes has been converted, whichever is earlier.

Upon the release or discharge of the share charge, the escrow agent shall release the above security documents to Jumbo Right in accordance with the terms of the escrow agreement. However, in the event that enforcement of the security interests is resulted from the occurrence of certain events of default including, *inter alia* (i) the Company fails to pay any principal amount in respect of the Convertible Notes when due upon the maturity date of the Convertible Notes unless the non-payment of such amount is due to administrative or technical error and payment is not made within 7 Business Days of the due date thereof; or (ii) the occurrence of winding up, insolvency, administration or dissolution of the Company or a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company or an administrator, liquidator or receiver of the Company is appointed for such purpose; or (iii) the listing of the Shares on the Stock Exchange are being revoked or withdrawn, the Vendor shall be entitled to unilaterally instruct the escrow agent to release the above documents to it in accordance with the terms of the escrow agreement.

(v) The Convertible Notes

Principal terms of the Convertible Notes

Issuer:	The Company
Aggregate principal amount of the Convertible Notes:	Tranche 1 Convertible Note: HK$366,600,000 Tranche 2 Convertible Note: HK$306,600,000
Conversion price:	HK$0.6 per Conversion Share, subject to adjustment upon the occurrence of certain events including share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and issues of convertible securities by the Company.
Conversion shares:	Tranche 1 Convertible Note: 611,000,000 Shares, which represent approximately 74.2% of the existing issued share capital of the Company and approximately 35.2% of the enlarged issued share capital of the Company upon issuance of Consideration Shares and full conversion of the Tranche 1 Convertible Note Tranche 2 Convertible Note: 511,000,000 Shares, which represent approximately 62.0% of the existing issued share capital of the Company and approximately 22.8% of the enlarged issued share capital of the Company upon issuance of the Consideration Shares and full conversion of the Tranche 1 Convertible Note and Tranche 2 Convertible Note
Interest rate:	Nil

Maturity date:	The Business Day falling on the fifth anniversary of the issue date. The Company shall redeem all outstanding principal amounts of the Convertible Notes on the maturity date. Upon occurrence of events of default, all outstanding principal amounts of the Convertible Notes shall be mandatorily redeemed by the Company at the request of the holders of the Convertible Notes.
Redemption price:	100% of the amount of the Convertible Notes
Early redemption:	The holders of the Convertible Notes shall 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, provided that: (i) the holders of the Convertible Notes shall have obtained the written consent of the Vendor in relation to the early redemption and the amount to be redeemed; (ii) the holders of the Convertible Notes shall have given to the Company not less than 15 Business Days' prior written notice of their intention to request such redemption, specifying the amount to be redeemed and the date of the proposed redemption together with the Vendor's written consent referred to in (i) above; (iii) the Company, having regard to the financial situation of the Group, accepts the request of the holders of the Convertible Notes for early redemption; (iv) the amount to be redeemed shall be at least HK$600,000 or its integral multiples; and

(v) the amount to be redeemed is not already the subject of a proposed conversion as stipulated in a conversion notice;

At the time of early redemption, the Company shall also pay, if any, all other sums then due and payable by the Company under the Convertible Notes.

In respect of the right of early redemption exercisable by the holders of the Convertible Notes, the consent of the Vendor is required as the Vendor will represent itself and all other holders of the Convertible Notes in enforcing their interest under the Convertible Notes provided it has obtained authorization from holders of the Convertible Notes in aggregate holding not less than 50% of the then outstanding principal amount of the Convertible Notes.

Further, as the right of early redemption is subject to, amongst other conditions, the Company's financial situation at the material times, this arrangement would enable the Vendor on behalf of itself and other holders of the Convertible Notes as a whole to ensure that (i) the exercise of the right of early redemption would not prejudice or affect the right of other holders of the Convertible Notes as a whole taking into account the substantial amount of the Convertible Notes and (ii) conditions relating to the early redemption can be fulfilled.

Transferability: The Convertible Notes are freely transferable, but may not be transferred to a connected person of the Company without prior written consent of the Company.

Conversion period: The 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 Conversion Shares at the Conversion Price.

Conversion: The holders of the Convertible Notes shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Notes into Shares to the extent that immediately after such conversion, the holders of the Convertible Notes together with parties acting in concert with them, taken together, will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company (or in such percentage as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer) or otherwise:

(i) a general offer shall be given; or

(ii) a whitewash waiver should be obtained in accordance with the requirement of the Takeovers Code.

The holders of the Convertible Notes shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Notes into Shares to the extent that immediately after such conversion, there will not be sufficient public float of the Shares as required under the Listing Rules.

Voting: The holders of the Convertible Notes will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of any of them being a holder of the Convertible Notes.

Listing: No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.

Ranking: The Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Notes will rank pari passu in all respects with all Shares outstanding at the date of issue of the Conversion Shares.

The Vendor and Joyce Services Limited (the controlling shareholder of the Company as at the date of this circular, the details of which are further set out in the paragraph headed "Shareholding Structure of the Company before and after Completion of the Acquisition" below) have confirmed that they are not parties acting in concert defined under the Takeovers Code. Since the Vendor is not acting in concert with Joyce Services Limited, the Company confirms that the completion of the Acquisition will not give rise to a change in control of the Company under the Listing Rules.

Adjustments

The Conversion Price is subject to adjustment provisions which are standard for convertible securities of similar type. The adjustment events will arise as a result of certain changes in the share capital of the Company including consolidation or sub-division of the Shares, capitalization of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Company. The Company will instruct its auditors or a merchant bank to certify in writing the adjustment (if any) made to the Conversion Price.

Based on the above analysis, the Directors consider that the terms of the Convertible Notes, including the Conversion Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the event that the Convertible Notes are transferred to connected persons of the Company, the Company shall comply with relevant requirements under the Listing Rules.

(vi) Conditions Precedent of the Completion

The Completion of the Acquisition is conditional upon, *inter alia*, the following conditions being fulfilled or waived, as the case may be:

(a) Jumbo Right having completed and being satisfied with the results of the due diligence exercise on the assets, liabilities, operation, taxation, books and records and legal aspects of SATT;

(b) the Vendor having obtained all necessary authorization, consents and approvals for the consummation of the Sale and Purchase Agreement and the transactions contemplated thereunder and such authorization, consents and approvals are still valid and effective at the Completion date; and there being no applicable laws, regulations, orders, decrees, notifications or judgments which have been implemented or enforced by any authorities to the effect that the transfer of the Sale Shares or the consummation of the transactions contemplated in the Sale and Purchase Agreement will be prohibited, restricted or seriously delayed or the SATT's business operation shall be materially or adversely affected after Completion;

(c) Jumbo Right having received Certificate of Incumbency and a Certificate of Good Standing of SATT from the Vendor, of which the issuing date shall not be earlier than the tenth Business Day prior to the Completion;

(d) a legal opinion from legal advisers in British Virgin Islands with respect to the SATT, Sale and Purchase Agreement and the transactions contemplated thereunder in such form and substance to the reasonable satisfaction of Jumbo Right having been provided by the Vendor, of which the issuing date shall not be earlier than the tenth Business Day prior to the Completion;

(e) the obligations under the Sale and Purchase Agreement having been duly complied with or performed by the Vendor and Jumbo Right (including but not limited to entering into a deed of indemnity, pursuant to which, the Vendor will undertake to indemnify Jumbo Right in respect of any outstanding tax liabilities of SATT which have been incurred on or before the Completion) and the representations and warranties given by the Vendor and Jumbo Right under the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect as if given at all times between the date of the Sale and Purchase Agreement and the date of Completion (both dates inclusive);

(f) there being no investigation, legal actions, claims, injunctions orders or proceedings in effect, threatened or is reasonably expected to operate to prohibit, restrict or to impose conditions or limitation on the consummation of any of the transactions contemplated in the Sale and Purchase Agreement or the Completion;

(g) there being no material adverse change in the financial, business, trading and operations position of SATT between the date of the Sale and Purchase Agreement and the date of Completion (both dates inclusive);

(h) the entering of the Supply and Service Agreements between SATT and each of the African Company 1, African Company 2, African Company 3 and African Company 4;

(i) the entering of the Supply and Service Agreement between SATT and China Complant;

(j) the entering into the Tenancy Agreement;

(k) the completion of injecting USD2.95 million into the share capital of SATT by the Vendor through subscribing 2,950,000 new shares of USD1 each in SATT;

(l) a legal opinion from legal advisers in Africa with respect to, inter alia, the establishment, the historical shareholding and the capacity to enter into contract in respect of each of the African Company 1, African Company 2, African Company 3 and African Company 4 in such form and substance to the satisfaction of Jumbo Right having been obtained by Jumbo Right;

(m) the passing of the resolutions by the Shareholders by way of poll (if necessary) at EGM in relation to, inter alia, the purchase of the Sale Shares, the issue and allotment of the Consideration Shares and the Conversion Shares to the Vendor, and the Continuing Connected Transactions;

(n) the approval for the listing of the Consideration Shares and the Conversion Shares, and the Continuing Connected Transactions having been obtained from the Stock Exchange; and

(o) the Vendor having completed and being satisfied with the results of the due diligence exercise on the assets, liabilities, operation, taxation, books, records and legal aspects of the Group.

The parties to the Sales and Purchase Agreement agreed that the subscription money of USD2.95 million as referred to in condition (k) above shall be used by SATT to establish a WFOE in the PRC, which shall principally engage in the business of sourcing equipments, raw materials and accessories etc. Furthermore, the said amount as above shall also be used as the working capital of the aforesaid WFOE.

The Company will apply to the Stock Exchange for the listing for, and permission to deal in, the Consideration Shares and the Conversion Shares which may fall to be issued upon the exercise of the rights under the Convertible Notes.

Jumbo Right has the right to waive (with or without additional conditions imposed) conditions (a), (c), (e), (f) and (g) above. The Vendor has the right to waive (with or without additional conditions imposed) condition (o) above.

On 31 December 2008, a supplemental agreement was entered into among the Company, Jumbo Right and the Vendor to extend the long stop date for fulfilling (or waiving, as the case may be) the conditions set out above from 31 December 2008 to 31 March 2009 or such other date as the parties may agree in writing.

If any condition set out above is not fulfilled (or waived, as the case may be) on or before 31 March 2009 or such later date as the parties may agree in writing, the Sale and Purchase Agreement shall cease and terminate, and no party shall have any obligation to complete the transactions contemplated thereunder. In addition, no party shall have any claims against the other party under the Sale and Purchase Agreement, except for any antecedent breaches committed prior to the termination of the Sale and Purchase Agreement.

Given that terms under the Sale and Purchase Agreement are determined at after arm's length negotiation, the Directors are of the view that the terms under Sale and Purchase Agreement are in the interests of the Company and the Shareholders as a whole. Therefore, Jumbo Right will not waive the condition as mentioned above if such waiver will result in the Acquisition being unfair and unreasonable and not in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, conditions (h), (i) and (j) have been fulfilled.

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacture of raw hides and skins to leather and sale of wet blue and crust, and leather in the PRC. As mentioned in the 2007 annual report of the Company, the Company is always looking for new opportunities to diversify into new line of business to create additional source of revenue for the Group. The Acquisition contemplated under the Sale and Purchase Agreement would provide the Company with an opportunity to participate in sugar/sweeteners business in Africa and European nations. Since China Complant, the ultimate holding company of SATT, has established a long history in sugar/sweeteners business for over 30 years, it has already built up a good reputation in Africa and an extensive connection to wide range of customers in Africa and European nations.

Due to the extensive use of various types of sugar/sweetener resources for the production of biofuel such as ethanol, a platform will be provided to the Company to develop its experience in biofuel operation, which is also in line with the Group's strategy to explore business opportunities that will generate revenue and cash flows and provide a reliable source of income to the Group. The Directors expect that the demand for biofuel in Africa and/or other nations will grow rapidly, and that the Acquisition will bring additional earnings and long term value to the Company. As a long term investment, the Directors also consider that the Acquisition will contribute positively to the Company's future development and growth through a broadening base of business opportunities, which provide a long-term benefit to the Company and its Shareholders. Therefore, the Directors consider that the Acquisition contemplated under the Sale and Purchase Agreement represents attractive opportunities for the Group to diversify into a new business segment.

As at the Latest Practicable Date, SATT employed a total number of 29 employees and details of the employees of SATT are as follows:

Departments	Number of Staff	Principal duties
Management	4	Responsible for the day-to-day business operation and management of SATT
Administrative Department	3	Responsible for the day-to-day administration and general affairs of SATT
Finance Department	5	Responsible for finance and accounting function of SATT
International Trading Department	12	Responsible for coordination with customers of SATT and business affairs of SATT
Business Development Department	5	Responsible for project development and provision of technical services to African Companies and other clients
Total	29	

i. Directorship and management independence, administrative capacity

SATT is currently operated and managed by a team of professionals under the above departments independently. Of the 8 key management personnels of SATT, 4 are highly experienced accountants, 2 are senior engineers and the rest are international business engineers and all of whom have over 10 years' experience either in sugar industry project development and management or international economic & technical cooperation projects.

The existing directors of SATT are currently nominated by China Complant or Africa-Asia Investment (who are SATT's ultimate shareholders), after the completion of Acquisition, the common directorships will be broken down. These common directors will only retain in either SATT or China Complant/Africa-Asia Investment as directors of respective company. All the management team and other employees of SATT are independent of and not under the employment of China Complant or its subsidiary or Africa-Asia Investment and thus, these management team and employees will not be involved in any business and operation of China Complant or Africa-Asia Investment.

Further, the ordinary course of business of SATT is operated by the management team of SATT (the "Management") and the Management makes its decisions according to SATT's own internal policies and regulations without any reference to the views of China Complant or Africa-Asia Investment or its subsidiaries. The directors of SATT are aware of their fiduciary duties as directors of SATT, they are required to act for the best interest of SATT and do not allow any conflict between their duties as directors of SATT and their other interests.

Further, upon Completion, SATT will become an indirect wholly-owned subsidiary of the Company and thus, SATT will become under supervision of the Company and the Company has the autonomy, at any time after Completion, to introduce any new management member or directors to SATT at its sole discretion.

ii. Financial Independence

As at the Latest Practicable Date, SATT has its own bank accounts and financial and auditing system and SATT has employed a sufficient number of financial accounting personnel. All financial and accounting decisions of SATT are made by the finance department of SATT and the Management according to SATT's own business needs. Further, as SATT has established steady business relationship with the four African Companies by entering into various Supply and Service Agreements, it can generate sufficient revenue and working capital for its operation and be financially independent from China Complant.

iii. Core Value of SATT

As SATT is a company incorporated outside the PRC, under the existing PRC laws, SATT cannot hold a valid licence for sourcing of goods and materials in the PRC and exporting the same to other countries. Thus, as a transitional arrangement, SATT will engage China Complant, on a non-committed and non-exclusive basis, to take up the role. As mentioned below under the paragraph headed "Background of SATT", by injection of an additional amount of USD2.95 million to SATT, which will take place before Completion, SATT would utilize the said sum of USD2.95 million to set up a WFOE in the PRC for obtaining and holding an export licence for carrying out the business of sourcing manufacturing machineries, raw materials and other products in the PRC and exporting the same overseas. Thus, the role of China Complant as SATT's sourcing and export agent will gradually be taken up by SATT's WFOE.

In view of the aforesaid, it is considered that SATT will be able to function and operate its business independently from China Complant. As such, the Directors are of the view that SATT has sufficient experienced and professional staff to operate its business and SATT will be able to function and operate its business independently from China Complant.

Based on the above factors, the Directors consider that the Acquisition contemplated under the Sale and Purchase Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no intention to discontinue its existing businesses and the Directors anticipate that these businesses will continue in the foreseeable future. Accordingly, the Company considers that there is no change of principal activities of the Company immediately subsequent to the completion of the Acquisition.

BACKGROUND OF THE VENDOR

The Vendor is a subsidiary of China Complant, a state-owned enterprise. The principal activity of the Vendor is investment holding. Since its establishment, China Complant engages in China-aided complete plant projects in foreign countries and participates in the international economic co-operation projects. It is among the top 500 enterprises of the nation with largest import and export volume and it has been honored as one of the top 225 international contractors by the U. S. magazine Engineering News-Record from 1996 to 2006.

BACKGROUND OF SATT

SATT is a company incorporated in BVI with limited liability and is wholly owned by the Vendor. SATT is currently engaged in the provision of supporting services to African Company 1, African Company 2, African Company 3 and African Company 4 and other companies in respect of sweetener business including, but not limited to, (i) facilities, raw materials and goods supply services; (ii) management and technical staff; (iii) related consulting services on construction and contract manufacturing services.

SATT commenced its business on 1 January 2008, its sales and purchases have been made through China Complant and the African Companies. Other than China Complant and the African Companies, SATT has no other major customers and suppliers. However, it is the intention of the Company that SATT shall set up a WFOE in the PRC for sourcing manufacturing machineries and raw materials in the PRC and exporting the same to the African Companies direct and thus, the role of China Complant as SATT's sourcing and export agent will gradually be taken up by SATT's WFOE. For this purpose, the Vendor in the Sale and Purchase Agreement agreed to inject an amount of USD2.95 million to the capital of SATT prior to the Completion for setting up the aforesaid WFOE in the PRC and the operation of WFOE.

SATT is not obliged to source sugar manufacturing machineries, raw materials or other similar products and services exclusively from China Complant. SATT shall source manufacturing machineries, raw materials and services from China Complant only if (i) SATT and the African Companies have entered into definitive agreements in respect of the supply of materials and services; (ii) the relevant materials and services have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant materials and services to SATT within reasonable time in accordance with the supply and service agreement between SATT and China Complant.

According to the audited financial statements of SATT under Hong Kong Financial Reporting Standards set out in Appendix I of this circular for the period from 1 January 2008 to 30 September 2008, as at 30 September 2008, SATT did not hold any cash and bank balances, properties, plants and equipments and inventories, the total assets of SATT were approximately HK$107.24 million, its total liabilities were approximately HK$32.07 million and most of assets and liabilities are the transactions and balances between SATT and the related parties which set out in note 13 of the Appendix I to this circular ("Related party transactions"), and its net assets were approximately HK$75.17 million. During the period from 1 January 2008 to 30 September 2008, SATT recorded a net profit before and after taxation of approximately HK$74.78 million and HK$74.78 million respectively. As at 30 September 2008, SATT had trade and other receivables of approximately HK$107.14 million, representing approximately 74.6% of the turnover of SATT for the period from 1 January 2008 to 30 September 2008.

In case there is any outstanding tax liabilities of SATT which have been incurred on or before the Completion, pursuant to a tax indemnity deed to be entered into between Jumbo Right and the Vendor upon Completion, the Vendor will undertake to indemnify Jumbo Right in respect of such outstanding tax and the expenses incurred in connection therewith.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Sale and Purchase Agreement, including the aggregate consideration, are fair and reasonable.

Upon Completion, SATT will become an indirect wholly-owned subsidiary of the Company and its post-acquisition financial results will be consolidated into the Group's consolidated financial statements.

SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION OF THE ACQUISITION

As at the Latest Practicable Date, the Company has 823,680,000 Shares in issue and 164,736,000 non-listed warrants. The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the Consideration Shares; (iii) immediately after the issuance of the Consideration Shares and the full exercise of the conversion rights attaching to the Tranche 1 Convertible Note; (iv) immediately after the issuance of the Consideration Shares and after full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and the Tranche 2 Convertible Note and; (v) immediately after full exercise of subscription rights attaching to 164,736,000 non-listed warrants are as follows:

	As at the Latest Practicable Date		Immediately after issuance of Consideration Shares		Immediately after (i) issuance of the Consideration Shares; and (ii) full exercise of the conversion rights attaching to the Tranche 1 Convertible Note		Immediately after (i) issuance of the Consideration Shares; and (ii) full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and Tranche 2 Convertible Note		Immediately after (i) issuance of the Consideration Shares; and (ii) full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and Tranche 2 Convertible Note; and (iii) full exercise of subscription rights attaching to non-listed warrant	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
Mr. Liaw Yuan Chian *(Note)*	363,500,039	44.13	363,500,039	32.35	363,500,039	20.95	363,500,039	16.19	363,500,039	15.08
Holder of the non-listed warrants	–	–	–	–	–	–	–	–	164,736,000	6.84
The Vendor	–	–	300,000,000	26.70	911,000,000	52.52	1,422,000,000	63.32	1,422,000,000	58.99
The Public	460,179,961	55.87	460,179,961	40.95	460,179,961	26.53	460,179,961	20.49	460,179,961	19.09
Total	823,680,000	100.00	1,123,680,000	100.00	1,734,680,000	100.00	2,245,680,000	100.00	2,410,416,000	100.00

If taking into account the effect of the exercise of the 164,736,000 non-listed warrants, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after full exercise of subscription rights attaching to 164,736,000 non-listed warrants; (iii) immediately after the issue of the Consideration Shares; (iv) immediately after the issuance of the Consideration Shares and the full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and (v) immediately after the issuance of the Consideration Shares and after full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and the Tranche 2 Convertible Note are as follows:

	As at the Latest Practicable Date		Immediately after full exercise of subscription rights attaching to non-listed warrants		Immediately after (i) full exercise of subscription rights attaching to non-listed warrants; and (ii) issuance of Consideration Shares		Immediately after (i) full exercise of subscription rights attaching to non-listed warrant; (ii) issuance of the Consideration Shares; and (iii) full exercise of the conversion rights attaching to the Tranche 1 Convertible Note		Immediately after (i) full exercise of subscription rights attaching to non-listed warrant; and (ii) issuance of the Consideration Shares; and (iii) full exercise of the conversion rights attaching to the Tranche 1 Convertible Note and Tranche 2 Convertible Note	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
Mr. Liaw Yuan Chian *(Note)*	363,500,039	44.13	363,500,039	36.78	363,500,039	28.21	363,500,039	19.14	363,500,039	15.08
Holder of the non-listed warrants	–	–	164,736,000	16.67	164,736,000	12.79	164,736,000	8.67	164,736,000	6.84
The Vendor	–	–	–	–	300,000,000	23.28	911,000,000	47.96	1,422,000,000	58.99
The Public	460,179,961	55.87	460,179,961	46.55	460,179,961	35.72	460,179,961	24.23	460,179,961	19.09
Total	823,680,000	100.00	988,416,000	100.00	1,288,416,000	100.00	1,899,416,000	100.00	2,410,416,000	100.00

Note: Mr. Liaw Yuan Chian, an executive Director, was deemed to be interested in 363,500,039 ordinary shares in the Company, which were held by Joyce Services Limited, a company in which Mr. Liaw Yuan Chian has a 58.87% beneficial interest.

The Company does not have present intention to issue shares other than the Consideration Shares and the Conversion Shares. If the Vendor converts the Convertible Notes so that they would have a shareholding of approximately 29.9% of the enlarged issued share capital, the shareholding of Mr. Liaw Yuan Chian will be diluted from 44.13% to approximately 25.75% of the enlarged issued share capital of the Company immediately after (i) full exercise of subscription rights attaching to 164,736,000 non-listed warrants; (ii) issuance of the Consideration Shares; and (iii) exercise of the conversion rights attaching to the Convertible Notes by the Vendor.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares.

The Directors have considered other means to finance the Acquisition. Despite the dilution effect to the Shareholders upon conversion of the Convertible Notes, the Directors believe that the issue of the Convertible Notes to partially finance the Acquisition is the best means as determined by the Company.

