THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, 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 transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF HUA LIEN GROUP (HOLDING) COMPANY, LIMITED

Financial adviser to the Company

Access Capital

A notice convening an extraordinary general meeting of the Company to be held at The Rosewood, Level 3, Renaissance Kowloon Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong at 12:00 noon on 9 December 2009 (Wednesday) is set out on pages 121 to 122 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Company and the Stock Exchange at http://finance.thestandard.com.hk/en/0969hualien and at www.hkexnews.com.hk respectively.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, 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 the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

23 November 2009

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Agreement"	a sale and purchase agreement dated 16 October 2009 entered into between the Purchaser and the Company in respect of the Disposal
"Agreements"	the Agreement and the Supplemental Agreement, collectively
"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
"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
"Completion"	completion of the Disposal
"connected person"	has the same meaning as defined in the Listing Rules
"Consideration"	the total consideration of HK$101.5 million payable by the Purchaser to the Company in respect of the Disposal pursuant to the Agreements
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Company to the Purchaser and the discharge of the Shareholder's Loan by the Company pursuant to the Agreements
"Escrow Agreement"	the escrow agreement to be entered into among the Company, the Purchaser and an escrow agent in respect of the Share Charge

"EGM"	the extraordinary general meeting of the Company to be held at The Rosewood, Level 3, Renaissance Kowloon Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 9 December 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 121 to 122 of this circular
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of The People's Republic of China
"Latest Practicable Date"	19 November 2009, being the latest practicable date prior to the printing of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
"Purchaser"	Sino Commend Limited, a company incorporated in the British Virgin Islands with limited liability
"Remaining Group"	the Group immediately upon completion of the Agreements
"Sale Shares"	19,193,997 ordinary shares of US$1.00 par value each in the share capital of the Target Company, representing the entire issued share capital of the Target Company
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Share Charge"	the share charge in respect of the Sale Shares duly executed by the Purchaser in favour of the Company as chargee upon Completion
"Shareholder(s)"	holder(s) of Share(s)

"Shareholder's Loan"	the shareholder's loan due from the Target Group to the Company, which amounts to approximately HK$65.6 million as at 30 June 2009
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 19 October 2009 entered into between the Purchaser and the Company in supplemental to the Agreement in respect of the Disposal
"Target Company"	Hua Lien Group (Holding) Company, Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly owned subsidiary of the Company
"Target Group"	the Target Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	U.S. dollars, the lawful currency of the United States of America
"%"	Percentage

HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

Executive Directors:
Mr. Shih Chian Fang
Mr. Liaw Yuan Chian
Mr. Kuang Yong
Mr. Han Hong

Independent non-executive Directors:
Dr. Zheng Liu
Mr. Yu Chi Jui
Ms. Li Xiao Wei

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

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

23 November 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF HUA LIEN GROUP (HOLDING) COMPANY, LIMITED

INTRODUCTION

Reference is made to the Company's announcement dated 20 October 2009, in which the Directors announced that, on 16 October 2009 and 19 October 2009, the Purchaser and the Company entered into the Agreements pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares for a Consideration of HK$101.5 million. The Disposal includes the discharge of the Shareholder's Loan on the date of Completion.

As the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements.

The purpose of this circular is to provide you with, among other things, (i) the details of the Disposal; (ii) the financial information relating to the Group (including an accountants' report on the Group and a pro forma income statement, balance sheet and cash flow statement of the Remaining Group); and (iii) a notice convening the EGM.