FINANCIAL EFFECTS OF THE ACQUISITION OF THE GROUP

Set out below is a summary of the pro forma financial information of the Group as at 31 December 2007 and after the completion of the Acquisition, prepared on the bases set out on pages 79 to 90 of this circular and details of which are set out in Appendix II to this circular:

	Before completion of the Acquisition *HK$'000*	**After completion of the Acquisition** *HK$'000*
Total revenue	615,203	758,748
(Loss) attributable to the equity holders of the Company	(293,968)	(262,626)
Total assets	611,218	1,496,487
Total liabilities	208,277	681,441
Net assets	402,941	815,046
Net current assets	144,608	215,774
Gearing ratio (total borrowings/total net assets)	44.37%	75.56%

As set out above, upon completion of the Acquisition,

(i) the total assets of the Enlarged Group will increase by approximately HK$885.3 million, mainly attributable to an increase in the goodwill approximately of HK$778.0 million;

(ii) the total liabilities of the Enlarged Group will increase by approximately HK$473.2 million due to the estimated fair value of the liability component of the Convertible Notes of approximately HK$437.1 million incurred after the Acquisition;

(iii) the total net assets of the Enlarged Group will increase by approximately HK$412.1 million due to the goodwill and trade, other receivables and other payables of SATT incurred after the Acquisition;

(iv) the Enlarged Group will have net current assets of approximately HK$71.2 million, which is mainly due to the trade, other receivables and other payables of SATT incurred after the Acquisition;

(v) the gearing ratio of the Enlarged Group will increase from approximately 44.37% to approximately 75.56% because of the presence of the Convertible Notes (if issued) of the Enlarged Group;

(vi) the loss attributable to the equity holders of the Enlarged Group will decrease by approximately HK$31.3 million mainly due to the mixed effects of the decrease in loss of HK$74.8 million from its operations and the imputed interest expenses of approximately of HK$39.4 million on the Convertible Notes (if issued) after the Acquisition.

Taking into account (i) the Convertible Notes are interest-free and will only become mature in fifth anniversary of the issued date, barring unforeseen circumstances, it is not expected that any adverse impact will be imposed on the cash flow of the Enlarged Group in the near future; and (ii) it is expected that SATT will continue to generate revenues to the Group from its supporting services to sugar/sweeteners businesses, the Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Tenancy Agreement

Date	:	15 December 2008
Landlord	:	China Complant
Tenant	:	SATT
Premises	:	Rooms 402, 403, 404 and 610, Complant Mansion, No. 9 Xi Bin He Lu, An Ding Men, Beijing, the PRC
Rental	:	RMB553,440 (equivalent to approximately HK$628,099) per year; and the rental is payable on an bi-annual basis

Management fee	:	RMB16,596 (equivalent to approximately HK$18,835) per year which is inclusive of charges for water, electricity, air-conditioning, management and cleaning of common areas of the premises
Term	:	an initial term of three years commencing from 1 January 2009

The Supply and Service Agreements between SATT and African Companies

On 15 December 2008, each of the African Company 1, African Company 2, African Company 3 and African Company 4 respectively entered into an exclusive supply and service agreement with SATT, pursuant to which, each of them has agreed to order sugar manufacturing machineries, raw materials and services with the origin of source from the PRC exclusively from SATT for an initial term of three years commencing from 1 January 2009 in accordance with the following terms and conditions:

Date:	15 December 2008
Parties:	SATT; and African Company 1 SATT; and African Company 2 SATT; and African Company 3 SATT; and African Company 4
Terms:	Three years from 1 January 2009
Conditions precedent:	These agreements are subject to and conditional upon the approval by the Independent Shareholders at the EGM to be held in accordance with the requirements under the Listing Rules
Nature of transactions:	The supply and service agreements are master agreements which set out the principles upon which the supply of machineries, raw materials and services by SATT to the African Company 1, African Company 2, African Company 3 and African Company 4 are to be carried out.

Pursuant to the supply and service agreements, SATT will enter into definitive agreements with each of the African Company 1, African Company 2, African Company 3 and African Company 4 from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in each of the supply and service agreements. Such detailed terms include but without limitation, prices, payment and settlement terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of machineries and raw materials and services required.

SATT and each of the African Company 1, African Company 2, African Company 3 and African Company 4 agree that such detailed terms shall be on normal commercial terms or, if there is no sufficient comparable transactions to judge whether they are on normal commercial terms, fair and reasonable to the Company. The terms offered to the African Company 1, African Company 2, African Company 3 and African Company 4 shall be no less favourable than those offered by SATT to independent third parties in the markets where each of the African Company 1, African Company 2, African Company 3 and African Company 4 are located.

Basis of consideration: The consideration in respect of the supplies is determined by reference to the market prices of similar machineries and raw materials and services required

The Proposed Caps:

Year ending	
31 December 2009	USD21,899,000 (approximately HK$170,812,200)
31 December 2010	USD23,651,000 (approximately HK$184,477,800)
31 December 2011	USD24,834,000 (approximately HK$193,705,200)

The proposed annual caps are determined with reference to the past actual transactions between each of the African Company 1, African Company 2, African Company 3 and African Company 4 with SATT and the anticipated growth of these transactions.

According to historical record of the transactions between each of the African Company 1, African Company 2, African Company 3 and African Company 4 with SATT from 13 November 2007 (date of incorporation) to 30 September 2008, the amounts of transactions between each of the African Company 1, African Company 2, African Company 3 and African Company 4 with SATT were approximately USD4.68 million, USD1.13 million, USD4.40 million and USD8.16 million respectively.

The Supply and Service Agreement between SATT and China Complant

Furthermore, on 15 December 2008, China Complant entered into a supply and service agreement, pursuant to which, China Complant has agreed to supply sugar manufacturing machineries, raw materials, or other similar products and services with the origin of source from the PRC to SATT so as to enable SATT to provide the same to African Company 1, African Company 2, African Company 3 and African Company 4 and other independent customers for an initial term of three years commencing from 1 January 2009. However, SATT is not obliged to source sugar manufacturing machineries, raw materials, or other similar products and services exclusively from China Complant. SATT shall source manufacturing machineries, raw materials and services from China Complant only if (i) SATT and the African Companies have entered into definitive agreement in respect of the supply of materials and services; (ii) the relevant materials and services have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant materials and services to SATT within reasonable time in accordance with the supply and service agreement between SATT and China Complant.

The major terms and conditions of the Supply and Service Agreement are set out as below:

Date:	15 December 2008
Parties:	China Complant and SATT
Terms:	Three years from 1 January 2009
Condition precedent:	This agreement is subject to and conditional upon the approval by the Independent Shareholders at the EGM to be held in accordance with the requirements under the Listing Rules

Nature of transactions:	The supply and service agreement is the master agreement which set out the principles upon which the supply of machineries, raw materials and services by China Complant to SATT are to be carried out. Pursuant to the supply and service agreement, China Complant will enter into definitive agreements with SATT from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the supply and service agreement. Such detailed terms include but without limitation, prices, payment and settlement terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of machineries and raw materials and services required. China Complant and SATT agree that such detailed terms shall be on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, fair and reasonable to the Company. The terms offered to SATT shall be no less favourable than those offered by China Complant to independent third parties in the markets where SATT is located.
Basis of consideration:	The consideration in respect of the supplies is determined by reference to the market prices of similar machineries, raw materials and services required

The Proposed Caps:

Year ending	
31 December 2009	USD13,140,000 (approximately HK$102,492,000)
31 December 2010	USD14,191,000 (approximately HK$110,689,800)
31 December 2011	USD14,901,000 (approximately HK$116,227,800)

The proposed annual caps are determined with reference to the past actual transactions between SATT and the African Companies, the average historical profit margin earned by SATT and the anticipated growth of these transactions.

According to the audited financial statement of SATT set out in Appendix I of this circular from 1 January 2008 to 30 September 2008, the gross margin earned by SATT was approximately 53%.

Upon Completion, the Tenancy Agreement and the Supply and Service Agreements between SATT and China Complant as well as between SATT and each of the African Company 1, African Company 2, African Company 3 and African Company 4 shall constitute Continuing Connected Transactions for the Company based on the reasons that (i) the African Company 1 and African Company 4 are fellow subsidiaries of the Vendor, the African Company 2 and the African Company 3 are the indirect wholly-owned subsidiaries of the Vendor and China Complant is one of the holding companies of the Vendor; (ii) upon Completion, the Vendor shall become a connected person of the Company by being a substantial shareholder holding 26.7% of the enlarged issued share capital of the Company upon the allotment and issue of Consideration Shares; and (iii) upon Completion, SATT shall become an indirect wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENT AND THE SUPPLY AND SERVICE AGREEMENTS

The entering into the Tenancy Agreement is to provide premises for SATT to carry out its business.

The entering into the Supply and Service Agreements is to secure the Company's income flow in respect of the transactions originally carried on by the Vendor and to secure the sources of sugar manufacturing machineries, raw materials and services which it manages to provide to the African Company 1, African Company 2, African Company 3 and African Company 4 and independent customers after Completion.

The Directors (including the independent non-executive Directors whose views are given subject to the consideration of the independent financial adviser's recommendation) are of the view that the terms of the Tenancy Agreement and the Supply and Service Agreements, are arrived at after arm's length negotiation between SATT and the relevant parties thereto, and are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATION

Waiver from strict compliance with Rule 4.06 of the Listing Rules

Pursuant to Rule 4.06 of the Listing Rules, the Company is required to include in this circular the accountants' report covering the results of SATT in respect of each of the three financial years immediately preceding the issue of this circular.

The accountants' report of SATT for the period from 13 November 2007 (date of incorporation) to 31 December 2007 and period from 1 January 2008 to 30 September 2008 has been prepared and is set out in Appendix I to this circular.

The Directors confirm that they have preformed sufficient due diligence on SATT to ensure that, up to the date of this circular, there has been no material adverse change in the financial position or prospects of SATT since 30 September 2008, and there have been no event since 30 September 2008 which would materially adversely affect the information shown in the accountants' report on SATT as set out in appendix I to this circular. The Directors consider that the information included in this circular contains sufficient and relevant financial information regarding SATT for the Shareholders to consider and decide whether or not to approve the Acquisition in the EGM.

An application has been made to the Stock Exchange for a waiver from strict compliance with Rule 4.06 of the Listing Rules on the ground that it would be unduly burdensome for the Company to do so within a short period of time after 31 December 2008 as there would not be sufficient time for the auditors and reporting accountants of SATT to complete the relevant audit. Such waiver has been granted by the Stock Exchange on the conditions that (i) this circular is to be despatch on or before 23 January 2009 and the EGM will be held no later than 20 February 2009; and (ii) the Directors will confirm in this circular that they have performed sufficient due diligence on SATT to ensure that, up to the date of this circular, there has been no material adverse change in the financial position or prospects of SATT since 30 September 2008, and that there has been no event since 30 September 2008 which would materially affect the information shown in the accountants' report on SATT as set out in appendix I to this circular.

The Acquisition

As some of the relevant percentage ratios under Rule 14.07 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is therefore subject to reporting, announcement requirements and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, none of the Vendor or its associates hold any Share(s) in the Company and none of the Shareholders or their respective associates has any interest in the transactions contemplated under the Sale and Purchase Agreement which is different from other Shareholders. Accordingly, no Shareholders are required to abstain from voting on a resolution to approve the Acquisition.

The Tenancy Agreement

Given that the applicable percentage ratio of the Company in respect of the aggregate annual rental under the Tenancy Agreement is less than 2.5% and the annual rental payable by SATT is less than HK$1,000,000, the Tenancy Agreement shall be exempted from the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Supply and Service Agreements

Since the Supply and Service Agreements were entered into between the connected parties, they may be regarded as a series of continuing connected transactions under Rule 14A.25 of the Listing Rules for the purpose of calculating the applicable percentage ratios under the Listing Rules.

The Supply and Service Agreement between SATT with China Complant

The proposed maximum annual cap of the Supply and Service Agreement between SATT and China Complant is USD13,140,000 (approximately HK$102,492,000), USD14,191,000 (approximately HK$110,689,800) and USD14,901,000 (approximately HK$116,227,800) respectively for financial year ending 31 December 2009, 2010 and 2011.

The applicable percentage ratios (other than the profit ratios) in respect of these transactions, on an annual basis, will not be less than 2.5% and the proposed maximum annual cap will be higher than HK$10 million, as such, the Supply and Service Agreement between SATT and China Complant and the transactions contemplated thereunder shall be subject to reporting, announcement and the Independent Shareholders' approval at the EGM under the requirements of the Listing Rules.

The Supply and Service Agreements between SATT and African Companies

The total maximum annual cap of the Supply and Service Agreements between SATT and African Company 1, African Company 2, African Company 3 and African Company 4 is USD21,899,000 (approximately HK$170,812,200), USD23,651,000 (approximately HK$184,477,800) and USD24,834,000 (approximately HK$193,705,200) respectively for financial year ending 31 December 2009, 2010 and 2011.

The applicable percentage ratios (other than the profit ratios) in respect of these transactions, on an annual basis, will not be less than 2.5% and the aggregate maximum annual cap will be higher than HK$10 million, as such, these Supply and Service Agreements between SATT and the African Companies and the transactions contemplated thereunder shall be subject to reporting, announcement and the Independent Shareholders' approval at the EGM under the requirements of the Listing Rules.

The vote of the Independent Shareholders at the EGM on the relevant resolutions shall be taken by poll. No Shareholder is required to abstain from voting at the EGM as the Vendor will only become the substantial shareholder of the Company after Completion.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Supply and Service Agreements and the proposed annual caps in respect thereof and an Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

INFORMATION OF AFRICAN COMPANY 1; AFRICAN COMPANY 2; AFRICAN COMPANY 3 AND AFRICAN COMPANY 4

African Company 1 is a company incorporated in the Republic of Madagascar and its issued share capital is owned as to 92% by China Complant and as to 8% by seven individuals as at the date of the Sale and Purchase Agreement. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

African Company 2 is a company incorporated in the Republic of Sierra Leone and its issued share capital is owned as to 99% by Target BVI 1 and as to 1% by Target BVI 2. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

African Company 3 is a company incorporated in the Republic of Benin and its issued share capital is owned as to 99% by Target BV1 1 and as to 1% by Target BVI 2. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

African Company 4 is a company incorporated in the Republic of Madagascar and its issued share capital is owned as to 63% by China Complant and as to 7% by China National Complete Plant Import & Export Corporation Limited（中成進出口股份有限公司）and as to 30% by Sichuan Africa-Asia Enterprise Co., Ltd. as at the date of the Sale and Purchase Agreement. It is principally engaged in manufacturing of sugar/sweetener products in Africa.

In addition, the aggregate annual production capacities of sugar cane and ethanol of the African Company 1, African Company 2, African Company 3 and African Company 4 are approximately 150,000 tonnes and 20,000m^3 respectively.

INCREASE IN AUTHORIZED SHARE CAPITAL

As at the Latest Practicable Date, the existing authorized share capital of the Company is HK$150,000,000 divided into 1,500,000,000 Shares, of which 823,680,000 Shares have been issued and 164,736,000 Share shall be issued upon the conversion of the existing warrants granted by the Company with the details of which set out in the announcement dated 14 August 2007. As such, the number of Shares which the Company may issue and allot under the existing authorized share capital is insufficient to cover the issue of the Consideration Shares and the Conversion Shares, if the conversion right attached thereto is to be exercised fully.

Accordingly, the Board proposes to increase the Company's authorized share capital from HK$150,000,000 comprising 1,500,000,000 Shares to HK$600,000,000 comprising 6,000,000,000 Shares by creating 4,500,000,000 new Shares which will be put to the Shareholder's approval at the EGM. The proposed increase in the authorized share capital of the Company is conditional on the Completion and the passing of an ordinary resolution by the Shareholders at the EGM. No Shareholder is required to abstain from voting at the EGM in respect of this proposed resolution.

SPECIFIC MANDATE TO ISSUE NEW SHARES

The Directors were granted the existing general mandate at the general meeting held on 20 June 2008 to allot, issue and otherwise deal with a maximum of 164,736,000 Shares, representing 20% of the total amount of the issued share capital of the Company of 823,680,000 Shares as the date of the aforesaid general meeting. Since the granting of the said general mandate, the Company has not utilized any portion in respect thereof.

Upon the issue of the Consideration Shares and the full conversion of the Convertible Notes, a total of 1,422,000,000 new Shares are required to be issued by the Company. As such, a Specific Mandate for the issue of 1,422,000,000 new Shares will be sought in the EGM to cater for the issue of the Consideration Shares and the Conversion Shares.

EGM

The EGM will be convened at which resolutions will be proposed to seek the approval of the Shareholders for the transactions contemplated under the Sale and Purchase Agreement and the supplemental agreement in respect thereof, including, amongst other things, the Acquisition, the allotment and issue of the Consideration Shares and the Conversion Shares, the Supply and Service Agreements and the relevant annual caps, the increase of the issued share capital of the Company and the grant of the Specific Mandate.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote taken at EGM must be taken by poll. As such, the chairman of the EGM will, by virtue of the Article 80(a) of the Articles of Association of the Company, demand that voting on the resolutions at the EGM shall be conducted by way of a poll.

A poll shall be taken in such manner (including the use of ballot or voting papers or tickets) and either forthwith or at such time (being not later than thirty (30) days after the date of the demand) and place as the chairman of the EGM directs. On a poll, votes may be given either personally or by proxy and every Shareholder present in person or by proxy shall have one vote for every fully paid Share of which he is the holder.

Furthermore, under Rule 14A.48 of the Listing Rules, the Supply and Service Agreements shall be subject to the approval of Independent Shareholders. The Vendor and its associates (as defined in the Listing Rules) did not have any interest in the Company as at the Latest Practicable Date and the Vendor will only become the substantial shareholders of the Company after Completion. As no shareholder has a material interest in the transactions contemplated under the Supply and Service Agreements, no Shareholder is required to abstain from voting for approving the Supply and Service Agreements and the relevant annual caps at the EGM.

A notice of the EGM is set out on pages 195 to 197 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon and return it to the Company's principal place of business in Hong Kong at Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

For the reasons stated under paragraph headed "Reasons and Benefits of the Acquisition" in this circular, the Directors consider the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

In addition, having taken into account the recommendation and advice from Independent Financial Advisor in relation to the terms of the Supply and Service Agreements and the transactions contemplated thereunder and the proposed annual caps in respect thereof, the Independent Board Committee is of the view that the terms of the Supply and Service Agreements are on normal commercial terms and are fair and reasonable and the transactions contemplated under the Supply and Service Agreements are in the interests of the Company and the Shareholders as a whole and so far as the Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) consider that the Supply and Service Agreements were entered into in the ordinary and usual course of the business of the Company and are on normal commercial terms, and the terms of the Supply and Service Agreements and the proposed annual caps in respect thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders, the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders, and the additional information set out in the appendices to this circular and the notice of EGM.

By Order of the Board
Hua Lien International (Holding) Company Limited
Shih Chian Fang
Chairman

HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

Independent Board Committee
Dr. Zheng Liu
Mr. Yu Chi Jui
Ms. Li Xiao Wei

Registered Office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

23 January 2009

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE SUPPLY AND SERVICE AGREEMENTS

We refer to the circular of which this letter forms part. Terms defined in the circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the terms of the Supply and Service Agreements and the proposed annual caps in respect thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole and so far as the Independent Shareholders are concerned, and to advise the Independent Shareholders on how to vote on the continuing connected transactions under the Supply and Service Agreements. Grand Vinco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supply and Service Agreements and the proposed annual caps in respect thereof and as to how the Independent Shareholders should vote on the continuing connected transactions under the Supply and Service Agreements. The text of the letter from the Independent Financial Adviser containing its advice and the principal factors and reasons it has taken into consideration in arriving at its advice is set out on pages 44 to 55 to the circular.

After considering the advice from the Independent Financial Adviser, we are in the opinion that, the Supply and Service Agreements were entered into in the ordinary and usual course of business of the Company and are on normal commercial terms, and the terms of the Supply and Service Agreements and the proposed annual caps in respect thereof are fair and reasonable and in the interests of Company and its Shareholders as a whole and so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution approving the continuing connected transactions under the Supply and Service Agreements at the EGM.

Yours faithfully,
Independent Board Committee
Dr. Zheng Liu
Mr. Yu Chi Jui
Ms. Li Xiao Wei

The following is the text of a letter of advice from Grand Vinco Capital Limited to the Independent Board Committee and the Independent Shareholders in connection with the Supply and Service Agreements and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:

VINCO 域高

Grand Vinco Capital Limited
Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

23 January 2009

To the Independent Board Committee and
the Independent Shareholders of
Hua Lien International (Holding) Company Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Supply and Service Agreements entered into by SATT on 15 December 2008 in its ordinary and usual course of business and their relevant annual caps, details of which are set out in the "Letter from the Board" in the circular of the Company dated 23 January 2009 to the Shareholders (the "Circular") of which this letter forms part. Terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

In our appointment as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Supply and Service Agreements and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Board Committee and the Independent Shareholders on whether the Independent Shareholders should vote in favour of the Supply and Service Agreements, the transactions contemplated thereunder and the proposed annual caps (the "Annual Caps") in respect thereof as set out in the "Letter from the Board" in the Circular at the EGM.

On 16 December 2008, the Company published an announcement to propose, inter alia, the Continuing Connected Transactions. As disclosed in the Circular, on 15 December 2008, each of the African Company 1, African Company 2, African Company 3 and African Company 4 entered into an exclusive supply and service agreement with SATT, pursuant to which, each of them has agreed to order sugar manufacturing machineries, raw materials and services with origin of source from the PRC exclusively from SATT for an initial term of three years commencing from 1 January 2009. Furthermore, on 15 December 2008, China Complant entered into a supply and service agreement with SATT, pursuant to which, China Complant has agreed to supply sugar manufacturing machineries, raw materials, or other similar products and services with origin of source from the PRC to SATT so as to enable SATT to provide the same to the African Company 1, African Company 2, African Company 3 and African Company 4 and its other independent customers for an initial term of three years commencing from 1 January 2009. However, SATT is not obliged to source sugar manufacturing machineries, raw materials, or other similar products and services exclusively from China Complant. SATT shall source manufacturing machineries, raw materials, or other similar products and services from China Complant only if (i) SATT and the African Companies have entered into definitive agreement in respect of the supply of materials and services; (ii) the relevant materials and services have to be sourced from the PRC; and (iii) China Complant is able to supply the relevant materials and services to SATT within reasonable time in accordance with the supply and service agreement between SATT and China Complant. Otherwise SATT shall be at liberty to source the relevant materials and services from other suppliers. Moreover, if any African sugar production project company (other than the African Companies) purchases materials and services from SATT, SATT may contract with any supplier in its discretion to source materials and services from the PRC or any other places.