THE AGREEMENTS

Summarised below are the principal terms of the Agreements:

Date

Agreement: 16 October 2009

Supplemental Agreement: 19 October 2009

Parties

(a) Vendor: the Company; and

(b) Purchaser: Sino Commend Limited

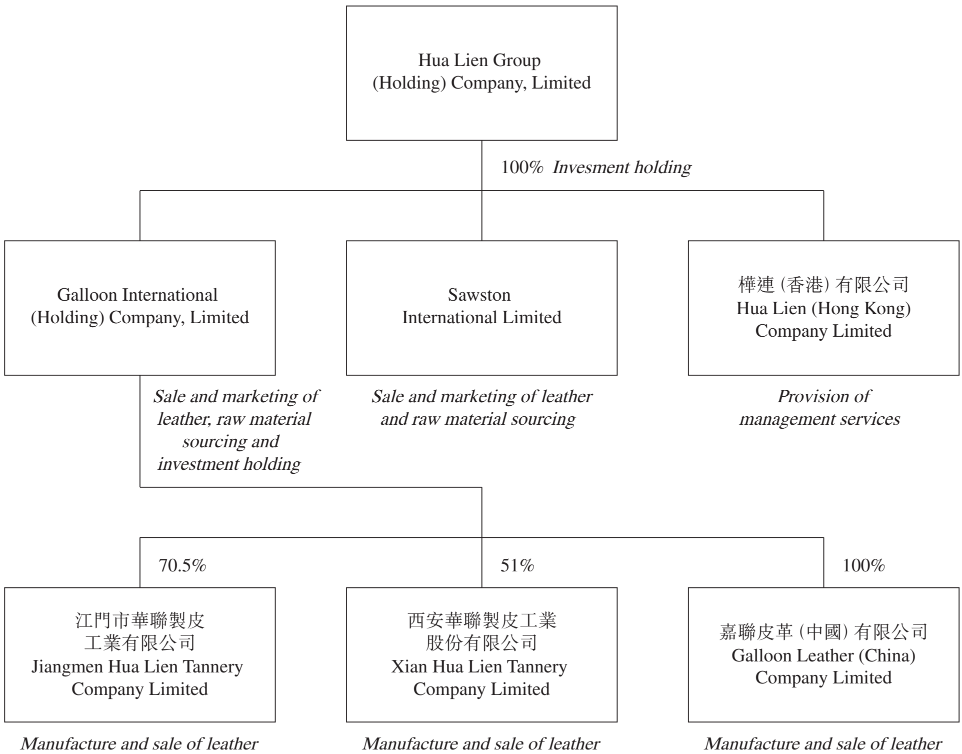
To the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Subject of the Disposal

Pursuant to the Agreements, the Purchaser has conditionally agreed to purchase from the Company the Sale Shares, being the entire issued share capital of the Target Company. The Company and the Purchaser further agreed that the Disposal shall include the full discharge of the Shareholder's Loan on the date of Completion.

The Target Company is an investment holding company and its subsidiaries are principally engaged in, amongst others, sale and marketing of leather, raw material sourcing and provision of management services.

The shareholding structure of the Target Group as at the Latest Practicable Date is set out as follows:



The extracted financial information of the Target Group as at, or for the period/year ended, 31 December 2007, 31 December 2008 and 30 June 2009 are as follows:

	As at, or for the six months ended, 30 June 2009 *HK$'000*	**As at, or for the year ended, 31 December 2008** *HK$'000*	**As at, or for the year ended, 31 December 2007** *HK$'000*
Revenue	125,834	537,003	615,203
Loss before tax	70,848	199,256	269,031
Loss after tax attributable to the Group	72,448	213,398	293,597
Total assets	263,406	355,139	570,929
Total liabilities	237,856	277,141	275,885
Shareholders' equity	25,550	77,998	292,948

The above figures are prepared by the Company in accordance with the accounting principles generally accepted in Hong Kong and in compliance with the accounting standards and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Consideration and Payment Terms

The Consideration for the Disposal is HK$101.5 million payable in cash by the Purchaser in the following manners:

(a) an initial sum of HK$20 million will be payable within one month following the signing of the Agreement;

(b) a further sum of HK$20 million will be payable on or before the date of the Completion;

(c) a further sum of HK$30 million will be payable within three months following the date of the Completion; and

(d) the balance of HK$31.5 million will be payable within six months following the date of the Completion.

The Consideration was arrived at after an arm's length negotiation between the Company and the Purchaser and has taken into account, amongst other things, the discharge of the Shareholder's Loan. The Consideration, after deducting the Shareholder's Loan, represents a premium of approximately HK$10.3 million or 40.2% over the unaudited net assets of the Target Group as at 30 June 2009.