Upon Completion, the Vendor shall become a substantial Shareholder of the Company whereas SATT will become an indirect wholly-owned subsidiary of the Company. As such, the Vendor, SATT, China Complant, a holding company of the Vendor, as well as the African Companies in which (i) African Company 1 and African Company 4 are fellow subsidiaries of the Vendor and (ii) African Company 2 and African Company 3 are the indirect wholly-owned subsidiaries of the Vendor, will become connected persons of the Company by virtue of Rule 14A.11 of the Listing Rules and the transactions contemplated under the Supply and Service Agreements therefore shall constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated (as defined in the Listing Rules) with reference to the annual caps exceeds 2.5% and HK$10 million, the Supply and Service Agreements, the transactions contemplated thereunder and the Annual Caps shall be subject to the reporting, announcement and the Independent Shareholders' approval at the EGM under the requirements of the Listing Rules. The vote of the Independent Shareholders at the EGM on the relevant resolutions shall be taken by poll. No Shareholder is required to abstain from voting at the EGM as the Vendor will only become the substantial Shareholder of the Company after the Completion.

The Independent Board Committee comprising Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Supply and Service Agreements, the transactions contemplated thereunder and the Annual Caps, and whether the Supply and Service Agreements, the transactions contemplated thereunder and the Annual Caps are in the interests of the Company and Independent Shareholders as a whole. We have been appointed as an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We consider that we have reviewed sufficient information on which to form a reasonable basis for our opinion and have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. We also have no reason to doubt that any relevant material facts have been withheld or omitted from the information relied on by any third party expert on whose opinion or advice we relies in forming our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospect. We have further assumed that all material governmental, regulatory or other consents, waivers, authorizations, clearances and approvals necessary for the effectiveness and implementation of the Acquisition will be obtained without any adverse effect on the Group or the contemplated benefits to the Group as derived from the Acquisition.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any matter address the Company's own decision to proceed with the Acquisition. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention after the Latest Practicable Date.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the terms of the Continuing Connected Transactions, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto). In addition, the exchange rate we use for converting USD into HKD in this letter is USD 1 = HKD 7.8.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Supply and Service Agreements, the transactions contemplated thereunder and the Annual Caps and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in relation to the Supply and Service Agreements, the transactions contemplated thereunder and the Annual Caps, we have taken the following principal factors and reasons into consideration:

1. Background of and reasons for the Supply and Service Agreements and the transactions contemplated thereunder

Background of the Acquisition

On 12 November 2008, the Company, Jumbo Right and the Vendor entered into the Sale and Purchase Agreement, pursuant to which, Jumbo Right has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at a total consideration of HK$853.2 million (subject to adjustment). The Directors (including the independent non-executive Directors) are of the view that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Sale and Purchase Agreement, including the aggregate consideration, are fair and reasonable.

Background of the Company

The Company acts as an investment holding company and provides corporate management services. The Group is principally engaged in the manufacture of raw hides and skins to leather and sale of wet blue and crust, and leather in the PRC.

Background of the Vendor

The Vendor is a subsidiary of China Complant, a state-owned enterprise. Since its establishment, China Complant principally engages in China-aided complete plant projects in foreign countries and participates in the international economic co-operation projects.

Background of SATT

SATT is currently engaged in the provision of supporting services to the African Company 1, African Company 2, African Company 3 and African Company 4 and other companies in respect of sweetener business including, but not limited to, (i) facilities, raw materials and goods supply services; (ii) management and technical staff; (iii) related consulting services on construction and contract manufacturing services.

The African Companies are principally engaged in manufacturing of the sugar/sweetener products in Africa. In addition, the aggregate annual production capacities of sugar cane and ethanol for the African Companies are approximately 150,000 tonnes and 20,000 m^3 respectively.

As stated in the "Letter from the Board", the Company is always looking for new opportunities to diversify into new line of business to create additional source of revenue for the Group according to the 2007 annual report of the Company. Moreover, we noted that the Acquisition contemplated under the Sales and Purchase Agreement would provide the Company with an opportunity to participate in sugar/sweeteners business in Africa and European nations through the provision of supporting services in respect of sweetener business by SATT to the African Companies and the extensive use of various types of sugar/sweetener resources for the production of biofuel such as ethanol would also provide to the Company an opportunity to develop its experience in biofuel operation, which is in line with the Group's strategy to explore business opportunities that will generate revenue and cash flows and provide a reliable source of income to the Group. The Directors confirmed that the Company has no intention to discontinue its existing businesses and the Directors anticipate that these businesses will continue in the foreseeable future.

In anticipation on the demand for biofuel in Africa and/or other nations will grow rapidly, the Directors consider that the Acquisition would bring additional earnings and long term value to the Company. As a long term investment, we noted that the Acquisition will contribute positively to the Company's future development and growth through a broadening base of business opportunities. Given that (i) the extensive experience of China Complant, the ultimate holding company of SATT prior to the Completion, which has established a long history in sugar/sweeteners business over 30 years and has already built up a good reputation in Africa as well as an extensive connection to wide range of customers in Africa and European nations; and (ii) the growth potential of the global sugar industry and that the more sugar the African Companies produce, the more machinery, equipment and chemical fertilizers the SATT will provide to the African Companies, the Group, through the Acquisition, will be well-positioned to take advantage of the long term growth potential in sugar/sweeteners business in Africa and European nations.

In assessing the Directors' view, we have reviewed information of SATT and China Complant provided by the Company and obtained from public domains. According to a research report released in March 2008 named "World Biofuels" published by the Freedonia Group, a leading international business research company founded in 1985, the global demand for biofuels will expand almost 20 percent per year through 2011 to 92 million metric tons, despite recent concerns about the impact of biofuels on the environment and world food supplies. The world market for biofuels has expanded rapidly in recent years as a combination of domestic politics, rising oil prices, increasing concerns about global warming, and potential economic opportunity have spurred a broad range of countries to pass laws that support biofuel industries. Despite the oil price has experienced a downward trend in 2008, we have also reviewed another research report released in May 2008 named "Global Biofuel Market Analysis" published by RNCOS, a leading market research and information analysis company with a global presence, due to the decreasing oil production from almost all the oil reserves, rising energy consumption and environmental issues, the world is attracted towards renewable energy sources, particularly biofuels. As a result, the US pledged to nearly double ethanol production by 2012, and the European Community recently announced that biofuel will meet 10% of their transportation fuel needs by 2020. Also, the value of world biofuel market is expected to grow at a compound annual growth rate (being the year-over-year growth rate over a specified period of time) of more than 12.3% from 2007 to 2017. In this regard, we are of the view that the world market for biofuels will grow rapidly in spite of the recent drop in oil prices to a relatively low level.

Based on the foregoing, we concur with the Directors' view that (i) the demand for biofuel in Africa and/or other nations will grow rapidly and that the Acquisition will bring additional earnings and long term value to the Company and (ii) the Acquisition will contribute positively to the Company's future development and growth through a broadening base of business opportunities, which provide a long-term benefit to the Company and its Shareholders.

Furthermore, as referred to in the "Letter from the Board", the entering into the Supply and Service Agreements is to secure the Company's income flow in respect of the transactions originally carried on by the Vendor and to secure the sources of the raw materials and services which it manages to provide to the African Companies after Completion. We have performed a review on certain historical record of the transactions and the relevant sales document in respect of the sugar manufacturing machineries and raw materials obtained by (i) each of the African Companies from China Complant during 2005 to 2007; and (ii) each of the African Companies from SATT since its incorporation in November 2007. In particular, we noted that the types of the raw materials and services ordered by each of the African Company 1, African Company 2, and African Company 3 from 2005 to 2008 are similar to those provided in the Supply and Service Agreements, and the types of the raw materials and services ordered by African Company 4 since 2008 are also similar to those provided in the Supply and Service Agreements. Having considered the aforesaid, given (i) the history and prolonged sales and purchase relationship between China Complant and each of the African Companies in the past ; (ii) the sales and purchase relationship between SATT and each of the African Companies since SATT's incorporation in November 2007; and (iii) the current expertise and experience of SATT in the sugar/sweeteners industry in Africa and European nations, we concur with the view of the Directors that the entering into the Supply and Service Agreements is in the interests of the Group and the Shareholders as a whole and are fair and reasonable as the Independent Shareholders are concerned.

2. Principal Terms

As set out in the "Letter from the Board", each of the African Companies has agreed to order exclusively from SATT sugar manufacturing machineries, raw materials and service with origin of source from the PRC for an initial term of three years commencing from 1 January 2009, whereas China Complant has agreed to supply sugar manufacturing machineries, raw materials, or other similar products and service with origin of source from the PRC to SATT so as to enable SATT to provide the same to its other independent customers and the African Companies for an initial term of three years commencing from 1 January 2009. However, SATT is not obliged to source sugar manufacturing machineries, raw materials, or other similar products and service exclusively from China Complant. Moreover, pursuant to the Supply and Service Agreements, (i) SATT will enter into definitive agreements with each of the African Companies and (ii) China Complant will enter into definitive agreements with SATT, from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in each of the Supply and Service Agreements. SATT, China Complant and each of the African Companies agree that the detailed terms including (but not limiting to) prices, payment and settlement terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of machineries and raw materials shall be on normal commercial terms or, if there is no sufficient comparable transactions to judge whether they are on normal commercial terms, fair and reasonable to the Company.

To assess the fairness and reasonableness of the terms of the Supply and Service Agreements, we have discussed with the Directors regarding the internal procedures on the implementation of terms in accordance with the principles set out in each of the Supply and Service Agreements. Based on our discussion, we understand that SATT regularly reviews pricing from both China Complant and other independent suppliers. SATT will compare price quotations on sugar manufacturing machineries, raw materials with similar nature and quality obtained from different suppliers at first. Before placing any orders for prototypes which will then be subject to quality inspection, each supplier is asked to provide quotation. These quotations are then compared with the principles set out in each of the Supply and Service Agreements and SATT will, from time to time, make counter quotation in order to ensure the pricing is fair and reasonable. SATT will place orders with China Complant only when the quotations submitted by China Complant are (i) in accordance with the principles set out in each of the Supply and Service Agreements and (ii) fair and reasonable as compared to those of the independent suppliers. Since SATT has not conducted any sales or purchases with parties other than China Complant and the African Companies during the nine months ended 30 September 2008, we have acquired and reviewed certain market quotations of the similar sugar machineries offered from the Independent Third Parties and we noted that the price of the sugar machineries offered from China Complant to SATT and from SATT to the African Companies is within the range of the market quotations of the similar sugar machineries offered from the Independent Third Parties.

As discussed with the Directors and the Vendor, China Complant and each of the African Companies have never conducted any sales and purchases with Independent Third Parties similar to those they have with SATT. In this regard, we have considered the fact that China Complant has supplied sugar manufacturing machineries and raw materials to the African Companies only through obtaining sugar manufacturing machineries and raw materials from the Independent Third Parties in the past and the African Companies only obtained the said products from China Complant in the past, while currently SATT supplies sugar manufacturing machineries and raw materials to the African Companies through obtaining sugar manufacturing machineries and raw materials from China Complant which obtains sugar manufacturing machineries and raw materials from the Independent Third Parties. Therefore, we have performed a review, on a sample basis, on certain sales document regarding the sugar manufacturing machineries and raw materials obtained (i) by China Complant from the Independent Third Parties; (ii) by African Companies from China Complant; (iii) by SATT from China Complant; and (iv) by the African Companies from SATT with respect to the terms of each transaction and we noted that (i) the pricing terms offered to SATT from China Complant and are similar to those offered to China Complant from the Independent Third Parties; (ii) the pricing terms offered to the African Companies from SATT are similar to those offered to African Companies from China Complant.

Given that (i) the pricing terms offered to the African Companies from SATT are no less favourable than those offered to the African Companies by China Complant; (ii) the pricing terms offered to SATT from China Complant are no less favourable than those offered to China Complant from the Independent Third Parties; and (iii) the pricing terms offered to the African Companies from SATT and to SATT from China Complant are on normal commercial terms, we consider that the pricing bases and the terms of the Supply and Service Agreements are fair and reasonable.

Based on the foregoing, we are of the view that the terms of the Supply and Service Agreements are (i) in the ordinary and usual course of business of the Group after Completion; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

3. The Annual Caps

As set out in the "Letter from the Board", the Board expects that the proposed Annual Caps in connection to the Supply and Service Agreements between SATT and African Companies will amount to USD21,899,000 (approximately HK$170,812,200), USD23,651,000 (approximately HK$184,477,800) and USD24,834,000 (HK$193,705,200) for the three years ending 31 December 2011, whereas the proposed Annual Caps in connection to under the Supply and Service Agreements between SATT and China Complant will amount to USD13,140,000 (approximately HK$102,492,000), USD14,191,000 (approximately HK$110,689,800) and USD14,901,000 (approximately HK$116,227,800) for the three years ending 31 December 2011.

The Annual Caps of the Supply and Service Agreements between SATT and the African Companies were determined with reference to:

(i) the past actual transactions between each of the African Companies with SATT, in which the amounts of transactions between each of the African Company 1, African Company 2, African Company 3 and African Company 4 with SATT from 13 November 2007 (date of incorporation) to 30 September 2008 were USD4.68 million (equivalent to approximately HK$36.5 million), USD1.13 million (equivalent to approximately HK$8.81 million), USD4.40 million (equivalent to approximately HK$34.3 million) and USD8.16 million (equivalent to approximately HK$63.6 million) respectively; and

(ii) the anticipated growth of the transactions contemplated thereunder, in which the growth rates for the amounts of transactions between the African Companies and SATT are expected to be 19%, 8% and 5% respectively from 2008 to 2009, from 2009 to 2010 and from 2010 to 2011 and such anticipated growth rates are conservatively based on different recent market research reports that give an estimate for the growth rate of the global sugar market for the three years ending 31 December 2011.

To assess the fairness and reasonableness of the Annual Caps of the Supply and Service Agreements between SATT and African Companies, we have taken into consideration the following aspects:

(i) we have reviewed the past actual transactions between each of the African Companies with SATT from 13 November 2007 to 30 September 2008;

(ii) we are advised by the management of the Company that, it is the intention of the Company that SATT shall set up a WFOE in the PRC for sourcing manufacturing machineries and raw materials in the PRC and exporting the same to the African Companies direct and thus, the role of China Complant as the major supplier of SATT will gradually be taken up by SATT; and

(iii) according to the market research reports available in the public domains that estimated the growth rate of the global sugar market and biofuel market for the three years ending 31 December 2011.

Having considered the aforesaid factors, we consider that the Annual Caps of the Supply and Service Agreements between SATT and African Companies are in line with SATT's historical turnovers and the Company's future business development. We are of the view that the Annual Caps of the Supply and Service Agreements between SATT and African Companies are fairly and reasonably determined.

Other than the aforesaid references of past actual transactions between SATT and the African Companies and the anticipated growth of those transactions, the aforesaid Annual Caps of the Supply and Service Agreements between SATT and China Complant were also determined with reference to:

(i) the average historical profit margin earned by SATT in which, in particular, the gross margin of approximately 53% derived from the audited financial statement of SATT from 1 January 2008 to 30 September 2008 as set out in Appendix I of the Circular.

In order to consider the fairness and reasonableness of the Annual Caps of the Supply and Service Agreements between SATT and China Complant, we have taken into consideration the following aspects:

(i) we have reviewed the gross margin earned by SATT as set out in the audited financial statement of SATT set out in Appendix I of the Circular from 1 January 2008 to 30 September 2008; and

(ii) the diminishing role of China Complant as the major supplier of SATT.

Having considered the aforesaid factors, we consider that the Annual Caps of the Supply and Service Agreements between SATT and China Complant are in line with SATT's historical turnovers. We are of the view that the Annual Caps of the Supply and Service Agreements between SATT and China Complant are fairly and reasonably determined.

Having reviewed and discussed with the Directors the bases and assumptions for determining the proposed annual caps which include, among other things, (i) the historical amounts in the sales of sugar manufacturing machines and raw materials; (ii) the positive prospect of the sugar industry in terms of increasing global demand for biofuel; and (iii) the historical profit margin earned by SATT, we are of the view that the bases for determining the proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken the above principal factors and reasons, we are of the view that the terms of the Supply and Service Agreements, the transactions contemplated thereunder and the Annual Caps are in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Supply and Service Agreements, the transactions contemplated thereunder and the Annual Caps are in the interests of the Company and Independent Shareholders as a whole. Therefore, we advise the Independent Board Committee and the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM approving the Supply and Service Agreements, the transactions contemplated thereunder and the Annual Caps.

Yours faithfully
For and on behalf of
Grand Vinco Capital Ltd
Alister Chung
Managing Director

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLM & Co., Certified Public Accountants, Hong Kong.

恒健會計師行
HLM & Co.
Certified Public Accountants

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23 January 2009

The Board of Directors
Hua Lien International (Holding) Company Limited
Unit 2513A, 25th Floor,
113 Argyle Street,
Mongkok, Kowloon,
Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to Sino-Africa Technology & Trading Limited ("SATT") including the balance sheets as at 31 December 2007 and 30 September 2008, the income statements, the cash flow statements and the statements of changes in equity for the period from 13 November 2007 (date of incorporation) to 31 December 2007 and from 1 January 2008 to 30 September 2008 (hereinafter referred to as the "Relevant Periods"), and the notes thereto (the "Financial Information"), for inclusion in the circular of Hua Lien International (Holding) Company Limited (the "Company") dated 23 January 2009 (the "Circular") in connection with the conditional sale and purchase agreement dated 12 November 2008 (the "Sale and Purchase Agreement") entered into between Jumbo Right Investments Limited ("Jumbo Right"), a wholly-owned subsidiary of the Company, and COMPLANT International Sugar Industry Co., Ltd. ("Vendor") pursuant to which Jumbo Right would acquire (i) 100% of the total issued share capital of SATT at an aggregate consideration of HK$853.2 million (the "Consideration") (collectively referred to as "Acquisition"). The consideration in the amount of HK$853.2 million payable would be satisfied (i) as to HK$180 million by procuring the Company to issue new shares; and (ii) as to the remaining balance of HK$673.2 million by procuring the Company to issue the Convertible Notes to the Vendor upon Completion.

SATT was incorporated in British Virgin Islands on 13 November 2007 with limited liability. The registered office of SATT is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The principal activity of SATT is the provision of supporting services to the African companies in respect of sweetener business including, but not limited to, (i) facilities, raw materials and goods supply services; (ii) management and technical staff; (iii) related consulting services on construction and contract manufacturing services.

The audited financial statements of SATT for the periods from 13 November 2007 (date of incorporation) to 31 December 2007 and from 1 January 2008 to 30 September 2008 were prepared in accordance with the relevant accounting standards and rules of Hong Kong Financial Reporting Standards. The board of directors of SATT has represented to us that the financial statements of SATT for the Relevant Periods have not been audited by any other parties before other than our engagement.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of SATT based on financial statements for the Relevant Periods, on the basis as set out in Note 3 below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of SATT are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors of SATT are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial information based on our audit. For purpose of this report, we have audited the Financial Information for the periods from 13 November 2007 (date of incorporation) to 31 December 2007 and from 1 January 2008 to 30 September 2008 in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement. We have also carried out additional procedures as necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of SATT as at 31 December 2007 and 30 September 2008 and of the results and cash flows of SATT for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards.

I. FINANCIAL INFORMATION

The following is the Financial Information of SATT for the periods from 13 November 2007 (date of incorporation) to 31 December 2007 and from 1 January 2008 to 30 September 2008, prepared on the basis set out in Note 3 below.

INCOME STATEMENT

FOR THE PERIODS FROM 13 NOVEMBER 2007 (DATE OF INCORPORATION) TO 31 DECEMBER 2007 AND FROM 1 JANUARY 2008 TO 30 SEPTEMBER 2008

	Notes	**1/1/2008-30/9/2008** *HK$*	**13/11/2007-31/12/2007** *HK$*
Turnover	*7*	143,545,100	–
Cost of sales		(67,123,338)	–
Gross profit		76,421,762	–
Administrative expenses		(1,646,179)	–
Profit before taxation	*8*	74,775,583	–
Taxation	*9*	–	–
Profit for the period		74,775,583	–

BALANCE SHEET

AT 31 DECEMBER 2007 AND 30 SEPTEMBER 2008

	Notes	30/9/2008 HK$	31/12/2007 HK$
Current assets			
Trade and other receivables	10	107,142,778	390,500
Prepayment		92,308	–
		107,235,086	390,500
Current liability			
Trade and other payables	11	32,069,003	–
Net current assets		75,166,083	390,500
Capital and reserves			
Share capital	12	390,500	390,500
Reserves		74,775,583	–
Shareholders' funds		75,166,083	390,500

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 13 NOVEMBER 2007 (DATE OF INCORPORATION) TO 31 DECEMBER 2007 AND FROM 1 JANUARY 2008 TO 30 SEPTEMBER 2008

	Share capital	Retained profits	Total
	HK$	*HK$*	*HK$*
At 13 November 2007	–	–	–
Issue of shares during the period	390,500	–	390,500
At 31 December 2007	390,500	–	390,500
Profit for the period	–	74,775,583	74,775,583
At 30 September 2008	390,500	74,775,583	75,166,083

CASH FLOW STATEMENT

FOR THE PERIOD FROM 13 NOVEMBER 2007 (DATE OF INCORPORATION) TO 31 DECEMBER 2007 AND FROM 1 JANUARY 2008 TO 30 SEPTEMBER 2008

	1/1/2008-30/9/2008	**13/11/2007-31/12/2007**
	HK$	*HK$*
OPERATING ACTIVITIES		
Profit before taxation	74,775,583	–
Increase in trade and other receivables	(106,752,278)	(390,500)
Increase in prepayment	(92,308)	–
Increase in trade and other payables	32,069,003	–
NET CASH USED IN OPERATING ACTIVITIES	–	(390,500)
FINANCING ACTIVITIES		
Net proceeds from issue of shares	–	390,500
NET CASH GENERATED FROM FINANCING ACTIVITIES	–	390,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	–	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	–	–

II. NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 13 NOVEMBER 2007 (DATE OF INCORPORATION) TO 31 DECEMBER 2007 AND FROM 1 JANUARY 2008 TO 30 SEPTEMBER 2008

1. General

SATT is incorporated in the British Virgin Islands with limited liability on 13 November 2007 and commenced its business on 1 January 2008. Its registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and its principal office is in the People's Republic of China at Complant Mansion, 9 Xi Bin He Lu, An Ding Men, Beijing, China.

SATT is principally engaged 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 goods supply services; (ii) management and technical staff; (iii) related consulting services on construction and contract manufacturing services.

The financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of SATT.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

SATT has not early applied the following new standards, amendments 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]
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]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [1]
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
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 [4]

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

[2] *Effective for annual periods beginning on or after 1 July 2009*

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

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

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

3. Principal accounting policies

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

(b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of SATT's activities. Revenue is shown net of returns, rebates and discounts.

SATT recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of SATT's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. SATT bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue on the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

(c) Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, SATT reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

(d) Financial assets

Financial assets of SATT include trade and other receivable. Management determines the classification of its financial asset at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. All financial assets are recognised when, and only when, SATT becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value plus directly attributable transactions costs.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fee that are an integral part of the effective interest rate and transaction cost.

Derecognition of financial assets

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statements of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statements for the period in which the reversal occurs.

(e) Provisions

Provisions are recognised when SATT has a present obligation as a result of past events; and it is probable that SATT will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(f) Employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

The employees of SATT which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "Scheme"). SATT is required to contribute certain percentage of its payroll costs to the Scheme. The local municipal government undertakes to assume the retirement benefits obligation of all existing and future retired employees of SATT. The only obligation of SATT with respect to the scheme is to pay the ongoing required contributions under the Scheme mentioned above. The contributions are charged to the income statement as they become payable in accordance with the rules of the Scheme.

(g) Financial liabilities

SATT's financial liabilities include trade and other payables, and receipt in advance.

Financial liabilities are recognised when SATT becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statements.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Foreign currency translations

In preparing the financial statements of the entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity. For the purposes of presenting the financial statements, the assets and liabilities of SATT's foreign operations are translated into the presentation currency of SATT (Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(i) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(j) Segment reporting

A segment is a distinguishable component of SATT that is engaged either in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with SATT's internal financial reporting system, SATT has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. Critical accounting judgements and key sources of estimation uncertainty

The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowance for bad and doubtful debts

SATT's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of SATT were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. Included in trade and other receivables are trade receivables of approximately HK$106,752,278 are all due from related parties.

5. Capital risk management

SATT's objectives when managing capital are to safeguard SATT's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, SATT may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other in the industry, SATT monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Debt is total bank borrowings (including current and non-current bank borrowings). Total capital is calculated as "equity", as shown in the balance sheet, plus debt.

As at 30 September 2008, SATT has no bank borrowings and, accordingly, the gearing ratio for the period is 0%.

6. Financial risk management objectives and policies

SATT's major financial assets include trade receivables, other receivables and other payables. Details of these financial assets are disclosed in the respective notes. The risks associated with these financial assets and the policies applied by SATT to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign exchange risk

SATT operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The exposure to fluctuations in exchange rate of HK$ is considered to be insignificant. SATT is mainly exposed to fluctuation in exchange rate of United States Dollars ("USD") against HK$. If HK$ strengthened or weakened by 5% against USD and all other variables were held constant, SATT's profit for the period ended 30 September 2008 would decrease or increase by approximately HK$3,753,689.

Credit risk

Credit risk arises from the failure of a customer or counterparty to meet its settlement obligations. The credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Concentration of credit risk are managed by customer/counterparty, by geographical region and by industry sector. Credit risk arising therefrom are assessed on individual basis. There is an average credit period of 365 days for both external customers and related parties. It arises principally from trading and other activities undertaken by SATT. Given the trade and credit history of the parties who had maintained receivable balances due from SATT as at 30 September 2008, the directors are of the opinion that the risk of default by these counterparties is not significant.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and financial assets and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, SATT aims to maintain flexibility in funding by keeping sufficient financial assets.

SATT considers that the exposure to liquidity risk is insignificant as the majority of SATT's financial assets and financial liabilities are receivable from and due to related parties and SATT has sufficient financial assets to set off the current liabilities.

7. Business and geographical segment

For management purposes, SATT is currently organised into two operating divisions – sales of machinery and equipment, and chemical fertilizers. These divisions are the basis on which SATT reports its primary segment information. Only the segment information for 2008 is shown as SATT has not commenced any business until 1 January 2008.

2008	**Machinery and equipment**	**Chemical fertilizers**	**Total**
	HK$	*HK$*	*HK$*
Turnover	65,191,273	78,353,827	143,545,100
Segment result	37,124,087	39,297,675	76,421,762
Unallocated corporate expenses			(1,646,179)
Profit before taxation			74,775,583
Income tax expense			–
Profit for the year			74,775,583

7. Business and geographical segment (Continued)

SATT's sales and purchases of machinery and equipment, and chemical fertilizers are located in the Africa and the PRC. The following is an analysis of the carrying amount of segment assets analysed by the geographical area in which the assets are located:

2008	**Africa**	**PRC (not including Hong Kong, SAR)**	**Total**
	HK$	*HK$*	*HK$*
ASSETS AND LIABILITIES			
ASSETS			
Segment assets	106,752,278	482,808	107,235,086
Unallocated corporate assets			–
Total assets			107,235,086
LIABILITIES			
Segment liabilities	–	32,069,003	32,069,003
Other information:			
Capital additions	390,500		390,500

8. Profit before taxation

	1/1/2008-30/9/2008 *HK$*	13/11/2007-31/12/2007 *HK$*
Auditor's remuneration	–	–
Directors' remunerations		
Fees	–	–
Other remunerations	–	–
Housing provident funds	111,934	–
Insurance	421,442	–
Rent and rates	276,925	–
Posting and telecommunications	43,449	–
Staff costs	652,368	–

9. Taxation

If there is any tax liability arising for SATT, the tax burden arising in any case will be borne by the Vendor.

10. Trade and other receivables

SATT has a policy of allowing an average credit period of 365 days to both external customers and related parties. Included in trade and other receivables are trade receivables of approximately HK$106,752,278 (2007: HK$nil) which are all due from related parties, the ageing analysis of which at the balance sheet date is as follows:

	1/1/2008-30/9/2008 *HK$*	13/11/2007-31/12/2007 *HK$*
Up to 30 days	26,661,348	–
31 – 60 days	1,911,233	–
61 – 90 days	–	–
91 – 270 days	78,179,697	–
	106,752,278	–

The directors consider that the carrying amount of trade receivables approximates their fair value.

Included in other receivables amounting to approximately HK$390,500 which is amount advanced to the Vendor. The directors consider that the carrying amount of other receivables approximately their fair value.

11. Trade and other payables

SATT usually settles the amounts due to various vendors within a period of 90 to 365 days. Included in trade and other payables are trade payables of approximately HK$30,330,517 (2007: HK$nil), the ageing analysis of which at the balance sheet date is as follows:

	1/1/2008-30/9/2008	**13/11/2007-31/12/2007**
	HK$	*HK$*
Up to 30 days	15,669,394	–
31 – 60 days	7,532,078	–
61 – 90 days	1,351,697	–
91 – 270 days	5,777,348	–
	30,330,517	–

The directors consider that the carrying amount of trade and other payables approximates their fair value.

12. Share capital

	30/9/2008 and 31/12/2007
Authorised share capital:	
50,000 shares of US$1 each	US$50,000
Issued and fully paid:	
Issued 50,000 ordinary shares of US$1 each	US$50,000
Shown in the financial statements as	HK$390,500

On incorporation, the authorised share capital of SATT was US$50,000 divided into 50,000 shares of US$1 each, and 50,000 shares of US$1 were issued at par and subscribed and fully paid by the subscribers to the Memorandum of Association.

13. Related party transactions

SATT had certain transactions and balances with related parties. The transactions with these parties during the year and balances with these parties at the balance sheet date are as follows:

(a) Transactions with related parties

	1/1/2008-30/9/2008 *HK$*	**13/11/2007-31/12/2007** *HK$*
Sales to		
(i) Three subsidiaries of a fellow subsidiary, COMPLANT International Holdings Limited ("COMPLANT International")	79,787,397	–
(ii) Sales to a subsidiary of another fellow subsidiary	63,757,703	–
	143,545,100	–
Purchases from China Complant	67,123,338	–

(b) Trade and other receivables

	30/9/2008 *HK$*	**31/12/2007** *HK$*
Three subsidiaries of a fellow subsidiary	42,994,575	–
Vendor	390,500	390,500
A subsidiary of another fellow subsidiary	63,757,703	–
	107,142,778	390,500

(c) Trade and other payables

	30/9/2008	31/12/2007
	HK$	*HK$*
China Complant	32,069,003	–

Vendor is the immediate holding company of SATT, having 100% direct interest in SATT. The issued share capital of Vendor also beneficially owned as to 70% by China National Complete Plant Import and Export Corporation (Group)（中國成套設備進出口公司）("China Complant").

China Complant is one of the ultimate shareholders of SATT, having 70% indirect interest in SATT and COMPLANT International. As such, the directors of SATT considered that COMPLANT International ("fellow subsidiary") as a fellow subsidiary of SATT.

14. Operating lease commitment

SATT as lessee

At the balance sheet date, SATT had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30/9/2008	31/12/2007
	HK$	*HK$*
Within one year	312,973	–
In the second to fifth year inclusive	20,060	–
	333,033	–

Operating lease payments represent rentals payable by SATT for its office premises. Leases are negotiated for an average terms of 2 years.

15. Ultimate holding company

The directors regard China Complant, a company incorporated in PRC, as the ultimate holding company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for SATT in respect of any period subsequent to 30 September 2008.

Yours faithfully

HLM & Co.
Certified Public Accountants
Hong Kong, 23 January 2009

1. INTRODUCTION

The following is the unaudited pro forma financial information of the Enlarged Group prepared in accordance with the Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed acquisition of the SATT on the financial position of the Group as if the Acquisition had been completed on 31 December 2007 and the results and cash flows of the Group as if the Acquisition had been completed on 1 January 2007. As it is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position, results and cash flows of the Enlarged Group following completion of the Acquisition.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the consolidated balance sheet of the Group as at 31 December 2007 extracted from the published annual report of the Group as at 31 December 2007 as set out in Appendix III to this circular and the audited balance sheet of SATT as at 30 September 2008 extracted from the accountant's report on SATT as set out in Appendix I to this circular as if the Acquisition had been completed on 31 December 2007.

The unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Enlarged Group is prepared based on the consolidated income statement and consolidated cash flow statement of the Group for the year ended 31 December 2007 extracted from the published annual report of the Group as of 31 December 2007 as set out in Appendix III to this circular and the audited income statement and cash flow statement of SATT for the period ended 30 September 2008 extracted from the accountants' report on SATT as set out in Appendix I to this circular as if the Acquisition has been completed on 1 January 2007.

The unaudited pro forma financial information of the Enlarged Group is based upon the published financial information of the Group and the audited financial information of SATT after giving effect to the pro forma adjustments described in the notes below. These pro forma adjustments of the Acquisition are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the published annual report of the Group and the audited accountants' report on SATT and other financial information included elsewhere in the circular.

2. UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED GROUP

	The Group as at 31 December 2007	SATT as at 30 September 2008	Sub-total	Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS AND LIABILITIES						
Non-current assets						
Property, plant and equipment	203,430	–	203,430	–		203,430
Prepaid lease payments on land use rights	44,649	–	44,649	–		44,649
Deferred tax assets	10,254	–	10,254	–		10,254
Goodwill	–	–	–	778,034	*(a)*	778,034
	258,333	–	258,333			1,036,367
Current assets						
Inventories	155,206	–	155,206	–		155,206
Trade and other receivables	142,712	107,143	249,855	–		249,855
Prepayment	–	92	92	–		92
Prepaid lease payments on land use rights	1,078	–	1,078	–		1,078
Pledged bank deposits	1,500	–	1,500	–		1,500
Bank balances and cash	52,389	–	52,389	–		52,389
	352,885	107,235	460,120			460,120
Current liabilities						
Trade and other payables	17,589	32,069	49,658	–		49,658
Other payables and accruals	–	–	–	4,000	*(d)*	4,000
Loan from a director	16,534	–	16,534	–		16,534
Tax liabilities	11,916	–	11,916	–		11,916
Amount due to minority shareholders of subsidiaries	1,880	–	1,880	–		1,880
Bank borrowings	160,358	–	160,358	–		160,358
	208,277	32,069	240,346			244,346
Net current assets	144,608	75,166	219,774			215,774
Total assets less current liabilities	402,941	75,166	478,107			1,252,141

	The Group as at 31 December 2007	SATT as at 30 September 2008	Sub-total	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current liability						
Convertible notes	–	–	–	437,095	*(c)(i)*	437,095
	–	–	–			437,095
Net assets	402,941	75,166	478,107			815,046
Capital and reserves						
Share capital	82,368	391	82,759	30,000	*(b)*	112,368
				(391)	*(a)(ii)*	
Reserves	318,477	74,775	393,252	150,000	*(b)*	700,582
				(4,000)	*(d)*	
				(74,775)	*(a)(ii)*	
				236,105	*(c)(i)*	
	400,845	75,166	476,011			812,950
Minority interests	2,096	–	2,096	–		2,096
Total equity	402,941	75,166	478,107			815,046

3. UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2007	SATT for the period from 1 January 2008 to 30 September 2008	Sub-total	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	615,203	143,545	758,748	–		758,748
Cost of sales and services	(753,113)	(67,123)	(820,236)	–		(820,236)
Gross (loss)/profit	(137,910)	76,422	(61,488)			(61,488)
Other revenue	14,638	–	14,638	–		14,638
Distribution expenses	(220)	–	(220)	–		(220)
Impairment losses on property, plant and equipment, inventories and trade and other receivables	(65,675)	–	(65,675)	–		(65,675)
Administrative expenses	(68,943)	(1,646)	(70,589)	(4,000)	*(d)*	(74,589)
(Loss)/Profit from operations	(258,110)	74,776	(183,334)			(183,334)
Finance costs	(11,292)	–	(11,292)	(39,434)	*(c)(ii)*	(50,726)
(Loss)/Profit before tax	(269,402)	74,776	(194,626)			(238,060)
Income tax expense	(18,660)	–	(18,660)	–		(18,660)
(Loss)/profit for the year/period	(288,062)	74,776	(213,286)			(256,720)
Attributable to:						
Equity holders of the Company	(293,968)	74,776	(219,192)	(43,434)	*(c)(ii), (d)*	(262,626)
Minority interest	5,906	–	5,906	–		5,906
	(288,062)	74,776	203,286			(256,720)

4. UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2007	SATT for the period from 1 January 2008 to 30 September 2008	Sub-total	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Cash flows from operating activities						
(Loss) Profit for the year/period	(269,403)	74,776	(194,627)	(43,434)	*(c)(ii), (d)*	(238,061)
Adjustments for:						
Allowance for obsolete and slow moving inventories	34,033	–	34,033	–		34,033
Allowance for bad and doubtful receivables	46,235	–	46,235	–		46,235
Impairment losses on property, plant and equipment, inventories and trade and other receivable	65,675	–	65,675	–		65,675
Depreciation	31,949	–	31,949	–		31,949
Amortization of prepaid lease payment	1,078	–	1,078	–		1,078
Gain on disposal of property, plant and equipment	(68)	–	(68)	–		(68)
Interest income	(698)	–	(698)	–		(698)
Interest expenses	11,292	–	11,292	39,434	*(c)(ii)*	50,726
Operating cash flows before movements in working capital	(79,907)	74,776	(5,131)	–		(9,131)
Increase in inventories	(3,066)	–	(3,066)	–		(3,066)
Decrease/(increase) in trade and other receivables	189,863	(106,845)	83,018	–		83,018
(Decrease)/increase in trade and other payables	(61,236)	32,069	(29,167)	4,000	*(d)*	(25,167)
Increase in amount due to minority interest	94	–	94	–		94
Cash generated from operations	45,748	–	45,748	–		45,748
Tax paid – Hong Kong profit tax	(10)	–	(10)	–		(10)
Net cash generated from operating activities	45,738	–	45,738	–		45,738
Cash flows from investing activities						
Purchases of property, plant and equipment	(2,616)	–	(2,616)	–		(2,616)
Proceeds from disposal of property, plant and equipment	500	–	500	–		500
Interest received	698	–	698	–		698
Net cash used in investing activities	(1,418)	–	(1,418)	–		(1,418)

	The Group for the year ended 31 December 2007	SATT for the period from 1 January 2008 to 30 September 2008	Sub-total	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Cash flows from financing activities						
Proceeds from issue of shares	35,967	–	35,967	–		35,967
Dividends paid to minority interest	(5,906)	–	(5,906)	–		(5,906)
Expenses on issue of shares	(1,010)	–	(1,010)	–		(1,010)
Proceeds from issue of warrants	4,942	–	4,942	–		4,942
Interest paid	(11,292)	–	(11,292)	–		(11,292)
Repayments of borrowings	(92,973)	–	(92,973)	–		(92,973)
Bank borrowings raised	61,158	–	61,158	–		61,158
Repayment of loan from a director	(298)	–	(298)	–		(298)
Net cash used in financing activities	(9,412)	–	(9,412)	–		(9,412)
Net increase in cash and cash equivalents	34,908	–	34,908	–		34,908
Effect of foreign exchange rate change	4,374	–	4,374	–		4,374
Cash and cash equivalents at beginning of year/period	13,107	–	13,107	–		13,107
Cash and cash equivalents at end of year/period	52,389	–	52,389	–		52,389
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	52,389	–	52,389	–		52,389
	52,389	–	52,389	–		52,389

5. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) Upon completion of the Acquisition, SATT will be accounted for as a wholly-owned subsidiary of the Company. Under HKFRS 3, Business Combinations, the Group will apply the purchase method to account for the Acquisition. In applying the purchase method, the identifiable assets and liabilities of SATT will be recorded on the consolidated balance sheet of the Group at its fair value at the date of acquisition. Any goodwill or discount arising on the Acquisition will be determined as the excess or deficit of the consideration to be incurred by the Group over the Group's interest in the net fair value of the identifiable assets and liabilities of SATT at the date of completion. Excess of Group's interest in the net fair value of the identifiable assets and liabilities of SATT over the fair consideration paid should be recognised immediately in the consolidated income statement.

(i) The adjustment represents the goodwill of approximately HK$778,034,000 arising from the Acquisition, which is derived from the calculation as follows:

	HK$'000
Fair value of net assets of SATT	75,166
Goodwill	778,034
Total consideration	853,200
Total consideration will be settled as follows:	
First instalment of the consideration by issue of shares *(note b)*	180,000
Second instalment of the consideration by issue of Convertible Notes *(note (c)(i))*	
– Tranche 1 Convertible Notes	366,600
– Tranche 2 Convertible Notes	306,600
	853,200

The goodwill represents the excess of the fair value of consideration of the Acquisition over the fair value of the identified assets and liabilities of SATT. On completion, the fair value of the identifiable assets and liabilities of SATT will have to be reassessed. As a result of the reassessment, the amount of goodwill may be different from the amount estimated based on the basis stated above for the purpose of preparation of the unaudited pro forma consolidated balance sheet. Accordingly, the actual goodwill at the date of completion may be different from the amount presented above.

(ii) The adjustment reflects the elimination of pre-acquisition reserve of SATT of approximately HK$74,775,000 and share capital of SATT of approximately HK$391,000.

(b) The adjustment represents the effect of the Acquisition on the consolidated balance sheet of the Group as if the Acquisition had taken place on 31 December 2007. The consideration of HK$853,200,000 is to be satisfied in full by way of the issue of 300,000,000 new shares at a price of HK$0.6 each; and (ii) issue of Convertible Notes as to the remaining of HK$673,200,000.

The issue of new shares will increase the Company's share capital by approximately HK$30,000,000 and share premium by approximately HK$150,000,000.

(c) (i) The adjustment represents the liability and equity components of the Convertible Notes issued for the Acquisition as if it was issued on 31 December 2007. The estimated fair value of the liability component of the Convertible Notes is HK$437,094,533 determined using the discounted cash flow method of annual zero coupon rate and par value of Convertible Notes and by discounted annual rate of 9.0219% which was determined by BMI Appraisals Limited, an independent professional valuer, located at Suites 11-18, 31st Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, the valuer of the Convertible Notes, and 5 years expected life. The discounted annual rate was the sum of the risk free rate and the credit spread. The risk free rate was determined with reference to the yield of the Hong Kong Exchange Fund Notes with duration similar to the contractual life of the Convertible Notes. The credit spread is a premium above the yield on a default-free notes issue necessary to compensate for the risks associated with the notes. The estimated fair value of the equity component is HK$236,105,467.

(ii) The adjustment represents the imputed interest expenses on the Convertible Notes at imputed interest rates of 9.0219% per annum, assuming that the Convertible Notes are outstanding for a full year. This pro forma adjustment will have continuing income statement effect to the Enlarged Group.

(d) The adjustment represents the professional fee and other transaction costs of approximately HK$4,000,000 directly attributable to the Acquisition.

(e) In accordance with the Group's accounting policies, leasehold land, land use rights and buildings are stated at historical cost less accumulated amortisation/depreciation and impairment losses, if any. The Group's properties interests as at 30 November 2008 were revalued by Vigers Appraisal & Consulting Limited, an independent property valuer, and the relevant property valuation report is set out in "Appendix V – Property valuation". The net revaluation surplus, representing the excess of market value of the properties over their book value, is approximately HK$48,572,000. Such revaluation surplus has not been included in the Group's consolidated financial statements as at 31 December 2007 and will not be included in the Group's consolidated financial statements for the year ending 31 December 2008. The above pro forma adjustment does not take into account the above revaluation surplus.

恒健會計師行
HLM & Co.
Certified Public Accountants

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23 January 2009

The Board of Directors
Hua Lien International (Holding) Company Limited
Unit 2513A, 25th Floor,
113 Argyle Street,
Mongkok, Kowloon,
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Enlarged Group set out in Appendix II to the circular of Hua Lien International (Holding) Company Limited (the "Company" together with its subsidiaries are referred to as the "Listed Group") dated 23 January 2009 which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed acquisition of the 100% equity interest in Sino-Africa Technology & Trading Limited (the "Target Group"), might have affected the consolidated income statement and consolidated cash flow statement of the Listed Group for the year ended 31 December 2007 and the consolidated balance sheet of the Listed Group as at 31 December 2007. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the section headed "Introduction to the unaudited pro forma financial information" and "Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group" of this Appendix.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by Paragraph 4.29 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Report on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Listed Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the results and cash flows of the Enlarged Group for the year ended 31 December 2007 or any future periods; or

- the financial position of the Enlarged Group as at 31 December 2007 or any future dates.

OPINION

In our opinion:

(a) the accompanying Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Listed Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

HLM & Co.
Certified Public Accountants
Hong Kong

1. SUMMARY OF FINANCIAL STATEMENTS

(a) Set out below is the financial summary of the audited consolidated results of the Group for each of the three years ended 31 December 2007 as extracted from the Group's annual report.