The Company and the Purchaser further agreed that the initial sum of HK$20 million shall be forfeited to the Company in the event that the Purchaser fails to fulfill its obligations under the Agreements.

Other Terms of the Agreements

Security by way of a share charge

As security for the performance of the payment obligations of the Purchaser in respect of the payments referred to in paragraphs (c) and (d) under the sub-paragraph "Consideration and Payment Terms" under the section headed "The Agreements" above, the Purchaser as chargor shall deliver to the Company the Share Charge in respect of the Sale Shares duly executed by the Purchaser in favour of the Company as chargee on the date of Completion.

Escrow agreement

For the purpose of the Share Charge, the Company, the Purchaser and an escrow agent shall enter into the Escrow Agreement on the date of Completion pursuant to which both the Purchaser and the Company shall jointly engage the escrow agent to hold and retain the following documents in escrow in accordance with the terms of the Escrow Agreement during the continuance of the security:

(a) all share certificates in relation to the shares of the Target Company and other documents of title or evidence of ownership in relation to the shares of the Target Company as are owned by the Purchaser or in which the Purchaser has or acquires an interest which entitles it to control such documents;

(b) the related instruments of transfer duly executed by the Purchaser in blank in favour of the Company or its nominees;

(c) the undated written board resolutions of the Purchaser duly signed by all the directors of the Purchaser to approve and authorize the transfer of shares of the Target Company by the Purchaser to the Company pursuant to clause (b) above;

(d) the undated written board resolutions of the Target Company duly signed by all directors of the Target Company to approve the transfers and registration of the shares of the Target Company by the Purchaser to the Company, the issue of relevant share certificates to the Company and if applicable, the appointment of new directors nominated by the Company; and

(e) the undated letters of resignation duly signed by all directors of the Target Company nominated by the Purchaser (if applicable).

The Share Charge shall be released or discharged absolutely when the Purchaser has fully discharged its payment obligations in accordance with the terms contained in the Agreements. Upon the release or discharge of the Share Charge, the escrow agent shall release the documents mentioned above to the Purchaser in accordance with the terms of the Escrow Agreement.

In the event of occurrence of Defaults (as defined in the Share Charge) on the part of the Purchaser, the Company shall be entitled to, as chargee under the Share Charge, enforce the security under the Share Charge and also to unilaterally instruct the escrow agent to release the documents mentioned above to the Company in accordance with the terms contained in Escrow Agreement.

Conditions precedent of the Completion

The Agreements became effective upon signing and the Completion is conditional upon, inter alia, the following conditions being fulfilled or waived, as the case may be:

(a) the passing of the resolution by the Shareholders at the EGM to approve the Agreements and the transactions contemplated thereunder in compliance with the requirements of the Listing Rules; and

(b) the Company having obtained all necessary authorizations, consents and approval for the consummation of the Agreements and the transactions contemplated thereunder; and there being no relevant governmental or regulatory authorities that will restrict the sale of the Sale Shares or the Agreements and the transactions contemplated thereunder.

If the conditions set out above are not fulfilled on or before 31 January 2010 or at such later date as the Company and the Purchaser may agree in writing, the Agreements shall cease and terminate, and no party shall have any obligation to complete the transactions contemplated under the Agreements. In addition, no party shall have any claims against the other party under the Agreements, save and except for any antecedent breaches committed prior to the termination of the Agreements, and the right of the Company to forfeit the initial sum of HK$20 million in accordance with the terms of the Agreements.

Completion

Pursuant to the Agreements, completion of the Agreements shall take place within twenty Business Days after the conditions precedent having been fulfilled (or waived, as the case may be) or at such other date as the Company and the Purchaser may agree in writing. Upon Completion, the Target Group will cease to be subsidiaries of the Company.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the British Virgin Islands.