FINANCIAL SUMMARY

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
Turnover	874,629	718,909	615,203
Cost of sales	(832,005)	(694,855)	(753,113)
Gross (loss) profit	42,624	24,054	(137,910)
Other operating income	5,562	14,565	14,638
Distribution costs	(720)	(408)	(220)
Administrative expenses	(25,555)	(31,786)	(68,943)
Impairment losses on property, plant and equipment, inventories and trade and other receivables	–	(112,242)	(65,675)
(Loss) profit from operations	21,911	(105,817)	(258,110)
Finance costs	(10,271)	(8,619)	(11,292)
(Loss) profit from ordinary activities before tax	11,640	(114,436)	(269,402)
Income tax (expense) income	(3,414)	1,597	(18,660)
(Loss) profit before minority interests	8,226	(112,839)	(288,062)
Minority interests	(4,641)	39,477	(5,906)
Net (loss) profit for the year	3,585	(73,362)	(293,968)

	As at 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Total assets	1,063,839	938,353	611,218
Total liabilities	(316,833)	(291,806)	(208,277)
Minority interests	(47,183)	(2,096)	(2,096)
	699,823	644,451	400,845

(b) Set out below are the audited consolidated financial statements of the Group as contained in the annual report of the Company for the year ended 31 December 2007, together with the accompanying notes.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2007

		2007	2006
	Notes	*HK$'000*	*HK$'000*
Turnover		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	*8*	(65,675)	(112,242)
Loss from operations	*9*	(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	*12*	(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	*13*	–	–
Loss per share (cents)	*14*		
–Basic		(39.61)	(10.68)
–Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31st December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	15	203,430	221,065
Prepaid lease payments on land use rights	16	44,649	43,441
Deferred tax assets	18	10,254	27,560
		258,333	292,066
Current assets			
Inventories	19	155,206	186,173
Trade and other receivables	20	142,712	444,483
Prepaid lease payments on land use rights	16	1,078	1,024
Pledged bank deposits	24(iii)	1,500	1,500
Bank balances and cash	21	52,389	13,107
		352,885	646,287
Current liabilities			
Trade and other payables	22	17,589	78,825
Loan from a director	23	16,534	16,832
Tax liabilities		11,916	11,799
Amounts due to minority shareholders of subsidiaries		1,880	1,786
Bank borrowings	24	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	25	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

BALANCE SHEET

As at 31st December 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Non-current asset			
Interests in subsidiaries	*17*	364,026	547,331
Current asset			
Bank balances and cash		40,234	22
Current liabilities			
Other payables		1,033	813
Loan from a director		408	317
Amount due to a subsidiary		1,974	1,679
		3,415	2,809
Net current assets (liabilities)		36,819	(2,787)
Net assets		400,845	544,544
Capital and reserves			
Share capital	*25*	82,368	68,640
Reserves	*26*	318,477	475,904
Shareholders' funds		400,845	544,544

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2007

	Share capital	Share premium	Warrant reserve	Translation reserve	Goodwill reserve	Special reserve (note i)	PRC statutory reserves (note ii)	Accumulated profits	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2006	68,640	–	–	6,497	(24,509)	238,966	21,296	388,933	699,823	47,183	747,006
Transfer	–	–	–	–	–	–	614	(614)	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	17,990	–	–	–	–	17,990	–	17,990
Net loss for the year	–	–	–	–	–	–	–	(73,362)	(73,362)	(39,477)	(112,839)
Pre-determined distribution	–	–	–	–	–	–	–	–	–	(5,610)	(5,610)
At 31st December 2006 and 1st January 2007	68,640	–	–	24,487	(24,509)	238,966	21,910	314,957	644,451	2,096	646,547
Shares issued	13,728	22,239	–	–	–	–	–	–	35,967	–	35,967
Transaction costs attributable to issue of shares	–	(1,010)	–	–	–	–	–	–	(1,010)	–	(1,010)
Warrants issued	–	–	4,942	–	–	–	–	–	4,942	–	4,942
Exchange difference arising on translation of foreign operations	–	–	–	10,463	–	–	–	–	10,463	–	10,463
Net loss for the year	–	–	–	–	–	–	–	(293,968)	(293,968)	5,906	(288,062)
Pre-determined distribution	–	–	–	–	–	–	–	–	–	(5,906)	(5,906)
At 31st December 2007	82,368	21,229	4,942	34,950	(24,509)	238,966	21,910	20,989	400,845	2,096	402,941

Notes:

(i) The special reserve of the Group represents the difference between the nominal amount of the ordinary share capital issued by the Company in exchange for the nominal amount of the share capital of Hua Lien Group (Holding) Company, Limited acquired pursuant to the group reorganisation in 2000.

(ii) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Group are required to provide for three reserve funds, being a statutory surplus reserve fund, an enterprise expansion fund, and a staff welfare and incentive bonus fund. Appropriations to such reserve funds are made out of net profit after tax of the statutory financial statements of the PRC subsidiaries and the amount and allocation basis are decided by their respective board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses of the PRC subsidiaries, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation. The staff welfare and incentive bonus fund is reserve for future expenditure on staff welfare and incentive bonus.

The appropriations to the statutory surplus reserve fund and enterprise expansion fund are reflected in the consolidated balance sheet under shareholders' funds as PRC statutory reserves. However, the appropriation to staff welfare and incentive bonus fund is charged to consolidated income statement, and the unused portion is recorded as a current liability.

(iii) The joint venture partner of Jiangmen Hua Lien Tannery Co., Ltd. is entitled to a pre-determined distribution throughout the entire cooperative joint venture period. Details of those pre-determined distribution is set out in note 27(c).

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss from operating activities before tax	(269,403)	(114,436)
Adjustments for:		
Impairment losses on property, plant and equipment, inventories and trade and other receivables	65,675	112,242
Allowance for bad and doubtful receivables, net	46,235	11,912
Allowance (write-back) on allowance for obsolete and slowing moving inventories	34,033	(847)
Depreciation and amortisation of property, plant and equipment	31,949	34,398
Amortisation of prepaid lease payment	1,078	1,024
(Gain) loss on disposal of property, plant and equipment	(68)	147
Interest income	(698)	(639)
Interest expense	11,292	8,619
Operating cash flows before movements in working capital	(79,907)	52,420
(Increase) decrease in inventories	(3,066)	10,870
Decrease (increase) in trade and other receivables	189,863	(59,772)
Decrease in amounts due from minority shareholders of subsidiaries	–	621
Decrease in trade and other payables	(61,236)	(2,173)
Increase in amounts due to minority shareholders of subsidiaries	94	–
Cash generated from operations	45,748	1,966
Hong Kong Profits Tax paid	(10)	(25)
PRC enterprise income tax paid	–	(3,158)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	45,738	(1,217)

	2007	2006
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,616)	(626)
Interest received	698	639
Decrease in pledged bank deposits	–	8,600
Proceeds from disposal of property, plant and equipment	500	12
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(1,418)	8,625
FINANCING ACTIVITIES		
Proceeds from issue of shares	35,967	–
Expenses on issue of shares	(1,010)	–
Proceeds from issue of warrants	4,942	–
Repayment of borrowings	(92,973)	(104,415)
Dividends paid to minority shareholders of subsidiaries	(5,906)	(5,610)
Interest paid	(11,292)	(8,619)
Bank borrowings raised	61,158	75,500
Repayment of loan from a director	(298)	(16)
NET CASH USED IN FINANCING ACTIVITIES	(9,412)	(43,160)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,908	(35,752)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	13,107	30,869
Effect of foreign exchange rate changes	4,374	17,990
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	52,389	13,107
CASH AND CASH EQUIVALENTS REPRESENT:		
Bank balances and cash	52,389	13,107

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2007

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its registered office is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and principal place of business in Hong Kong is at Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong. Its ultimate holding company is Joyce Services Limited ("Joyce"), a company which is incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 32.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

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.

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, Minimum/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.

3. Significant accounting policies

The consolidated financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKICPA.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gain or loss on the disposal of an entity included the carrying amount of goodwill relating to the entity sold.

In previous years, the goodwill arising on acquisitions prior to 1st January 2001 was held in reserves. The Group has applied the relevant transitional provisions in the HKFRS 3 for non-restatement of such goodwill and the non-recognition of such goodwill in the profit or loss upon disposal or impairment.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Turnover

Turnover represents the net amounts received and receivable for goods supplied to outside customers, less returns and discounts during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Construction in progress is stated at cost less any identified impairment loss which includes all construction costs and other direct costs attributable to such projects. Construction in progress is not depreciated until completion of construction and the asset is being put into use. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment.

The cost of land use rights is amortised over the period of the rights using the straight line method. Depreciation is charged so as to write off the cost of other items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	2%-5%
Plant and machinery	10%
Furniture and equipment	20%-25%
Motor vehicles	20%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statements items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations in the People's Republic of China (the "PRC") are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Leases where substantially all the risks and rewards of ownership of asset remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Retirement benefit costs

Payments to state managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as expenses when they fall due.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of those financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. Key sources of estimation uncertainty

The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2007, the carrying amount of trade receivables is approximately HK$97,171,000.

Allowance for inventories

The management of the Group reviews its inventories at each balance sheet date and make allowance for obsolete and slow-moving inventory items identified that is no longer suitable for use in production. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and make allowance for obsolete items. As at 31st December, 2007, the carrying amount of inventories is approximately HK$155,206,000.

5. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group monitors its capital structure on the basis of a net debt-to-adjusted-capital ratio. For this purpose, net debt is defined as the borrowings as disclosed in note 24 net of cash and cash equivalents, and adjusted-capital is defined as equity attributable to equity holders of the Company, comprising issued share capital, share premium, accumulated profits and other reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associates with each class of capital. Based on recommendation of directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt and the redemption of existing debt.

6. Financial instruments

6a. The carrying amounts of each of the categories of financial instruments

	2007	2006
	HK$'000	*HK$'000*
Financial assets		
Trade and other receivables	142,712	444,483
Pledged bank deposit	1,500	1,500
Bank balance and cash	52,389	13,107
	196,601	459,090
Financial liabilities		
Trade and other payables	17,589	78,825
Bank borrowings	160,358	182,564
	177,947	261,389

6b. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and other receivables, bank balances, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in event of the counterparties failure to perform their obligations as at 31st December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits and balances is limited because the counterparties are major banks. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

With regard to 2007 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flow from operations to meet its debt obligations as they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The maturity profile of the Group's financial liabilities as at the balance sheet date are as follows:

	Weighted average effective interest rate	Less than 1 year	1-2 years	2-5 years	More than 5 years	Carrying amount at 31.12.2007
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007						
Trade and other payables	N/A	17,589	–	–	–	17,589
Bank borrowings	6.6%	160,358	–	–	–	160,358
		177,947	–	–	–	177,947

	Weighted average effective interest rate	Less than 1 year	1-2 years	2-5 years	More than 5 years	Carrying amount at 31.12.2006
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006						
Trade and other payables	N/A	78,825	–	–	–	78,825
Bank borrowings	4.5%	182,564	–	–	–	182,564
		261,389	–	–	–	261,389

Interest rate risk

The Group's bank balances carry floating-rate of interests and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates. The Group currently does not have any interest rate hedging policy in relation to interest rate risks. However, the directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risks should the needs arise.

The Group's exposure to cash flow interest rate risk is mainly attributable to the variable-rate bank borrowings. As at 31st December 2007 and 2006, if interest rate on borrowing has been 5% higher/lower with all other variable held constant, loss for the current year/prior year would have been would decrease/increase by approximately HK$580,000 (2006: decrease/increase by approximately HK$528,000).

Other price risk

The Group is not exposed to any equity securities risk.

Currency risk

Certain of the financial assets and liabilities of the Group are denominated in foreign currencies. The Group will consider forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

	2007	2006
	HK$'000	*HK$'000*
Financial assets denominated in foreign currencies	151,495	483,567
Financial liabilities denominated in foreign currencies	176,401	260,037
The financial assets were denominated in the following foreign currencies:		
RMB	151,495	483,567
The financial liabilities were denominated in the following foreign currencies:		
RMB	89,693	177,665
USD	86,708	82,372
	176,401	260,037

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the HKD exchange rate, with other variable held constant, of the Group net loss (due to the change in fair value of the monetary assets and liability).

	Increase/ decrease in foreign currency rate	**Effect on loss before taxation**	
		2007	**2006**
		HK$'000	*HK$'000*
RMB	5%	3,090	15,295
	-5%	(3,090)	(15,295)
USD	5%	(4,335)	(4,118)
	-5%	4,335	4,118

7. 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").

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)

The following is an analysis of the carrying amount of segment assets and segment liabilities analysed by the geographical location of its customers:

2007

	USA	**PRC**	**Others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	87,007	10,164	–	97,171
Unallocated assets				514,047
Consolidated total assets				611,218
LIABILITIES				
Unallocated liabilities				208,277
OTHER INFORMATION				
Allowance for bad and doubtful receivables, net	30,424	15,812	–	46,236

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)

The following is an analysis of the carrying amount of segment assets and segment liabilities analysed by the geographical location of its customers:

2006

	USA	**PRC**	**Others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	172,723	12,410	–	185,133
Unallocated assets				753,220
Consolidated total assets				938,353
LIABILITIES				
Unallocated liabilities				291,806
OTHER INFORMATION				
Allowance for bad and doubtful receivables, net	6,859	5,053	–	11,912

In addition to the analysis by geographical location of its customers, the following is an analysis of the carrying amount of consolidated segment assets and capital expenditure, analysed by the geographical area in which the assets and liabilities are located:

	Carrying amount of segment assets		**Capital expenditure**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	45,113	5,384	5	–
Elsewhere in the PRC	555,851	905,409	2,611	626
	600,964	910,793	2,616	626

8. 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

9. Loss from operations

	2007	2006
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Directors' remunerations *(note 10)*	750	1,913
Retirement benefits scheme contributions	457	562
Other staff costs	11,666	13,657
Total staff costs	12,873	16,132
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
Auditors' remuneration	454	465
Allowance for bad and doubtful receivables, net	46,236	11,912
Provision (write-back) on allowance for obsolete and slow moving inventories	34,033	(847)
Loss on disposal of property, plant and equipment	–	136
and after crediting:		
Net foreign exchange gains	3,063	3,865
Interest income	698	639
Gain on disposal of property, plant and equipment	68	–

10. Directors' remunerations

Details of remuneration paid by the Group to directors during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Directors' fees	140	90
Salaries and allowances of directors	610	1,823
Total directors' remunerations	750	1,913

Their aggregate emoluments of the directors were within the following bands:

	2007	2006
	HK$'000	*HK$'000*
HK$ nil to HK$1,000,000	9	7

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

The emoluments paid or payable to each of the nine (2006: seven) directors were as follows:

The Group	Fees	Salaries, allowances and other remuneration	Employer's contributions to retirement benefits schemes	2007 Total emoluments	2006 Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Liaw Yuan Chian	–	100	–	100	840
Shih Chian Fang	–	100	–	100	533
Zhou Yan Xia	–	240	–	240	–
Kuang Yong	–	50	–	50	–
Chaiteerath Boonchai	–	–	–	–	180
Chen Ling	–	120	–	120	270
Independent Non-executive Directors					
Zheng Liu	50	–	–	50	–
Yu Chi Jui	30	–	–	30	30
Li Xiao Wei	30	–	–	30	30
Fu Heng Yang	30	–	–	30	30
	140	610	–	750	1,913

11. Employees' emoluments

The aggregate emoluments of the five highest paid individuals included one (2006: three) executive directors of the Company, whose emoluments are included in note 10 above. The emoluments of the remaining four (2006: two) highest paid individuals are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and allowances	896	745
Retirement benefits scheme contributions	12	12
	908	757

The emoluments of each of the remaining four (2006: two) highest paid individuals did not exceed HK$1,000,000 in both years.

12. 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 *(note 18)*	18,644	(3,729)
	18,660	(1,597)

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 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.

The income tax expense (income) for the year can be reconciled to the loss per the consolidated income statement as follows:

	2007		**2006**	
	HK$'000	*%*	*HK$'000*	*%*
Loss before tax	(269,402)		(114,436)	
Tax at the income tax rate of 23% (2006: 23%) *(Note)*	(61,962)	(23.0)	(26,320)	(23.0)
Tax effect of expenses that are not deductible in determining taxable profit	64,141	23.8	26,887	23.5
Tax effect of income that is not taxable in determining taxable profit	(2,877)	(1.1)	(1,807)	(1.6)
Tax effect of tax losses not recognised	20,283	7.5	–	–
Effect of different tax rates of subsidiaries operating in different province of the PRC	(925)	(0.3)	(357)	(0.3)
Income tax expense (income) and effective tax rate for the year	18,660	6.9	(1,597)	(1.4)

Note: The income tax rate represents the average of the tax rate in the province in which the PRC subsidiaries are operated.

13. Dividend

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

14. 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 shares 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.

15. Property, plant and equipment

	Buildings	Plant and machinery	Furniture and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
COST						
At 1st January 2006	220,972	354,578	31,157	7,585	3,226	617,518
Exchange adjustments	13,258	21,842	1,816	443	194	37,553
Additions	–	42	14	–	570	626
Disposals	–	(97)	(217)	(855)	–	(1,169)
At 31st December 2006	234,230	376,365	32,770	7,173	3,990	654,528
Exchange adjustments	12,327	20,306	1,678	367	209	34,887
Additions	198	840	19	488	1,071	2,616
Transfers	270	–	–	–	(270)	–
Disposals	–	(3,164)	–	(561)	–	(3,725)
At 31st December 2007	247,025	394,347	34,467	7,467	5,000	688,306
DEPRECIATION AND AMORTISATION						
At 1st January 2006	65,240	243,494	31,146	7,076	–	346,956
Exchange adjustments	3,914	14,702	1,713	415	–	20,744
Provided for the year	10,614	23,363	–	421	–	34,398
Impairment loss recognised	26,037	6,338	–	–	–	32,375
Eliminated on disposals	–	(59)	(182)	(769)	–	(1,010)
At 31st December 2006	105,805	287,838	32,677	7,143	–	433,463
Exchange adjustments	5,569	15,169	1,654	365	–	22,757
Provided for the year	10,147	21,481	–	321	–	31,949
Eliminated on disposals	–	(2,788)	–	(505)	–	(3,293)
At 31st December 2007	121,521	321,700	34,331	7,324	–	484,876
NET BOOK VALUES						
At 31st December 2007	125,504	72,647	136	143	5,000	203,430
At 31st December 2006	128,425	88,527	93	30	3,990	221,065

The land and buildings of the Group are situated in the PRC and held under medium-term land use rights.

16. Prepaid lease payments on land use rights

	2007	2006
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Non-current asset	44,649	43,441
Current asset	1,078	1,024
	45,727	44,465

The leasehold land is held under medium-term lease and situated in PRC.

17. Interests in subsidiaries

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	476,175	476,175
Impairment loss recognised	(183,227)	–
	292,948	476,175
Amounts due from subsidiaries	71,078	71,156
	364,026	547,331

The carrying value of the unlisted shares is based on the fair values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the Group reorganisation in 2000.

Details of the Company's subsidiaries at 31st December 2007 are set out in note 32.

In the opinion of the directors, the amounts due from subsidiaries are unsecured, non-interest bearing and are unlikely to be repayable within one year from the balance sheet date and are therefore shown in the balance sheet as non-current.

18. Deferred tax assets

The following are the major deferred tax assets recognised by the Group:

	Accelerated accounting depreciation	Inventories	Trade receivables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2006	9,252	1,824	11,577	22,653
Exchange Adjustments	555	(72)	695	1,178
(Charge) credit to income *(note 12)*	873	(834)	3,690	3,729
At 31st December 2006 and 1st January 2007	10,680	918	15,962	27,560
Exchange Adjustments	562	(64)	840	1,338
Charge to income *(note 12)*	(878)	(964)	(16,802)	(18,644)
At 31st December 2007	10,364	(110)	–	10,254

There was no significant unprovided deferred tax for the Group and the Company for the year or at the balance sheet date.

19. Inventories

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	49,052	56,822
Work in progress	101,104	117,647
Finished goods	5,050	11,704
	155,206	186,173

20. 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:

	THE GROUP	
	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

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

21. Bank balances and cash

Bank balances carry interest at market rates which range from 0.5% to 4.5% (2006: 1.5 % to 3.5%).

22. 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:

	THE GROUP	
	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

The directors consider that the carrying amount of trade and other payables approximates their fair value.

23. Loan from a director

The loan from Mr. Shih Chian Fang is unsecured, interest-free and is repayable on demand.

24. Bank borrowings

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Secured bank loans	73,650	100,192
Unsecured bank loans	86,708	82,372
	160,358	182,564

The bank borrowings are repayable as follows:

Within one year or on demand	160,358	182,564
One to two years	–	–
Two to five years	–	–
	160,358	182,564
Less: Amount due within one year shown under current liabilities	(160,358)	(182,564)
Amount due after one year	–	–

The carrying amounts of the Group's borrowings approximate their fair value.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	Denominated in RMB'000	**Denominated in US$'000**
As at 31st December 2007	69,968	9,800
As at 31st December 2006	100,192	9,800

The effective borrowing rate of the Group ranged from 5.1% to 10.9% (2006: 5.18% to 7.02%).

During the year, the Group obtained new loans with aggregate amount of approximately HK$61 million. The proceeds were used for working capital purpose.

The carrying amount of bank borrowings approximates their fair value and the weighted average interest rates approximate the respective market rates.

At 31st December 2007, the Group's banking facilities were secured by the following:

(i) Certain of the Group's prepaid lease payment on land use rights, property, plant and equipment with a carrying value as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Prepaid lease payments on land use right and building	93,320	85,218
Plant and machinery	57,984	51,849
	151,304	137,067

(ii) Inventories of the Group of approximately HK$51 million (2006: HK$52 million);

(iii) Bank deposits of the Group of approximately HK$1.5 million (2006: HK$1.5 million);

(iv) Cross-guarantees between subsidiaries; and

At the balance sheet date, the Company had not given any guarantees to banks in respect of general banking facilities granted to subsidiaries.

On 12 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.

25. Share capital

	Number of Shares			
	2007	**2006**	**2007**	**2006**
	'000	*'000*	*HK$'000*	*HK$'000*
Ordinary shares 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
Shares issued	137,280	–	13,728	–
At end of year	823,680	686,400	82,368	68,640

On 6th August 2007, the Company had 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.

26. Reserves

	Contributed surplus *(note i)* *HK$'000*	Share premium *(note ii)* *HK$'000*	Warrant reserve *(note iii)* *HK$'000*	Accumulated profits (losses) *(note iv)* *HK$'000*	Total *HK$'000*
THE COMPANY					
At 1st January 2006	468,576	–	–	7,780	476,356
Loss for the year	–	–	–	(452)	(452)
At 31st December 2006 and 1st January 2007	468,576	–	–	7,328	475,904
Shares issued	–	22,239	–	–	22,239
Transaction costs attributable to issue of shares	–	(1,010)	–	–	(1,010)
Warrants issued	–	–	4,942	–	4,942
Loss for the year	–	–	–	(183,598)	(183,598)
At 31st December 2007	468,576	21,229	4,942	(176,270)	318,477

Notes:

(i) The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the group reorganisation in 2000 and the nominal value of the Company's shares issued for the acquisition.

(ii) On 6th August 2007, the Company issued and allotted a total of 13,728,000 shares of HK$0.1 each for consideration of HK$0.262 per share at a share premium of HK$0.162 per share.

(iii) On 4th October 2007, the Company issued 164,736,000 warrants of HK$0.1 each to be exercised at any time on or before 4th October 2011, which entitled the holders to HK$0.6 in cash for new share for each warrant. Exercise in full of the warrants would result in the issue of 164,736,000 additional ordinary shares of HK$0.1 each. During the period to the end of year, no new shares were subscribed under the warrants.

(iv) At 31st December 2007, the Company's reserves available for distribution to shareholders of approximately HK$292,306,000 (2006: HK$475,904,000) comprised the contributed surplus of approximately HK$468,576,000 (2006: HK$468,576,000) and the accumulated losses of approximately HK$176,270,000 (2006: accumulated profits of approximately HK$7,328,000).

27. Commitments

a. Operating lease commitments:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Minimum lease payments paid during the year under operating leases in respect of land and buildings and office premises	245	757

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	156	245
In the second to fifth year inclusive	–	125
Over five years	–	–
	156	370

Operating lease payments principally represent rentals payable by the Group for certain of its office premises for 2007 and factory properties and office premises for 2006. Leases are negotiated for terms from 1 to 20 years and rentals are fixed throughout the lease terms.

The Company did not have any significant operating lease commitments at the balance sheet date.

b. Capital commitments:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	–	–

The Company did not have any significant capital commitments at the balance sheet date.

c. Other commitments:

Under the terms of a cooperative joint venture agreement in respect of 江門華聯製皮工業有限公司 Jiangmen Hua Lien Tannery Co., Ltd. ("Jiangmen Hua Lien", formerly known as 新會華聯製皮工業有限公司 Xin Hui Hua Lien Tannery Co., Ltd.), a subsidiary of the Company, Galloon International (Holding) Company, Limited ("Galloon International") is entitled to all of the net profit or loss of Jiangmen Hua Lien throughout the entire cooperative joint venture period after the payment of a pre-determined distribution by Jiangmen Hua Lien each year to the joint venture partner of Galloon International (the "Joint Venture Partner"). In the event that Jiangmen Hua Lien does not have sufficient distributable profit to make the required payments to the Joint Venture Partner, Galloon International is responsible for making such payments to the Joint Venture Partner as compensation. At 31st December 2007, the pre-determined distributions payable to the Joint Venture Partner over the entire cooperative joint venture period are as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Amount payable:		
Within one year	5,906	5,610
One to two years	5,906	5,610
Two to five years	15,500	14,725
Over five years	47,772	50,994
	75,084	76,939

The Company did not have any significant other commitments at the balance sheet date.

28. Share options scheme

2000 Share Option Scheme

The Company's 2000 Share Option Scheme was adopted pursuant to a resolution passed on 4th January 2000 and has terminated by a resolution passed by shareholders on 20th September 2007.

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a new share option scheme (the "2007 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 20th September 2007. The details of the 2007 Share Option Scheme as pursuant to the Listing Rules, are set out in the Company's circular dated 3rd September 2007.

During the year ended 31st December 2007, there are no option was granted since adoption under the terminated 2000 share option scheme.

2007 Share Option Scheme

The purpose of the 2007 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the employees, directors, consultants and advisers of the Group and to promote the success of the Group. Qualifying participant of the 2007 Share Option Scheme means (a) any executive director, employee or proposed employee including full time or part time of any member of the Group (b) any non-executive director including independent non-executive directors of any member of the Group; (c) any supplier of goods or services to any member of the Group; (d) any customer of any member of the Group; (e) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; (f) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (g) any joint venture partner, business or strategic alliance partner of any member of the Group; (h) any discretionary trust whose discretionary objects may be any of (a) to (g).

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10 per cent. of the shares in issue as at the date of the adoption of the 2007 Share Option Scheme (the "Scheme Mandate Limit") provided that the Company may at any time as the Board of Directors of the Company may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme (and under any other scheme of the Company) shall not be exceed 10 per cent. of the shares in issue as at the date of approval by the shareholders of the Company in general meeting where such limit is refreshed. Options previously granted under the 2007 Share Option Scheme and any other scheme of the Company (including those outstanding, cancelled, and lapsed in accordance with the terms of the 2007 Share Option Scheme or any other scheme of the Company or exercised options under the said scheme) shall not be counted for the purpose of calculating the limit as refreshed. Notwithstanding aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2007 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30 per cent. of the Shares in issue from time to time. As at the date of the annual report, a total of 82,368,000 shares (representing approximately 10 per cent. of the existing issued share capital of the Company) are available for issue under the 2007 Share Option Scheme.

The total number of shares in issued and to be issued upon exercise of the options granted to each individual under the 2007 Share Option Scheme and any other option scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the total number of shares in issue.

The period within which an option may be exercised will be determined by the Board of Directors of the Company in its absolute discretion, save that no option may be exercised later than 10 years from the date on which the option is granted. Subject to the provisions of the 2007 Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any conditions in relation thereto in addition to those set forth in the 2007 Share Option Scheme as it may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria conditions and the satisfactory performance. However the 2007 Share Option Scheme itself does not specify any minimum holding period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a nominal value of HK$1.00 in total by the grantee. The exercise period of the share options granted is determined by the Board of Directors, and shall not exceed a period of ten years after the date of grant.

The subscription price in respect of any particular option under the 2007 Share Option Scheme shall be such price as the Board may at its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a share; (b) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the Board resolution approving the grant of options; and (c) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of options.

The 2007 Share Option Scheme will expire on 19th September 2017.

As at the balance sheet date, no share option has been granted under the 2007 Share Option Scheme since its adoption.

29. Retirement benefits schemes

The Group operates the MPF Scheme established under the Mandatory Provident Fund Ordinance for its qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The employees in the Group's PRC subsidiaries are members of the state-managed retirement benefit scheme operated by the PRC government. The PRC subsidiaries are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the respective schemes.

At the balance sheet date, there were no significant forfeited contributions available to reduce the contribution payable in the future years.

The total cost charged to the consolidated income statement of approximately HK$0.5 million (2006: HK$0.6 million) represents contributions payable to these schemes by the Group in respect of the current accounting period.

30. Related party transactions and balances

During the year, the Group had certain transactions with related parties. Details of these transactions for the year and balances at 31st December 2007 with related parties are as follows:

(a) Balances

Details of balances with the related parties at the balance sheet date is set out in the consolidated balance sheet and note 23.

(b) Others

Details of an arrangement with a joint venture partner of Galloon International in respect of the distribution of profits in Jiangmen Hua Lien are set out in note 27(c).

(c) The remuneration of directors and other members of key management during the year was as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Directors' fee	140	90
Salaries, allowances and benefits in kind	610	1,823
Mandatory Provident Fund Contribution	–	–
	750	1,913

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

31. Post Balance Sheet Event

On 26th 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 27th February 2008. The proposed acquisition is under due diligence review and is not yet completed at the date of this report.

32. Subsidiaries

Details of the Company's subsidiaries at 31st December 2007 are as follows:

Name of company	Place of Incorporation/ operations	Nominal value of issued and fully paid share capital/ registered capital	Effective proportion of issued registered capital held by the Company	Principal activities
Galloon International (Holding) Company Limited	British Virgin Islands/Taiwan	Ordinary share US$1	100%	Sale and marketing of leather, raw materials sourcing and investment holding
嘉聯皮革(中國)有限公司 Galloon Leather (China) Co, Ltd., ("Galloon Leather") (formerly known as 新會嘉聯皮革(中國)有限公司 Xin Hui Galloon Tannery Co., Ltd.)	The PRC **	Registered capital US$21,700,000 *Note (iv)*	100%	Manufacture and sale of leather

Name of company	Place of Incorporation/ operations	Nominal value of issued and fully paid share capital/ registered capital	Effective proportion of issued registered capital held by the Company	Principal activities
Hua Lien Group (Holding) Company, Limited ("Hua Lien Group (Holding)")	British Virgin Islands/ Hong Kong	Ordinary shares US$19,193,996 *Note (i)*	100%	Investment holding
Jumbo Right Investments Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$1	100%	Investment holding
Hua Lien (Hong Kong) Company Limited ("Hua Lien Hong Kong")	Hong Kong	Ordinary shares HK$10,000 Non-voting deferred shares HK$15,000,000 *Note (ii)*	100%	Provision of management services
江門華聯製皮工業有限公司 Jiangmen Hua Lien	The PRC *	Registered capital US$14,522,000	70,5% *Note (iii)*	Manufacture and sale of leather
Sawston International Limited	British Virgin Islands/Taiwan	Ordinary shares US$1	100%	Sale and marketing of leather and raw material sourcing
西安華聯製皮工業股份有限公司 Xian Hua Lien Tannery Co., Ltd. ("Xian Hua Lien")	The PRC ***	Registered capital RMB65,600,000	51% *Note (v)*	Manufacture and sale of leather

* *Company incorporated as limited liability cooperative joint venture enterprise in the PRC,*

** *Company incorporated as limited liability equity joint venture enterprise in the PRC,*

*** *Company as joint stocks limited liability in the PRC,* *Notes:*

(i) Hua Lien Group (Holding) is held by the Company directly. All other subsidiaries are held by the Company indirectly.

(ii) The deferred shares of Hua Lien Hong Kong, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any of its general meetings or to participate in any distribution on its winding up.

(iii) Jiangmen Hua Lien is a limited liability cooperative joint venture enterprise with a term of operation to 26th August 2022, Under the terms of the cooperative joint venture agreement, Galloon International holds 70.5% of the registered capital of Jiangmen Hua Lien, but it is entitled to all of the net profit or loss of Jiangmen Hua Lien throughout the entire cooperative joint venture period, after the payment of a pre-determined distribution by Jiangmen Hua Lien each year to the Joint Venture Partner, details of which are set out in note 27(c).

At the end of the cooperative joint venture period, Galloon International is entitled to the distribution of all the remaining assets of Jiangmen Hua Lien according to its capital contribution ratio in Jiangmen Hua Lien.

(iv) As at the date of this report, the registered capital of Galloon Leather was paid up to the extent of US$21,700,000 (2006: US$14,000,000).

(v) In January 2003, Xian Hua Lien was approved to change from a limited liability sino-foreign equity joint venture enterprise for a term of operation of 20 years to a joint stock limited liability company with a registered capital of RMB865,600,000.

Since the establishment of Xian Hua Lien, the minority shareholders received 40% of the profit distribution made by Xian Hua Lien in respect of the period from the date of its establishment to 31st December 2007 (rather than in proportion to the 49% equity interest that it holds in Xian Hua Lien) and, pursuant to an agreement made with Galloon International, Hua Lien Hong Kong, Xian Hua Lien, the minority shareholders waived its remaining entitlement to such profit distribution in favour of the Group. The Group therefore effectively had a 60% attributable economic interest in Xian Hua Lien for the period from the date of establishment of Xian Hua Lien to 31st December 2007.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

(c) Set out below are the unaudited consolidated financial statements of the Group as contained in interim report of the Company for the six months ended 30 June 2008 together with the accompanying notes.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2008

		Six months ended 30th June	
		2008	**2007**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*(3)*	307,154	303,145
Cost of sales		(357,105)	(307,322)
Gross loss		(49,951)	(4,177)
Other operating income		10,358	5,922
Distribution costs		(82)	(119)
Administrative expenses		(30,475)	(19,438)
Loss from operations		(70,150)	(17,812)
Interest on bank borrowings wholly repayable within five years		(4,553)	(4,083)
Loss before taxation	*(4)*	(74,703)	(21,895)
Income tax income	*(5)*	520	1,692
Loss for the period		(74,183)	(20,203)
Attributable to:			
Equity holders of the Company		(77,167)	(21,185)
Minority interests		2,984	982
		(74,183)	(20,203)
Dividend	*(6)*	–	–
Loss per share (cents)	*(7)*		
–Basic		(9.37)	(3.09)
–Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June 2008

	Notes	30th June 2008 HK$'000 (unaudited)	31st December 2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	(8)	191,316	203,430
Prepaid lease payments on land use rights		44,580	44,649
Deferred tax assets		10,872	10,254
		246,768	258,333
Current assets			
Inventories		120,680	155,206
Trade and other receivables	(9)	141,095	142,712
Prepaid lease payments on land use rights		1,089	1,078
Pledged bank deposits		–	1,500
Bank balances and cash		45,181	52,389
		308,045	352,885
Current liabilities			
Trade and other payables	(10)	53,376	17,589
Loan from a director		17,046	16,534
Tax liabilities		11,369	11,916
Amounts due to minority shareholders of subsidiaries		–	1,880
Bank borrowings	(11)	147,545	160,358
		229,336	208,277
Net current assets		78,709	144,608
Net assets		325,477	402,941
Capital and reserves			
Share capital	(12)	82,368	82,368
Reserves		241,013	318,477
Equity attributable to equity shareholders of the Company		323,381	400,845
Minority interests		2,096	2,096
Total equity		325,477	402,941

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2008

	Attributable to equity holders of the Company										
	Share capital	**Share premium**	**Warrant reserve**	**Translation reserve**	**Goodwill reserve**	**Special reserve**	**PRC statutory reserves**	**(Accumulated Losses)/ Retained profits**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2008 (audited)	82,368	21,229	4,942	34,950	(24,509)	238,966	21,910	20,989	400,845	2,096	402,941
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	(297)	–	–	–	–	(297)	–	(297)
Loss for the period	–	–	–	–	–	–	–	(77,167)	(77,167)	2,984	(74,183)
Pre-determined distribution *(Note 13(c))*	–	–	–	–	–	–	–	–	–	(2,984)	(2,984)
At 30th June 2008 (unaudited)	82,368	21,229	4,942	34,653	(24,509)	238,966	21,910	(56,178)	323,381	2,096	325,477
At 1st January 2007 (audited)	68,640	–	–	24,487	(24,509)	238,966	21,910	314,957	644,451	2,096	646,547
Loss for the period	–	–	–	–	–	–	–	(21,185)	(21,185)	982	(20,203)
Pre-determined distribution	–	–	–	–	–	–	–	–	–	(2,805)	(2,805)
At 30th June 2007 (unaudited)	68,640	–	–	24,487	(24,509)	238,966	21,910	293,772	623,266	273	623,539

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th June 2008

	Six months ended 30th June	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	13,942	12,183
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	1,810	(603)
NET CASH USED IN FINANCING ACTIVITIES	(21,543)	(15,733)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,791)	(4,153)
CASH AND CASH EQUIVALENTS AT 1st JANUARY	52,389	13,107
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,417)	–
CASH AND CASH EQUIVALENTS AT 30th JUNE	45,181	8,954
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	45,181	8,954

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock of Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

2. Principal Accounting Policies

The accounting policies used in the unaudited consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, a number of new interpretations ("new interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January 2008.

The adoption of these new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or 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]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]

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

[2] *Effective for annual periods beginning on or after 1 July 2009*

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

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and financial position of the Group.

3. 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").

Segment information about these geographical markets is presented below:

Six months ended 30th June 2008

	USA	PRC	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
TURNOVER	271,450	35,704	–	307,154
RESULTS				
Segment results	(58,646)	(12,754)	1,250	(70,150)
Finance charges				(4,553)
Loss before taxation				(74,703)
Income tax income				520
Loss for the period				(74,183)

Six months ended 30th June 2007

	USA	PRC	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
TURNOVER	248,723	54,422	–	303,145
RESULTS				
Segment results	(13,353)	(9,722)	5,263	(17,812)
Finance charges				(4,083)
Loss before taxation				(21,895)
Income tax income				1,692
Loss for the period				(20,203)

4. Loss Before Taxation

Loss before taxation has been arrived at after charging:

	Six months ended 30th June	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortization of prepaid lease payments	545	512
Depreciation of property, plant and equipment	14,834	12,841
Total depreciation and amortization	15,379	13,353
Allowance for bad and doubtful receivables, net	23,041	10,003

5. Income Tax Income

	Six months ended 30th June	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC enterprise income tax	–	–
Deferred tax	520	1,692
	520	1,692

PRC enterprise income tax is calculated at the applicable prevailing rates in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. Dividend

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2008 (six months ended 30th June 2007: Nil).

7. Loss Per Share

The calculation of the loss per share for the period is based on loss for the period of HK$77,167,000 (six months ended 30th June 2007: HK$21,185,000) and on 823,680,000 ordinary shares (six months ended 30th June 2007: 686,400,000 ordinary shares) in issue during the period.

Diluted loss per share for the period ended 30th June 2008 has not been disclosed, as the warrants outstanding during the period had an anti-dilutive effect on the basic loss per share for the period ended 30th June 2008. No diluted loss per share was presented in 2007 as there was no potential dilutive shares during that period.

8. Additions to Property, Plant and Equipment

During the period, there were additions of property, plant and equipment amounted to HK$476,000 (six months ended 30th June 2007: HK$713,000).

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 the trade and other receivables are trade receivables with a net balance of HK$119,414,000 (31st December 2007: HK$97,171,000). The aged analysis of which at the balance sheet date is as follows:

	30th June 2008	**31st December 2007**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Up to 30 days	61,892	53,954
31 – 60 days	46,045	34,584
61 – 90 days	11,477	7,213
91 – 180 days	–	1,420
	119,414	97,171

10. Trade and Other Payables

Included in trade and other payables are trade payables of HK$49,874,000 (31st December 2007: HK$17,339,000). The aged analysis of which at the balance sheet date is as follows:

	30th June 2008	**31st December 2007**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Up to 30 days	34,243	10,459
31 – 60 days	4,401	92
61 – 90 days	8,050	501
91 – 180 days	1,902	3,027
181 days to 1 year	139	1,739
Over 1 year	1,139	1,521
	49,874	17,339

11. Bank Borrowings

	30th June 2008 HK$'000 (unaudited)	31st December 2007 HK$'000 (audited)
Secured bank loans	59,915	73,650
Unsecured bank loans	87,630	86,708
	147,545	160,358

The bank borrowings are repayable as follows:

Within one year or on demand	147,545	160,358
One to two years	–	–
Two to five years	–	–
	147,545	160,358
Less: Amount due within one year shown under current liabilities	(147,545)	(160,358)
Amount due after one year	–	–

12. Share Capital

	Number of ordinary shares of HK$0.1 each	Value
		HK$'000
Authorised:		
At 30th June 2008 and 31st December 2007	1,500,000,000	150,000
Issued and fully paid:		
At 30th June 2008 and 31st December 2007	823,680,000	82,368

13. Commitments

(a) Operating lease commitments

	30th June 2008	30th June 2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Minimum lease payments paid during the period under operating leases in respect of office premises	93	123

As at the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases that fall due as follows:

	30th June 2008 HK$'000 (unaudited)	31st December 2007 HK$'000 (audited)
Within one year	62	156
In the second to fifth year inclusive	–	–
Over five years	–	–
	62	156

Operating lease payments principally represent rentals payable by the Group for certain of its office premises.

(b) Capital commitments

The Group did not have any significant capital commitments at the balance sheet date.

(c) Other commitments

Under the terms of the cooperative joint venture agreement in respect of Jiangmen Hua Lien Tannery Co., Ltd. (the "Jiangmen Hua Lien"), a subsidiary of the Company, Galloon International (Holding) Company, Limited (the "Galloon International"), is entitled to all of the net profit or loss of Jiangmen Hua Lien throughout the entire cooperative joint venture period after the payment of a pre-determined distribution by Jiangmen Hua Lien each year to the PRC joint venture partner. In the event that Jiangmen Hua Lien does not have sufficient distributable profit to make the required payments to the PRC joint venture partner, Galloon International is responsible for making such payments to the PRC joint venture partner as compensation. As at 30th June 2008, the pre-determined distributions to be paid to the PRC joint venture partner over the entire cooperative joint venture period are as follows:

	30th June 2008	**31st December 2007**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Amount payable:		
Within one year	5,969	5,906
One to two years	5,969	5,906
Two to five years	15,665	15,500
Over five years	45,265	47,772
	72,868	75,084

14. Related Party Transactions

During the period, the Group had certain transactions with related parties. Details of these transactions for the period and balances at 30th June 2008 with these related parties are as follows:

(a) Balances

The balances with the related parties at the balance sheet date are set out in the condensed consolidated balance sheet.

(b) Others

Details of an arrangement with a joint venture partner of Galloon International in respect of the distribution of profits in Jiangmen Hua Lien are set out in note 13(c).

15. Pledge on Assets

	30th June 2008	**31st December 2007**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
The following assets of the Group are pledged to secure banking facilities granted to the Group		
Plant and machinery	38,573	57,984
Prepaid lease payments on land use right and buildings	89,284	93,320
Inventories	29,161	51,285
Bank deposits	–	1,500
	157,018	204,089

On 12th September 2006, Bank of China, Xian Branch (the "Bank of China") which lent USD9.8 million to the 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 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.

Besides, the pledged prepared lease premium and certain of pledged buildings of 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 "Bank of Construction") (the pledgee of those assets) on 5th May 2008.

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.

16. Contingent Liabilities

On 30th April 2008, Bank of Construction lodged a litigation with Jiangmen Lower People's Court (the "Jiangmen Court") against Jiangmen Hua Lien for repayment of due bank loan of principal of approximately RMB8.8 Million and interest accrued thereon and requesting Jiangmen Court to sequestrate the bank accounts, the pledged prepared lease premium and certain of pledged buildings of Jiangmen Hua Lien. Judgement on sequestration on assets and on due bank loan was handed down on 5th May 2008 and 20th June 2008 respectively by Jiangmen Court in favour of Bank of Construction.

The Jiangmen Hua Lien lodged an appeal to Guangdong Intermediate People's Court on 20th July 2008. The hearing date is yet fixed.

During this period, Jiangmen Hua Lien is orderly repaying the bank loan, the principal outstanding reduced to approximately RMB6.3 million at the balance sheet date and further reduced to approximately RMB4.4 million up to the latest practicable date of this report. The Board, after seeking legal advice, is of the opinion that the litigation will not have a material adverse effect on the Group's financial position and the disputes will resolve in a few months.

Saved as disclosed above, there are no other material litigation, claims or contingent liabilities known to the directors pending or threatened against the Group.

2. MANAGEMENT DISCUSSIONS AND ANALYSIS

For the six months ended 30 June 2008

Business review

For the six months ended 30 June 2008, the Group had a turnover of HK$307,154,000, with an increase of 1.3% compared to HK$303,145,000 for the same period in 2007. The increase was brought by the increase in sale orders during the period.

The consolidated net loss attributable to the equity holders of the Company for the period ended 30 June 2008 was HK$74,183,000 compared to HK$20,203,000 over the corresponding period last year. Basic loss per share was HK9.37 cents (six months ended 30 June 2007: HK3.09 cents). The loss for the period was mainly due to the trading loss of HK$49,951,000, which caused by the double negative impacts on decreasing average selling price and increasing production cost. The average selling price was reduced approximately by 13% because of the increase in orders of lower price in-fashion products but the average production cost for those products increased significantly due to the surge in fuels, chemicals and labour cost which offset all the positive effect on increase in volume. Besides, an additional provision of HK$23,041,000 for bad and doubtful debts has been made during the period under company policy for the increase in overdue trade receivables.

With regard to geographical market segments, USA remained to be the main contributor to the Group's turnover. For the period ended 30 June 2008, turnover from USA represented 88% of total sales turnover as compared to 82% in 2007 and the business from the PRC represented 12% as compared 18% during the same period in 2007. No material change in market segments during the periods under review.

Prospects

As influenced by changes in demand and spiraling costs, the revenue still could not increase as the same pace of production cost. The performance in manufacture and sales of leather may still be unsatisfactory for the second half of 2008. The Board will continue the investigation for the possibility of diversifying into new line of business to create additional source of revenue.

Financial review

Liquidity and financial resources

Bank deposits and cash balances as at 30 June 2008 amounted to approximately HK$45,181,000, 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 30 June 2008, the Group's total borrowings was HK$147,545,000 as compared to HK$160,358,000 at 31 December 2007. All the total borrowings in both periods were repayable within one year. All the Group's borrowings are mainly denominated in Renminbi and US dollars with floating interest rates.

Shareholders' equity of the Group as at 30 June 2008 amounted to approximately HK$323,381,000 (31 December 2007: HK$400,845,000). The Group's gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at 30 June 2008 was 45.6% (31 December 2007: 40.0%).

Capital Structure

There was no change in the capital structure of the Group as at 30 June 2008 as compared with that as at 31 December 2007.

Treasury policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control the credit risk to lower the risks of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

The Group did not use any derivative financial Instruments to hedge for its risk exposure during the period ended 30 June 2008.

Exchange rate exposure

The sales and purchases of the Group are mainly denominated in Renminbi, US dollar and Hong Kong dollar. Hence, the Group's exposure to foreign exchange risk is expected to be minimal. The use of financial Instruments for hedging purposes is not considered necessary.

Currency exposure arising from the net assets of the foreign operations of the Group in the PRC is managed primarily through borrowings denominated in the relevant foreign currencies.