FINANCIAL EFFECT OF THE DISPOSAL

The Directors estimate that the expected gain to be recorded in the Group's consolidated financial statement arising from the Disposal is approximately HK$8.3 million, being the difference between the Consideration under the Agreements of approximately HK$101.5 million minus (i) the Shareholder's Loan; (ii) the net asset value of the Target Company of approximately HK$25.6 million based on the management account of the Target Company as at 30 June 2009; and (iii) the estimated expenses of the Disposal of approximately HK$2 million. The gain will further improve the Group's liquidity and financial condition.

Upon receipt of the Consideration in full by the Company, the cash and bank balance of the Group will increase by approximately HK$81.2 million. In addition, there will be an increase of approximately HK$8.4 million in the Group's net asset value upon Completion.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in, amongst others, sale and marketing of leather, raw material sourcing and provision of management services.

The Group plans to diversify its business into production sectors of sweetener and ethanol in light of the more promising prospect of these industries and is actively strengthening the financial position of the Group. In view of the continuing losses generated from the leather business, the Directors consider the Disposal would release capital requirement and management resources from managing the Target Group and is in line with the Group's strategy to divest from its loss-making leather business operation.

The Directors are of the view that the Agreements have been entered into in the ordinary and usual course of business of the Company and the terms of the Agreements are on normal commercial terms and are fair and reasonable. The entering into of the Agreements will provide the Group an opportunity to dispose the Target Group at a profit, which is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Company intends to use the net proceeds of approximately HK$99.5 million for general working capital.

IMPLICATION OF THE LISTING RULES

As the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements.

EGM

The EGM will be held at The Rosewood, Level 3, Renaissance Kowloon Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong at 12:00 noon on Wednesday, 9 December 2009. The purpose of the EGM is to consider and, if thought fit, to approve the Agreements and the transactions contemplated thereunder. The Directors confirmed that to the best of their knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, no Shareholders and their respective associates have interest in the Disposal and therefore no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Agreements and the transactions contemplated thereunder at the EGM.

A notice of the EGM is set out on pages 121 to 122 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 the accompanying form of proxy, 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 the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

For the reasons stated under paragraph headed "Reasons for and benefits of the Disposal" in this circular, the Directors are of the opinion that the terms of the Agreements are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve the Agreements and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of EGM.

Yours faithfully,
For and on behalf of the Board of
Hua Lien International (Holding) Company Limited
Shih Chian Fang
Chairman

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

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.com.hk

23rd November 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 ("the Financial Information") of Hua Lien International (Holding) Company Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out in Sections I to IV below, for inclusion in the circular of the Company dated 23rd November 2009 (the "Circular") in connection with the proposed disposal of 100% equity interest in Hua Lien Group (Holding) Company, Limited and its subsidiaries ("Target Group"). The Financial Information comprises the consolidated statements of financial position at 31st December 2006, 2007 and 2008 and 30th June 2009 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31st December 2006, 2007 and 2008 and the six months ended 30th June 2008 and 2009 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company acts as an investment holding company.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 33 of Section II below. All of these companies are private companies.

We have audited the consolidated financial statements of the Group for each of the years ended 31st December 2006, 2007 and 2008 and the six months ended 30th June 2009.

The Financial Information has been prepared based on the audited financial statements of the Group for each of the years ended 31st December 2006, 2007 and 2008 and the six months ended 30th June 2009 and the unaudited consolidated financial statements of the Group for the six months ended 30th June 2008.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are 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.

REPORTING ACCOUNTANT’S RESPONSIBILITY

For the financial information for each of the years ended 31st December 2006, 2007 and 2008 and the six months ended 30th June 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the audited financial statements in preparing the financial information, and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

For the financial information for the six months ended 30th June 2008, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the financial information for the six months ended 30th June 2008.

OPINION AND REVIEW CONCLUSION

In our opinion, the financial information for each of the years ended 31st December 2006, 2007 and 2008 and the six months ended 30th June 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31st December 2006, 2007 and 2008 and 30th June 2009 and of the state of affairs of the Group as at 31st December 2006, 2007 and 2008 and 30th June 2009 and of the Group's results and cash flows for the years and period then ended.