Contingent liabilities

On 30th April 2008, Bank of Construction lodged a litigation with Jiangmen Lower People's Court (the "Jiangmen Court") against Jiangmen Hua Lien for repayment of due bank loan of principal of approximately RMB8.8 Million and interest accrued thereon and requesting Jiangmen Court to sequestrate the bank accounts, the pledged prepared lease premium and certain of pledged buildings of Jiangmen Hua Lien. Judgement on sequestration on assets and on due bank loan was handed down on 5th May 2008 and 20th June 2008 respectively by Jiangmen Court in favour of Bank of Construction.

The Jiangmen Hua Lien lodged an appeal to Guangdong Intermediate People's Court on 20th July 2008. The hearing date is yet fixed.

During this period, Jiangmen Hua Lien is orderly repaying the bank loan, the principal outstanding reduced to approximately RMB6.3 million at the balance sheet date and further reduced to RMB4.4 million up to the latest practicable date of this report. The Board, after seeking legal advice, is of the opinion that the litigation will not have a material adverse effect on the Group's financial position and the disputes will resolve in a few months.

Saved as disclosed above, there are no other material litigation, claims or contingent liabilities known to the directors pending or threatened against the Group.

Pledge of assets

At 30 June 2008, certain of the Group's prepaid lease payments on land use right, property, plant and machinery of HK$127,857,000 (31 December 2007: HK$151,304,000), inventories of HK$29,161,000 (31 December 2007: HK$51,285,000) 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 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 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.

Besides, the pledged prepared lease premium and certain of pledged buildings of 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 "Bank of Construction") (the pledgee of those assets) on 5th May 2008.

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.

Capital Commitment

As at 30 June 2008, the Group did not have any significant capital commitments.

Significant Investments held

The Group had not made any significant investment during the period ended 30 June 2008.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had not made material acquisitions and disposal of subsidiaries and affiliated companies during the period ended 30 June 2008.

Future plans for material investments or capital assets

On 26 February 2008, Jumbo Right entered into a letter of intent with the Vendor to acquire entire interest in Target BVI 1 and Target BVI 2. Target BVI 1 will be holder of 99% of equity interests and Target BVI 2 will be the holder of the remaining 1% equity interest in each of African Company 1, African Company 2 and African Company 3 at a total consideration of 1.28 billion. The total consideration shall be satisfied by a combination of (i) new Shares to be issued, at an issue price of HK$0.6 per new Share; and (ii) Convertible Notes of the Company to be issued, which are exercisable by the Convertible Nottes holder(s) at a conversion price of HK$0.6 per new Shares.

On 25 July 2008, the Company and Jumbo Right entered into the non-legally binding Amended Letter of Intent with the Vendor, pursuant to which: (1) there is new proposed acquisition, whereby Jumbo Right may acquire from the Vendor the entire interest in SATT; and (2) Jumbo Right shall continue to conduct the Due Diligence Review on the Target Group within the Due Diligence Review Period. The total consideration for the New Proposed Acquisition is HK$853.2 million. The total consideration shall be satisfied by a combination of (i) new Shares to be issued, at an issue price of HK$0.6 per new Share; and (ii) Tranche 1 Convertible Notes and Tranche 2 Convertible Notes to be issued, which are exercisable by the Convertible Nottes holder(s) at a conversion price of HK$0.6 per new Shares.

Employee remuneration policy

As at 30 June 2008, the Group employed 717 (31 December 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 basis of individual performance and the salary trend in various regions and will be reviewed every year. The Company has set up stock options plan and provides staff quarters to staff in the PRC.

For the year ended 31 December 2007

Business review

For the year ended 31 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 31 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 31 December 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.

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.

Financial review

Liquidity and Financial Resources

Bank deposits and cash balances (including pledged bank deposits of approximately HK$1,500,000) as at 31 December 2007 amounted to approximately HK$53,889,000, mainly denominated in Hong Kong Dollars, Renminbi and US dollars.

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 31 December 2007, the Group's total borrowings is HK$160,358,000 as compared to HK$182,564,000 at 31 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. All the Group's borrowings are mainly denominated in Renminbi and US dollars with floating interest rates. Shareholders' funds of the Group as at 31 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 31 December 2007 is 40.0% (2006: 28.3%).

Capital Structure

In order to broaden the shareholders base and capital base of the Company and to raise additional working capital, the Group completed the placing of a total of 137,280,000 shares of HK$0.1 each for consideration of HK$0.262 per share on 6 August 2007.

Treasury policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control the credit risk to lower the risks of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

The Group did not use any derivative financial Instruments to hedge for its risk exposure during the year ended 31 December 2007.

Exchange rate 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 is expected to be minimal. The use of financial Instruments for hedging purposes is not considered necessary.

Currency exposure arising from the net assets of the foreign operations of the Group in the PRC is managed primarily through borrowings denominated in the relevant foreign currencies.

Contingent Liabilities

At 31 December 2007, the Company had not provided any guarantees in favour of any third party nor were there any significant contingent liabilities.

Pledge of Assets

At 31 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 12 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.

Capital Commitment

At 31 December 2007, the Group did not have any significant capital commitments.

Significant Investments held

The Group had not made any significant investment during the year ended 31 December 2007.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had not made material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2007.

Future plans for material investments or capital assets

No plan for material investments or capital assets as at 31 December 2007.

Employee Remuneration Policy

At 31 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.

For the year ended 31 December 2006

Business review

For the year ended 31 December 2006, the Group had a turnover of HK$718,909,000, a 17.8 percent decrease compared to HK$874,629,000 in 2005. The decrease in turnover was mainly brought 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 31 December 2006 was HK$73,362,000 compared to net profit attributable to equity holders of HK$3,585,000 in 2005. Basic loss per share was HK10.68 cents (2005: Basic earnings per share of HK0.52 cents). The loss for the year was mainly resulted from the 112 million impairment losses on property, plant and equipment, inventories and trade receivables in relation to the suspended 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 31 December 2006, turnover from USA represents 79.3 percent of total sales turnover as compared to 87.9 percent in 2005 and the business from the PRC market showed an increase of 8.6 percent as compared the same period in 2005. As mentioned in the Interim Report, the change was due to a shift in the market focus of the Company in response to the decrease of order from USA and the Group increased the sales to the PRC customers. The increase in segment result in other countries was the income derived from the processing of raw cowhides for other tanneries in the South East Asia.

Prospects

On the supply side, the upward trend in cost of raw hides and labour in China will continuously drive up the operating cost in 2007. On the demand side, the sales for the first quarter of 2007 is satisfactory. A new leather processing arrangement have signed with one of the world-leading tannery, it is expected that additional revenue will generate in third quarter of 2007.

Financial review

Liquidity and Financial Resources

Bank deposits and cash balances (including pledged bank deposits of approximately HK$1,500,000) as at 31 December 2006 amounted to approximately HK$14,607,000, mainly denominated in Hong Kong Dollars, Renminbi and US dollars.

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 31 December 2006, the Group's total borrowings is HK$182,564,000 as compared to HK$204,972,000 at 31 December 2005. Of the total borrowings, HK$182,564,000 (2005: HK$204,614,000) is repayable within one year and HK$Nil (2005: HK$358,000) is repayable after one year. All the Group's borrowings are mainly denominated in Renminbi and US dollars with floating interest rates.

Shareholders' funds of the Group as at 31 December 2006 amounts to HK$644,451,000 (2005: HK$699,823,000). The Group's gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at 31 December 2006 is 28.3% (2005: 29.3%).

Capital Structure

There was no change in the capital structure of the Group as at 31 December 2006 as compared with that as at 31 December 2005.

Treasury policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control the credit risk to lower the risks of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

The Group did not use any derivative financial Instruments to hedge for its risk exposure during the year ended 31 December 2006.

Exchange rate 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 is expected to be minimal. The use of financial Instruments for hedging purposes is not considered necessary.

Currency exposure arising from the net assets of the foreign operations of the Group in the PRC is managed primarily through borrowings denominated in the relevant foreign currencies.

Contingent Liabilities

At 31 December 2006, the Company had given guarantees to banks in respect of general banking facilities granted to subsidiaries and the aggregate amount utilised by subsidiaries amounted to approximately HK$10 million (2005: HK$47 million).

The Group reached settlement of legal claim with Bank of East Asia, Shenzhen Branch against Jiangmen Hua Lien Tannery Co., Ltd ("Jiangmen Hua Lien") for principal of Rmb11,241,000 (approximately equivalent of HK$11,241,000) and interest thereon through a mutually agreed repayment schedule dated on 23 March, 2007.

Pledge of Assets

At 31 December 2006, certain of the Group's prepaid lease payment on land use right, property, plant and equipment with an aggregate carrying value of approximately HK$137 million (2005: HK$120 million), inventories of approximately HK$52 million (2005: HK$80 million) and bank deposits of approximately HK$1.5 million (2005: HK$10 million) were pledged to banks to secure general banking facilities granted to the Group.

On 12 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 (Shannxi 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. At balance sheet date, Bank of China, Xian Branch sequestrated the bank account, the property, plant and equipment and inventories of Xian Hua Lien as additional security. Due to the suspension of operation of Xian Hua Lien and full provision against the assets had made, the sequestrated assets have no carrying value at the balance sheet date.

Capital Commitment

At 31 December 2006, the Group did not have any significant capital commitments.

Significant Investments held

The Group had not made any significant investment during the year ended 31 December 2006.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had not made material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2006.

Future plans for material investments or capital assets

No plan for material investments or capital assets as at 31 December 2006.

Employee Remuneration Policy

At 31 December 2006, the Group employed 771 (2005: 1,106) 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.

For the year ended 31 December 2005

Business review

For the year ended 31 December 2005, the Group had a turnover of HK$874,629,000, a 1.6 percent increase compared to HK$861,163,000 in 2004. The growth in turnover was brought by increases in selling prices during the year.

The Group's net profit attributable to the equity holders of the Company for the year ended 31 December 2005 was HK$3,585,000, represents a decrease of approximately 81.9 percent over last year. Basic earnings per share were HK0.52 cents (2004: HK2.88 cents). The reduction in consolidated net profit was due to a two percent reduction in gross margin brought by an eight percent increase of average cost of raw materials and a six percent increase in average selling price. The increase in average cost of raw materials was mainly caused by an increase in the cost of chemicals and raw hides of PRC origin. The former was a direct result of a surge in crude oil prices worldwide and the latter was caused by a sudden increase in demand for raw hides from PRC when many tanneries shifted to purchase raw hides within PRC in response to the restriction of tax-free import of raw hides from overseas implemented after the bonded trade contract failed to be renewed close to the end of last year.

With regard to geographical market segments, USA remained to be the main contributor to the Group's turnover. For the year ended 31 December 2005, turnover from USA represents 87.9 percent of total sales turnover as compared to 78.2 percent in 2004 and the business from the PRC market showed a decrease of 43.6 percent as compared to the same period in 2004. As mentioned in the Interim Report, the change was due to a shift in the market focus of the Company in response to the increase in costs of raw materials. In order to mitigate the impact of increase in costs, the Company increased the sales to more profitable customers from USA and reduced the sales to less profitable customers in PRC.

Prospects

Increasing pressure from cost escalation is expected to continue. The prices of raw hides of PRC origin continue to increase after the formal abolishment of tax-free import for raw hides from overseas under bonded trade contract in PRC in January 2006. More and more tanneries shifted to purchase the raw hides within PRC to avoid the import custom duty of 5 to14%. On the demand side, the sales for the first quarter of 2006 remains strong, the Group will adjust its selling prices wherever appropriate to cope with the changes in costs of materials.

Financial review

Liquidity and Financial Resources

Bank deposits and cash balances (including pledged bank deposits of approximately HK$10,100,000) as at 31 December 2005 amounted to approximately HK$45,916,000, mainly denominated in Hong Kong Dollars, Renminbi and US dollars.

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 31 December 2005, the Group's total borrowings is HK$204,972,000 as compared to HK$178,566,000 at 31 December 2004. Of the total borrowings, HK$204,614,000 (2004: HK$149,022,000) is repayable within one year and HK$358,000 (2004: HK$29,544,000) is repayable after one year. All the Group's borrowings are mainly denominated in Renminbi and US dollars with floating interest rates.

Shareholders' funds of the Group as at 31 December 2005 amounts to HK$699,823,000 (2004: HK$696,221,000). The Group's gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at 31 December 2005 is 29.3% (2004: 25.6%).

Capital Structure

There was no change in the capital structure of the Group as at 31 December 2005 as compared with that as at 31 December 2004.

Treasury policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control the credit risk to lower the risks of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

The Group did not use any derivative financial Instruments to hedge for its risk exposure during the year ended 31 December 2005.

Exchange rate exposure

The sales and purchases of the Group are mainly denominated in Renminbi, United States dollar and Hong Kong dollar. Hence, the Group's exposure to foreign exchange risk is expected to be minimal. The use of financial Instruments for hedging purposes is not considered necessary.

Currency exposure arising from the net assets of the foreign operation of the Group in the PRC is managed primarily through borrowing denominated in the relevant foreign currencies.

Contingent Liabilities

At 31 December 2005, the Company had given guarantees to banks in respect of general banking facilities granted to subsidiaries and the aggregate amount utilised by subsidiaries amounted to approximately HK$47 million (2004: HK$75 million).

Pledge of Assets

At 31 December 2005, certain of the Group's prepaid lease payment on land use right, property, plant and equipment with an aggregate carrying value of approximately HK$120 million (2004: HK$126 million), inventories of approximately HK$80 million (2004: HK$42 million) and bank deposits of approximately HK$10 million (2004: HK$13 million) were pledged to banks to secure general banking facilities granted to the Group.

Capital Commitment

At 31 December 2005, the Group did not have any significant capital commitments.

Significant Investments held

The Group had not made any significant investment during the year ended 31 December 2005.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had not made material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2005.

Future plans for material investments or capital assets

No plan for material investments or capital assets as at 31 December 2005.

Employee Remuneration Policy

At 31 December 2005, the Group employed 1,106 (2004: 1,048) 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.

3. WORKING CAPITAL

Taking into account the Group's internal resources, presently available banking and other facilities, and in the absence of the unforeseen circumstances, the Directors are of the opinion that the Enlarged Group shall have sufficient working capital to meet its present requirements for the next twelve-month from the date of this circular.

4. STATEMENT OF INDEBTEDNESS

As at 30 November 2008, the Enlarged Group had outstanding borrowings of approximately HK$119,555,706, comprising wholly secured bank borrowings of approximately HK$119,555,706. Save as aforesaid or as otherwise disclosed herein, the Enlarged Group has no other borrowings including guarantees.

The bank borrowings are secured by certain leasehold land and building and plant and machinery which amount to approximately HK$85,603,177 and HK$36,337,917 respectively.

Save as aforesaid and apart from intra-Group liabilities, the Enlarged Group did not have any mortgages, charges, debentures, loan capital, bank loan and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance creditors, or any guarantees, or other material contingent liabilities outstanding at the close of business on 30 November 2008.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As mentioned in the interim report 2008 of the Company, for the six months ended 30 June 2008, the Group had a turnover of HK$307,154,000, with an increase of 1.3% compared to HK$303,145,000 for the same period in 2007. The increase was brought by the increase in sale orders during the period.

The consolidated net loss attributable to the equity holders of the Company for the period ended 30 June 2008 was HK$74,183,000 compared to HK$20,203,000 over the corresponding period last year. Basic loss per share was HK9.37 cents (six months ended 30th June 2007: HK3.09 cents). The loss for the period was mainly due to the trading loss of HK$49,951,000, which caused by the double negative impacts on decreasing average selling price and increasing production cost. The average selling price was reduced approximately by 13% because of the increase in orders of lower price in-fashion products but the average production cost for those products increased significantly due to the surge in fuels, chemicals and labour cost which offset all the positive effect on increase in volume. Besides, an additional provision of HK$23,041,000 for bad and doubtful debts has been made during the period under company policy for the increase in overdue trade receivables.

With regard to geographical market segments, USA remained to be the main contributor to the Group's turnover. For the period ended 30 June 2008, turnover from USA represented 88% of total sales turnover as compared to 82% in 2007 and the business from the PRC represented 12% as compared 18% during the same period in 2007. No material change in market segments during the periods under review.

The Group financed its operation with cash flow generated internally and banking facilities. As at 30 June 2008, the Group's total borrowings was HK$147,545,000 as compared to HK$160,358,000 at 31 December 2007. All the total borrowings in both periods were repayable within one year.

Shareholders' equity of the Group as at 30 June 2008 amounted to approximately HK$323,381,000 (31 December 2007: HK$400,845,000). The Group's gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at 30 June 2008 was 45.6% (31 December 2007: 40.0%)

The sales and purchases of the Group are mainly denominated in Renminbi, US dollar and Hong Kong dollar. Hence, the Group's exposure to foreign exchange risk is expected to be minimal. Bank borrowings are also mainly denominated in Renminbi, US dollar and Hong Kong 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.

As at 30 June 2008, certain of the Group's prepaid lease payments on land use right, property, plant and machinery of HK$127,857,000 (31 December 2007: HK$151,304,000), inventories of HK$29,161,000 (31 December 2007: HK$51,285,000) were pledged to banks to secure general banking facilities granted to the Group.

As influenced by changes in demand and spiraling costs, the revenue still could not increase as the same pace of production cost. The performance in manufacture and sales of leather may still be unsatisfactory for the second half of 2008. The Board will continue the investigation for the possibility of diversifying into new line of business to create additional source of revenue.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Board was not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

1. MANAGEMENT DISCUSSION AND ANALYSIS ON SATT

Set out below is the management discussion and analysis on SATT for the periods (i) from 13 November 2007 (date of incorporation) to 31 December 2007; and (ii) from 1 January 2008 to 30 September 2008.

For the financial period from 13 November 2007 (date of incorporation) to 31 December 2007

Business Review

SATT was incorporated in the British Virgin Islands with limited liability on 13 November 2007. During the period from 13 November 2007 to 31 December 2007, SATT had been inactive and had not generated any turnover or profit.

Financial Review

Liquidity, financial resources and capital structure

As at 31 December 2007, SATT had (i) current assets of trade and other receivables amounted to HK$390,500 related to cash advance to COMPLANT International Sugar Industry Co., Ltd.; and (ii) issued and fully paid up capital of US$50,000 (equivalent to approximately HK$390,500). SATT did not have any bank and cash balances or bank borrowings as at 31 December 2007.

Contingent liabilities, commitments, charges on the assets of SATT and exposure to fluctuation in exchange rates

As at 31 December 2007, SATT had no significant contingent liabilities or charges on the assets of SATT. During the financial period from 13 November 2007 to 31 December 2007, SATT had no significant foreign exchange risk since it was inactive during the period.

For the financial period from 1 January 2008 to 30 September 2008

Business Review

During this period, SATT commenced its businesses 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 goods supply services; (ii) management and technical staff; (iii) related consulting services on construction and contract manufacturing services. According to the audited financial information of SATT as set out in appendix I to this circular, turnover of approximately HK$143.55 million was recorded. The operating profit before and after tax of SATT amounted to approximately HK$74.78 million and HK$74.78 million respectively.

Financial Review

Liquidity, financial resources and capital structure

SATT financed its operations primarily with internally generated funds from its operating activities. As at 30 September 2008, SATT had current assets of approximately HK$107.23 million, including (i) trade and other receivables of approximately HK$107.14 million; and (ii) prepayment of approximately HK$0.09 million and current liabilities related to trade and other payables of approximately HK$32.07 million. As at 30 September 2008, SATT did not have any bank and cash balances or bank borrowing.

Due to the dynamic nature of its underlying businesses, SATT aims to maintain flexibility in funding by keeping sufficient financial assets. SATT considers that the exposure to liquidity risk is insignificant as it does not have any material current liabilities.

As at 30 September 2008, SATT has issued and fully paid up capital of US$50,000 (equivalent to approximately HK$390,500).

Contingent liabilities, commitments, charges on the assets of SATT group and exposure to fluctuation in exchange rates

As at 30 September 2008, SATT had no significant contingent liabilities.

As at 30 September 2008, SATT had no capital commitment but operating lease commitment of approximately HK$333,033.

As at 30 September 2008, there were no charges on the assets of SATT.

During the financial period from 1 January 2008 to 30 September 2008, SATT mainly operated internationally and is exposed to foreign exchange risk primarily with respect to USD. SATT's exposure to fluctuations in exchange rate of HK$ is considered to be insignificant. In the event that HK$ strengthened or weakened by 5% against USD and all other variables were held constant, the SATT's profit for the period from 1 January 2008 to 30 September 2008 would decrease or increase by approximately HK$3.75 million.

Significant investment, acquisition and disposal of subsidiaries and associated companies

SATT has made no investment, material acquisition and disposal of subsidiaries and associated companies during the nine months period from 1 January 2008 to 30 September 2008.

Segment information

For the nine months period from 1 January 2008 to 30 September 2008, the revenue of SATT generated from its ordinary activities had been mainly derived from the following two segments:–

(i) Sales of machinery and equipment: it accounts for approximately HK$65.19 million of the turnover and approximately HK$37.12 million of the gross profit;

(ii) Sales of chemical fertilizers: it accounts for approximately HK$78.35 million of the turnover and approximately HK$39.30 million of the gross profit.

Geographically the business of SATT was operated in Africa and the PRC. A geographical segment analysis of the carrying amount of the assets and liabilities of SATT as of 30 September 2008 is as follows:

(i) Most of the assets of SATT, with the carrying amount of approximately HK$106.75 million, was located in Africa, whilst that of approximately HK$482,000 was located in the PRC (excluding Hong Kong).

(ii) All the liabilities of SATT in the amount of approximately HK$32.07 million was located in the PRC.

Employment and remuneration policy

As at 30 September 2008, SATT employed a total number of 14 employees. The staff costs were approximately HK$652,000. The directors of SATT has not received any remuneration since the date of SATT's incorporation up to 30 September 2008.

Future plans for material investments or capital assets

On 12 November 2008, the Sale and Purchase Agreement was entered into. (Details of the Sale and Purchase Agreement are set out under the section headed "Letter from the Board" in this circular).

It is intended that SATT shall set up a WFOE in the PRC for sourcing manufacturing machineries and raw materials in the PRC and exporting the same to the African Companies directly.

Gearing ratio

As at 30 September 2008, SATT has no bank borrowing and, accordingly, the gearing ratio for the period is 0%.

2. NO VARIATION ON REMUNERATION PAYABLE TO AND BENEFITS IN KIND

There will be no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of SATT in consequence of the Acquisitions.

The following is the texts of letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this circular, received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with their valuation as at 30th November 2008 for the property interests of the Group in Hong Kong and the People's Republic of China.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor
The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

23rd January 2009

The Directors
Hua Lien International (Holding) Company Limited
Unit 2513A, 113 Argyle Street
Mongkok
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held and to be leased by Hua Lien International (Holding) Company Limited (the "Company") and its subsidiaries (the "Group") in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") and the People's Republic of China ("the PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 30th November 2008 ("date of valuation") for the purpose of incorporation into this circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property 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 had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests in Group I, which are held and occupied by the Group in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the properties and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the properties as a whole. In the valuation of the land portion, reference has been made to the standard land price in Jiangmen City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

For property interests in Groups II and III which are leased and will be leased by the Group in Hong Kong and the PRC, we have assigned no commercial value to them mainly due to the prohibition against assignment or sub-letting, the lack of substantial profit rents or the short term nature of such interests.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC. For the property interest in Hong Kong, we have caused searches to be made at the Land Registry. We have been provided with certain extracts of title documents relating to the property interests in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests, we have relied on the legal opinion ("the PRC legal opinion") provided by the Company's PRC legal advisers, Guangdong Guan Hong Law Firm and Dacheng Law offices.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

We have had no reason to doubt the true and accuracy of the information provided to us by the Group, and have no reason to suspect that any material information has been withheld. We considered that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK$). The exchange rates adopted in valuing the property interests in the PRC is HK$1 : RMB0.88. There has been no significant fluctuation in the exchange rates for the currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith the summary of valuation together with the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty two years' experiences in undertaking valuations of properties in Hong Kong and has over fifteen years' experiences in valuations of properties in the PRC.

SUMMARY OF VALUATION

	Property	Market Value in existing state as at 30th November 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30th November 2008
Group I – Property interests held and occupied by the Group in the PRC				
1.	An industrial complex located at No. 16 Zhongxing 4th Road (formerly known as Nangelang, Huangwan District), Hetang Town, Pengjiang District, Jiangmen City, Guangdong Province, the PRC	RMB77,900,000 (equivalent to approximately HK$88,520,000)	70.5%	RMB54,919,500 (equivalent to approximately HK$62,410,000)
2.	An industrial complex located at Denggaoshi, Yaimen Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC	RMB135,000,000 (equivalent to approximately HK$153,410,000)	100%	RMB135,000,000 (equivalent to approximately HK$153,410,000)
	Sub-total	RMB212,900,000 (equivalent to approximately HK$241,930,000)		RMB189,919,500 (equivalent to approximately HK$215,820,000)
Group II – Property interest leased by the Group in Hong Kong				
3.	Unit 2513A, 25th Floor, No. 113 Argyle Street, Mongkok, Kowloon, Hong Kong	No commercial value	100%	Nil
	Sub-total	Nil		Nil

	Property	Market Value in existing state as at 30th November 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30th November 2008
Group III – Property interest to be leased by the Group in the PRC				
4.	Units 402, 403, 404 and 610, Complant Mansion, No. 9 Xi Bin He Road, Andingmen, Dongcheng District, Beijing City, the PRC	No commercial value	100%	Nil
	Sub-total	Nil		Nil
	Grand-total	**RMB212,900,000**		**RMB189,919,500**
		(equivalent to approximately HK$241,930,000)		**(equivalent to approximately HK$215,820,000)**

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30th November 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30th November 2008
1.	An industrial complex located at No. 16 Zhongxing 4th Road (formerly known as Nangelang, Huangwan District), Hetang Town, Pengjiang District, Jiangmen City, Guangdong Province, the PRC	The property comprises a parcel of industrial land together with ten 1- to 5-storey buildings and structures completed in between 1994 and 1998 erected thereon. The property has a site area and total gross floor area of approximately 87,100 sq.m. and 34,695.72 sq.m. respectively. The property has been granted a land use rights for a term of 50 years commencing from 18th February 1994 and expiring on 18th February 2044 for industrial use.	The property at present is occupied by the Group for industrial and ancillary uses.	RMB77,900,000 (equivalent to approximately HK$88,520,000)	70.5%	RMB54,919,500 (equivalent to approximately HK$62,410,000)

Notes:

1. According to a State-owned Land Use Right Ownership Certificate (Document No.: Xin Fu Guo Yong (Chu 1998) Zi No. 2101305) dated 17th August 1998, the land use right of the property with a site area of approximately 87,100 sq.m. were granted to Jiangmen Hua Lien Tannery Co., Ltd. (formerly known as Xin Hui Hua Lien Tannery Co., Ltd.) for a term of 50 years commencing from 18th February 1994 and expiring on 18th February 2044 for industrial use.

2. Pursuant to 10 Real Estate Ownership Certificates (Document Nos.: Yue Fang Di Zheng Zi No. C3639275, 3639276, 3639277, 3639278, 3639279, 3639280, 3639286, 3639287, 3639288, 3639289 and 3639289), the ownership of the building portion of the property having a total gross floor area of approximately 34,695.72 sq.m. were vested in Jiangmen Hua Lien Tannery Co., Ltd. (formerly known as Xin Hui Hua Lien Tannery Co., Ltd.).

   Furthermore, the land use rights of the property with a site area of approximately 87,100 sq.m. were granted to Jiangmen Hua Lien Tannery Co., Ltd. (formerly known as Xin Hui Hua Lien Tannery Co., Ltd.) for a term expiring on 18th February 2044 for industrial use.

The particulars of the building portion are as follows:

Building Name(s)	Approximate Gross Floor Area *(sq.m.)*	Year of completion	No. of storey	Real Estate Ownership Certificate *(Document Nos.)*
Canteen	1,524.97	1994	2	Yue Fang Di Zheng Zi No. C3639275
Warehouse	7,920	1998	1	Yue Fang Di Zheng Zi No. C3639276
Factory No. 2	5,760	1994	1	Yue Fang Di Zheng Zi No. C3639277
Metal Warehouse	956.08	1994	2	Yue Fang Di Zheng Zi No. C3639278
Office Building	1,357.09	1994	3	Yue Fang Di Zheng Zi No. C3639279
Dormitory	4,058.27	1994	5	Yue Fang Di Zheng Zi No. C3639280
Factory No. 1	5,760	1994	1	Yue Fang Di Zheng Zi No. C3639286
Development Department Building	929.23	1994	3	Yue Fang Di Zheng Zi No. C3639287
Factory No. 3	5,760	1994	1	Yue Fang Di Zheng Zi No. C3639288
Electricity Transformation Room	670.08	1994	1	Yue Fang Di Zheng Zi No. C3639289
Total	34,695.72			

3. According to the information provided by the Group, Jiangmen Hua Lien Tannery Co., Ltd. (formerly known as Xin Hui Hua Lien Tannery Co., Ltd.) is a subsidiary 70.5% share held by the Group.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Guangdong Guan Hong Law Firm, which contains, inter alia, the following information:

   (a) Jiangmen Hua Lien Tannery Co., Ltd. is the current registered owner of the property, who is entitled to occupy, transfer, lease and mortgage the property in the market;

   (b) Pursuant to a Maximum Amount Mortgage Agreement and a supplementary agreement entered into between Xin Hui Hua Lien Tannery Co., Ltd. (Jiangmen Hua Lien Tannery Co., Ltd.) (the "Mortgagor") and the China Construction Bank (Jiangmen Branch) (the "Mortgagee") dated 13th April 2000 and 16th May 2005, the property is subject to a mortgage in favour of the Mortgagee for a term from 13th April 2000 to 13th April 2010 at a loan of RMB30,000,000;

   (c) The property has been sealed by the Shaanxi Province Highest People's Court; and

   (d) The existing occupancy status of the property has complied with the permitted use of the property set forth by the relevant government organizations.

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30th November 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30th November 2008
2.	An industrial complex located at Denggaoshi, Yaimen Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC	The property comprises four adjoining industrial lands together with nine 1- to 5-storey buildings and structures completed in between 1999 and 2003 erected thereon. The property has a total site area and total gross floor area of approximately 225,467 sq.m. and 55,125.53 sq.m. respectively. The property has been granted a land use rights for a term of 50 years expiring on 13th January 2048 for industrial use.	The property at present is occupied by the Group for industrial and ancillary uses.	RMB135,000,000 (equivalent to approximately HK$153,410,000)	100%	RMB135,000,000 (equivalent to approximately HK$153,410,000)

Notes:

1. Pursuant to four State-owned Land Use Right Ownership Certificates (Document Nos.: Xin Guo Yong (2006) No. 02419, 02420, 02421 and 02422) all dated 27th October 2006, the land use rights of the property having a total site area of approximately 225,467 sq.m. were granted to Galloon Leather (China) Co., Ltd. for a term of 50 years expiring on 13th January 2048 for industrial use. The particulars of the land portion of the property are as follows:

Lot No.	Approximate Site Area *(sq.m.)*	Tenure Expiry Date	Use	State-owned Land Use Right Ownership Certificates *(Document Nos.)*
0907000819	61,334	13th January 2048	Industrial	Xin Guo Yong (2006) No. 02419
0907000847	62,333	13th January 2048	Industrial	Xin Guo Yong (2006) No. 02420
0907000821	36,467	13th January 2048	Industrial	Xin Guo Yong (2006) No. 02421
0907000820	65,333	13th January 2048	Industrial	Xin Guo Yong (2006) No. 02422
Total	225,467			

2. Pursuant to nine Real Estate Ownership Certificates (Document Nos.: Yue Fang Di Zheng Zi No. C3053497, 3053498, 4110786, 4110787, 4110788, 4110975, 4110976, 4110977 and 4110978), the ownership of the building portion of the property with a total gross floor area of approximately 55,125.53 sq.m. were vested in Galloon Leather (China) Co., Ltd..

Furthermore, the land use rights of the property with a total site area of approximately 225,467 sq.m. were granted to Galloon Leather (China) Co., Ltd. for a term of 50 years expiring on 13th January 2048. The particulars of the building portion are as follows:

Building Name(s)	**Approximate Gross Floor Area** *(sq.m.)*	**Year of completion**	**No. of storey**	**Real Estate Ownership Certificate** *(Document No.)*
Factory No. 1	7,836.48	2003	1	Yue Fang Di Zheng Zi No. C3053497
Factory No. 2	7,836.48	2003	1	Yue Fang Di Zheng Zi No. C3053498
Composite Building	5,196.39	1999	5	Yue Fang Di Zheng Zi No. C4110786
Factory No. 5	7,836.48	1999	1	Yue Fang Di Zheng Zi No. C4110787
Factory No. 4	7,836.48	1999	1	Yue Fang Di Zheng Zi No. C4110788
Development Department Building	2,651.43	1999	4	Yue Fang Di Zheng Zi No. C4110975
Boiler Room	488.84	1999	1	Yue Fang Di Zheng Zi No. C4110976
Office Building	7,606.47	1999	4	Yue Fang Di Zheng Zi No. C4110977
Factory No. 3	7,836.48	1999	1	Yue Fang Di Zheng Zi No. C4110978
Total	55,125.53			

3. According to the information provided by the Group, Galloon Leather (China) Co., Ltd. is an indirect wholly-owned subsidiary of the Group.

4. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal adviser, Guangdong Guan Hong Law Firm, which contains, inter alia, the following information:

(a) Galloon Leather (China) Co., Ltd. is the current registered owner of the property, who is entitled to occupy, transfer, lease and mortgage the property in the market;

(b) Pursuant to a Maximum Amount Mortgage Agreement entered into between Galloon Leather (China) Co., Ltd. (the “Mortgagor”) and the Bank of China Limited (Gangzhou, Jiangmen Branch) (the “Mortgagee”) dated 1st November 2006 (Document No. GDY475022006090), the property is subject to a mortgage in favour of the Mortgagee for a term from 1st November 2006 to 1st November 2011 at a loan amount of RMB40,000,000; and

(c) The existing occupancy status of the property has complied with the permitted use of the property set forth by the relevant government organizations.

Group II – Property interest leased by the Group in Hong Kong

	Property	Description	Particulars of Occupancy	Market Value in existing state as at 30th November 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30th November 2008
3.	Unit 2513A, 25th Floor, No. 113 Argyle Street, Mongkok, Kowloon, Hong Kong	The property comprises an office unit located on the 25th Floor of a 31-storey office building completed in 1996. The property has a gross floor area and saleable area of approximately 975 sq.ft. and 744 sq.ft. respectively.	The property is leased to Hua Lien (Hong Kong) Company Limited by an independent third party for a term of two years commencing from 1st November 2008 to 31st October 2010 at a monthly rent of HK$18,000 exclusive of management fee, Rates, Government Rents and other operating outgoings. The property at present is occupied by the Group for office use.	No commercial value	100%	Nil

Notes:

1. According to the Land Register, the current registered owner of the property is the lessor, Fullfield Investment Limited.

2. The property is subject to a mortgage in favour of UFJ Bank Limited vide a memorial no. 05051701090070 dated 21st April 2005.

3. The property is subject to an assignment of rentals in favour of UFJ Bank Limited vide a memorial no. 05051701090080 dated 21st April 2005.

4. According to the information provided by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Group.

5. According to the information provided by the Group, Hua Lien (Hong Kong) Company Limited is a wholly-owned indirect subsidiary of the Group.

Group III – Property interest to be leased by the Group in the PRC

	Property	Description	Particulars of Occupancy	Market Value in existing state as at 30th November 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30th November 2008
4.	Units 402, 403, 404 and 610, Complant Mansion, No. 9 Xi Bin He Road, Andingmen, Dongcheng District, Beijing City, the PRC	The property comprises 4 units on Levels 4 and 6 of a 17-storey office building completed in 1997. The property has a total gross floor area of approximately 337 sq.m.	The property to be leased to the Group by a connected party, for a term of 3 years commencing from 1st January 2009 to 31 December 2011 at an annual rent of RMB553,440 exclusive of management fee and other operating outgoings. According to the information provided by the Group, the property will be occupied by the Group for office use after the completion of acquisition.	No commercial value	100%	Nil

Notes:

1. According to the information provided by the Group, the lessor, China National Complete Plant Import and Export Corporation (Group), is a connected party upon the completion of acquisition, which is a state-owned company incorporated in the PRC and owns 70% equity interest in Complant International Sugar Industry Co., Ltd.

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Dacheng Law offices, which contains, inter alia, the following information:

   (a) The lessor is the current registered owner of the property, who is entitled to lease the property to the Group. Thus, the tenancy agreement entered into between the lessor and the Group is valid and legally effective amongst two parties, However, the land the property located is an allocated land, the lessor has to pay portion of the rental income to the relevant government organization subject to the "Urban Real Estate Management Law of the PRC" and the local regulations in Beijing; and

   (b) The property is free from mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Ordinary Shares

Authorised share capital:

		HK$
1,500,000,000	Shares of HK0.1 each	150,000,000

Issued and fully paid or credited as fully paid:

		HK$
823,680,000	Shares of HK0.1 each	82,368,000

Upon the completion of the Acquisition, the authorised and issued share capital of the Company will be as follows:

Ordinary Shares

Authorized share capital:

		HK$
6,000,000,000	Shares of HK$0.1 each	600,000,000

Issued and to be issued, fully paid or credited as fully paid:

		HK$
823,680,000	Shares in issued as at the Latest Practicable date	82,368,000
300,000,000	Consideration Shares to be allotted and issued upon Completion	30,000,000
164,736,000	Shares to be allotted and issued immediately after full exercise of subscription rights attaching to 164,736,000 non-listed warrants	16,473,600
1,122,000,000	Maximum number of Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Notes	112,200,000
2,410,416,000	Shares of HK$0.1 each	241,041,600

All the Consideration Shares and the Conversion Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares then in issue on the date of allotment and issue including the rights as to voting, dividends and return of capital.

3. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange:

Name of Director	Capacity	Number of ordinary shares held by controlled corporation *(Note)*	Total	Approximate % of the issued share capital
Mr. Liaw	Controlled corporation	363,500,039	363,500,039	44.13%

Note: Mr. Liaw is a director of Joyce Services Limited. He was deemed to be interested in 363,500,039 ordinary shares in the Company, which were held by Joyce Services Limited, a company in which Mr. Liaw has a 58.87% beneficial interest.

As at the Latest Practicable Date, Mr. Liaw held 126,000 non-voting deferred shares in Hua Lien (Hong Kong) Company Limited, the Company's subsidiary. These deferred shares of Hua Lien (Hong Kong) Company Limited, carry no rights to dividends or to receive notice of or to attend or vote at any of its general meetings or to participate in any distribution on its winding up.

Save as disclosed above and other than one nominee ordinary share in Hua Lien (Hong Kong) Company Limited, the Company's subsidiary, held by Mr. Liaw, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as at the Latest Practicable Date which were required (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and short positions in which they were deemed or taken to have under such provisions of the SFO) to be notified to the Company and the Stock Exchange, or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, there were no other persons (other than Directors or chief executive of the Company), who had or were deemed or taken to have interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in respect of such capital.

(c) Other interests

(1) As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

(2) As at the Latest Practicable Date, none of the Directors has any direct and indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Group were made up.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, Mr. Liaw have entered into a service contract with the Company for an initial term of three years commencing from 5th January 2000, which will continue thereafter unless and until terminated by either party by giving to the other party not less than six months' prior written notice.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with the Company or any members of the Enlarged Group which is not terminable by the employer within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates has any beneficial interests in other businesses which compete or are likely to compete with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any members or subsidiaries of the Enlarged Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any members or subsidiaries of the Enlarged Group.

7. MATERIAL CONTRACTS

Save as disclosed below, the Enlarged Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular which are or may be material:

1. the Sale and Purchaser Agreement dated 12 November 2008 entered into between the Vendor, Jumbo Right and the Company in relation to the Acquisition.

8. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2007, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Group or are proposed to be acquired or disposed of, by or leased to any member of the Group.

9. EXPERTS

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Date of opinion	Qualification
BMI Appraisal Limited	23 January 2009	Professional valuer
Grand Vinco Capital Limited	23 January 2009	a licensed corporation to advise on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
HLM & Co.	23 January 2009	Certified Public Accountants
Vigers Appraisal & Consulting Limited	23 January 2009	Professional valuer

As at the Latest Practicable Date, the experts above are not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and do not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

The experts above have given and have not withdrawn their respective written consent to the issue of this circular with inclusion of their letter and references to their respective names in the form and context in which it is included.

10. GENERAL

(a) The principal place of business of the Company is Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong

(b) The registered office of the Company is situated at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

(c) The head office of the Company is situated at Yaxi Industrial Development Zone, Yamen, Xinhui District Jiangmen City, Guangdong, The People's Republic of China.

(d) The qualified accountant and secretary of the Company is Mr. WAN Hok Shing (a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries and a member of the Institute of Supply Chain Management).

(e) The transfer office of the Company is situated at the office of its branch share registrars, Bank of Bermuda (Cayman) Limited at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

(f) The English text of this document shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the section headed "MATERIAL CONTRACTS" in this appendix;

(c) the service contract referred to in the section headed "Service Contracts" in this appendix;

(d) (i) the Supply and Service Agreement dated 15 December 2008 entered into between SATT and China Complant;

(ii) the Supply and Service Agreement dated 15 December 2008 entered into between SATT and the African Company 1;

(iii) the Supply and Service Agreement dated 15 December 2008 entered into between SATT and the African Company 2;

(iv) the Supply and Service Agreement dated 15 December 2008 entered into between SATT and the African Company 3;

(v) the Supply and Service Agreement dated 15 December 2008 entered into between SATT and the African Company 4; and

(vi) the Tenancy Agreement dated 15 December 2008 entered into between SATT and China Complant;

(e) the annual reports of the Company for each of the two financial years ended 31 December 2007;

(f) the accountants' report of the SATT prepared by HLM & Co., the text of which is set out in Appendix I of this circular;

(g) the unaudited pro forma financial information of the Enlarged Group and the letter from HLM & Co., the text of which is set out in Appendix II of this circular;

(h) the property valuation report prepared by Vigers Appraisal & Consulting Limited, the text of which is set out in Appendix V of this circular;

(i) the letters of consent given by the experts referred to in the section headed "EXPERTS" in this appendix;

(j) copy of each circular which has been issued since the date of the latest published audited accounts of the Company;

(k) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular; and

(l) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular.

HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Hua Lien International (Holding) Company Limited (the "**Company**") will be held at The Banyan, Level 3, Renaissance Kowloon Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 20 February 2009 at 12:00 noon for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT** the conditional sale and purchase agreement dated 12 November 2008 and the supplemental agreement dated 31 December 2008 ("**Sale and Purchase Agreement**") entered into amongst the Company, Jumbo Right Investments Limited as purchaser and COMPLANT International Sugar Industry Co., Ltd.(中成國際糖業股份有限公司)as vendor ("**Vendor**") (a copy of which is marked "A" and produced to the meeting and signed by the chairman of the meeting for identification purpose) in relation to the acquisition of entire issued shares of Sino-Africa Technology & Trading Limited(中非技術貿易有限公司, "**SATT**")be and are hereby ratified, confirmed and approved, and all the transactions contemplated under the Sale and Purchase Agreement including but not limited to (i) the allotment and issue of 300,000,000 ordinary shares of par value HK$0.10 each credited as fully paid at an issue price of HK$0.60 per share ("**Consideration Shares**") by the Company to the Vendor; (ii) the issue of the redeemable tranche 1 convertible note in the principal amount of HK$366,600,000 and the redeemable tranche 2 convertible note in the principal amount of HK$306,600,000 ("**Convertible Notes**") by the Company to the Vendor; and (iii) the entering into the share charge, the deed of indemnity and the escrow agreement in such form and substance as attached in the schedules to the Sale and Purchase Agreement be and are hereby approved, and the directors ("**Directors**") of the Company be and are hereby authorized to do all such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as the Directors consider necessary, appropriate, desirable or expedient for the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder, and to agree to such variation, amendment, supplement or waiver of matters relating thereto as are, in the opinion of the Directors, in the interest of the Company and the shareholders of the Company as a whole."

(2) "**THAT** conditional upon the passing of resolution (1) above and the completion of the Sale and Purchase Agreement, the supply and service agreement dated 15 December 2008 entered into between SATT and China National Complete Plant Import & Export Corporation (Group) (中國成套設備進出口(集團)總公司), together with the four supply and service agreements all dated 15 December 2008 entered into between SATT and La Sucrerie de COMPLANT de Madagascar, COMPLANT Magbass Sugar Complex Company Limited, La Sucrerie de COMPLANT du Benin and Sucrerie Cote Ouest de COMPLANT de Madagascar (Ouest Sucre) respectively (the "**Continuing Connected Transaction Agreements**") (copies of which are marked "B" and produced to the meeting and signed by the chairman of the meeting for identification purpose), and the relevant proposed annual caps be and are hereby generally and unconditionally approved and the Directors of the Company be and are hereby authorized to do all such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as the Directors consider necessary, appropriate, desirable or expedient for implementation of and giving effect to the Continuing Connected Transaction Agreements and the transactions contemplated thereunder."

(3) "**THAT** conditional upon the passing of resolution (1) above and the completion of the Sale and Purchase Agreement, the authorized share capital of the Company be and is hereby increased from HK$150,000,000 divided into 1,500,000,000 shares of par value HK$0.10 each (the "**Shares**") to HK$600,000,000 divided into 6,000,000,000 Shares by the creation of 4,500,000,000 new Shares in the capital of the Company, and that the Directors of the Company be and are hereby authorized to do all such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as the Directors consider necessary, appropriate, desirable or expedient for implementation of and giving effect to or in connection with such increase in the authorized share capital of the Company."

(4) "**THAT** conditional upon the passing of resolution (1) above and the completion of the Sale and Purchase Agreement, the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the Consideration Shares and the conversion shares contemplated under the Convertible Notes, which specific mandate can be exercised once or more than once and with a valid term of five years commencing from the issue date of the Convertible Notes as referred to in resolution (1) above."

Yours faithfully,
For and on behalf of the Board of
Hua Lien International (Holding) Company Limited
Shih Chian Fang
Chairman

Hong Kong, 23 January 2009

Principal Place of Business in Hong Kong:
Unit 2513A, 25th Floor
113 Argyle Street
Mongkok, Kowloon
Hong Kong

Notes:

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of himself. A proxy need not be a member of the Company.

(2) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. But if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. Seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.

(3) In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's principal place of business in Hong Kong at Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

(4) Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.