On the basis of our review which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the financial information for the six months ended 30th June 2008.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Group at 31st December 2006, 2007 and 2008 and 30th June 2009 and for each of the years ended 31st December 2006, 2007 and 2008 and for the six months ended 30th June 2008 and 2009.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31st December			Six months ended 30th June	
		2006	**2007**	**2008**	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Turnover	*7*	718,909	615,203	537,003	307,154	206,940
Cost of sales		(694,855)	(753,113)	(603,421)	(357,105)	(195,223)
Gross profit (loss)		24,054	(137,910)	(66,418)	(49,951)	11,717
Other operating income		14,565	14,638	3,213	10,358	974
Distribution costs		(408)	(220)	(174)	(82)	(31)
Administrative expenses		(19,874)	(22,707)	(27,331)	(7,434)	(16,040)
Finance costs		(8,619)	(11,292)	(9,093)	(4,553)	(16,345)
Other expenses	*8*	(124,154)	(111,911)	(103,869)	(23,041)	(68,729)
Loss before taxation	*9*	(114,436)	(269,402)	(203,672)	(74,703)	(88,454)
Income tax income (expenses)	*12*	1,597	(18,660)	(10,003)	520	(76)
Loss for the year/period		(112,839)	(288,062)	(213,675)	(74,183)	(88,530)
Other comprehensive loss for the year/period						
Currency translation differences		17,990	10,463	(1,552)	(297)	–
Total comprehensive loss for the year/period		(94,849)	(277,599)	(215,227)	(74,480)	(88,530)

		Year ended 31st December			Six months ended 30th June	
		2006	2007	2008	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Loss for the year/period attributable to:						
Owners of the Company		(73,362)	(293,968)	(217,814)	(77,167)	(90,053)
Minority Interests		(39,477)	5,906	4,139	2,984	1,523
		(112,839)	(288,062)	(213,675)	(74,183)	(88,530)
Total comprehensive loss attributable to:						
Owners of the Company		(55,372)	(283,505)	(219,366)	(77,464)	(90,053)
Minority Interests		(39,477)	5,906	4,139	2,984	1,523
		(94,849)	(277,599)	(215,227)	(74,480)	(88,530)
Loss per share *(cents)*	*13*					
– Basic		(10.68)	(39.61)	(26.44)	(9.37)	(9.70)
– Diluted		–	–	–	–	–
Dividends	*14*	–	–	–	–	–

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31st December			At 30th June
		2006	2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*15*	221,065	203,430	114,574	98,868
Prepaid lease payments on land use rights	*16*	43,441	44,649	45,992	45,423
Goodwill	*17*	–	–	–	281,768
Intangible asset	*18*	–	–	–	415,950
Deferred tax assets	*19*	27,560	10,254	758	682
		292,066	258,333	161,324	842,691
Current assets					
Inventories	*20*	186,173	155,206	101,877	63,115
Trade and other receivables	*21*	444,483	142,712	80,666	191,498
Prepaid lease payments on land use rights	*16*	1,024	1,078	1,138	1,138
Pledged bank deposits		1,500	1,500	–	–
Bank balances and cash	*22*	13,107	52,389	46,887	138,420
		646,287	352,885	230,568	394,171
Current liabilities					
Trade and other payables	*23*	78,825	17,589	59,662	82,358
Loan from a director	*24*	16,832	16,534	14,438	12,119
Tax liabilities		11,799	11,916	11,444	11,444
Amounts due to minority shareholders of subsidiaries		1,786	1,880	–	–
Bank borrowings	*25*	182,564	160,358	124,869	114,647
		291,806	208,277	210,413	220,568
Net current assets		354,481	144,608	20,155	173,603
Total assets less current liabilities		646,547	402,941	181,479	1,016,294
Non-current liability					
Convertibles notes	*26*	–	–	–	450,491
Net assets		646,547	402,941	181,479	565,803
Capital and reserves					
Share capital	*27*	68,640	82,368	82,368	122,368
Reserves		575,811	318,477	99,111	443,435
Equity attributable to owners of the Company		644,451	400,845	181,479	565,803
Minority interests		2,096	2,096	–	–
Total equity		646,547	402,941	181,479	565,803

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Warrant reserve	Convertible notes equity reserve	Translation reserve	Goodwill reserve	Special reserve	PRC statutory reserves	Accumulated (losses) 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$'000*	*HK$'000*
At 1st January 2006	68,640	–	–	–	6,497	(24,509)	238,966	21,296	388,933	699,823	47,183	747,006
Loss for the year	–	–	–	–	–	–	–	–	(73,362)	(73,362)	(39,477)	(112,839)
Exchange difference arising on translation of foreign operations	–	–	–	–	17,990	–	–	–	–	17,990	–	17,990
Total comprehensive loss	–	–	–	–	17,990	–	–	–	(73,362)	(55,372)	(39,477)	(94,849)
Transfer	–	–	–	–	–	–	–	614	(614)	–	–	–
Pre-determined distribution	–	–	–	–	–	–	–	–	–	–	(5,610)	(5,610)
At 31st December 2006	68,640	–	–	–	24,487	(24,509)	238,966	21,910	314,957	644,451	2,096	646,547
At 1st January 2007	68,640	–	–	–	24,487	(24,509)	238,966	21,910	314,957	644,451	2,096	646,547
Loss for the year	–	–	–	–	–	–	–	–	(293,968)	(293,968)	5,906	(288,062)
Exchange difference arising on translation of foreign operations	–	–	–	–	10,463	–	–	–	–	10,463	–	10,463
Total comprehensive loss	–	–	–	–	10,463	–	–	–	(293,968)	(283,505)	5,906	(277,599)
Share 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
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
At 1st January 2008	82,368	21,229	4,942	–	34,950	(24,509)	238,966	21,910	20,989	400,845	2,096	402,941
Loss for the year	–	–	–	–	–	–	–	–	(217,814)	(217,814)	4,139	(213,675)
Exchange difference arising on translation of foreign operations	–	–	–	–	(1,552)	–	–	–	–	(1,552)	–	(1,552)
Total comprehensive loss	–	–	–	–	(1,552)	–	–	–	(217,814)	(219,366)	4,139	(215,227)
Pre-determined distribution	–	–	–	–	–	–	–	–	–	–	(6,235)	(6,235)
At 31st December 2008	82,368	21,229	4,942	–	33,398	(24,509)	238,966	21,910	(196,825)	181,479	–	181,479

	Share capital HK$'000	Share premium HK$'000	Warrant reserve HK$'000	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	Goodwill reserve HK$'000	Special reserve HK$'000	PRC statutory reserves HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January 2008	82,368	21,229	4,942	–	34,950	(24,509)	238,966	21,910	20,989	400,845	2,096	402,941
Loss for the period	–	–	–	–	–	–	–	–	(77,167)	(77,167)	2,984	(74,183)
Exchange difference arising on translation of foreign operations	–	–	–	–	(297)	–	–	–	–	(297)	–	(297)
Total comprehensive loss	–	–	–	–	(297)	–	–	–	(77,167)	(77,464)	2,984	(74,480)
Pre-determined distribution	–	–	–	–	–	–	–	–	–	–	(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 2009	82,368	21,229	4,942	–	33,398	(24,509)	238,966	21,910	(196,825)	181,479	–	181,479
Loss for the period	–	–	–	–	–	–	–	–	(90,053)	(90,053)	1,523	(88,530)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	–	(90,053)	(90,053)	1,523	(88,530)
Equity component of convertible notes	–	–	–	236,106	–	–	–	–	–	236,106	–	236,106
Share issued	40,000	200,000	–	–	–	–	–	–	–	240,000	–	240,000
Transaction costs attributable to issue of shares	–	(1,729)	–	–	–	–	–	–	–	(1,729)	–	(1,729)
Pre-determined distribution	–	–	–	–	–	–	–	–	–	–	(1,523)	(1,523)
At 30th June 2009	122,368	219,500	4,942	236,106	33,398	(24,509)	238,966	21,910	(286,878)	565,803	–	565,803

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31st December			Six months ended 30th June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES					
Loss from operating activities before tax	(114,436)	(269,403)	(203,672)	(74,703)	(88,454)
Adjustment for:					
Impairment loss recognised in respect of property, plant and equipment	–	–	70,000	–	–
Impairment loss recognised in respect of trade and other receivables	11,912	46,235	33,869	23,041	28,729
Impairment losses on property, plant and equipment, inventories, and trade and other receivables for suspended Xian Hua Lien Tannery Co. Ltd.	112,242	65,675	–	–	–
Impairment loss on goodwill	–	–	–	–	40,000
(Write-back) allowance for inventories	(847)	34,033	13,833	1,941	13,833
Depreciation and amortisation of property, plant and equipment	34,398	31,949	31,220	14,834	15,854
Amortisation of intangible assets	–	–	–	–	7,050
Amortisation of prepaid lease payment	1,024	1,078	1,138	545	569
Loss (gain) on disposal of property, plant and equipment	147	(68)	(56)	(68)	36
Interest income	(639)	(698)	(401)	(154)	(72)
Interest expense	8,619	11,292	9,093	4,553	16,345
Operating cash flows before movements in working capital	52,420	(79,907)	(44,976)	(30,011)	33,890
Decrease (increase) in inventories	10,870	(3,066)	39,496	32,585	24,929
(Increase) decrease in trade and other receivables	(59,772)	189,863	28,177	(21,424)	3,996
Decrease in amounts due from minority shareholders of subsidiaries	621	–	–	–	–
(Decrease) increase in trade and other payables	(2,173)	(61,236)	42,073	35,787	(35,679)
Increase (decrease) in amounts due to minority shareholders of subsidiaries	–	94	(1,880)	(1,880)	–
Cash generated from operations	1,966	45,748	62,890	15,057	27,136
Hong Kong Profit Tax paid	(25)	(10)	(5)	(5)	–
PRC enterprise income tax paid	(3,158)	–	(591)	(566)	–

	Year ended 31st December			Six months ended 30th June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(1,217)	45,738	62,294	14,486	27,136
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(626)	(2,616)	(584)	(475)	(227)
Acquisition of a subsidiary	–	–	–	–	23,250
Interest received	639	698	401	154	72
Decrease in pledged bank deposits	8,600	–	1,500	1,500	–
Proceeds from disposal of property, plant and equipment	12	500	102	87	43
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	8,625	(1,418)	1,419	1,266	23,138
FINANCING ACTIVITIES					
Proceeds from issue of shares	–	35,967	–	–	58,271
Expenses on issue of shares	–	(1,010)	–	–	–
Proceeds from issue of warrants	–	4,942	–	–	–
Repayment of borrowings	(104,415)	(92,973)	(81,064)	(14,518)	(25,778)
Dividends paid to minority shareholders of subsidiaries	(5,610)	(5,906)	(6,235)	(2,984)	(1,523)
Interest paid	(8,619)	(11,292)	(9,093)	(4,553)	(2,948)
Bank borrowings raised	75,500	61,158	36,667	–	15,556
(Repayment to) net borrowing from a director	(16)	(298)	(2,096)	512	(2,319)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	(43,160)	(9,412)	(61,821)	(21,543)	41,259
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(35,752)	34,908	1,892	(5,791)	91,533
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	30,869	13,107	52,389	52,389	46,887
Effect of foreign exchange rate changes	17,990	4,374	(7,394)	(1,417)	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	13,107	52,389	46,887	45,181	138,420
CASH AND CASH EQUIVALENTS REPRESENT					
Bank balances and cash	13,107	52,389	46,887	45,181	138,420

II. NOTES TO THE FINANCIAL STATEMENTS

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.

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

The Financial Information has been prepared in accordance with the accounting policies adopted by the Group, details of which are set out in note 3, which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Company has applied the HKFRSs, amendments and interpretations issued by the HKICPA that are effective of the Company's financial period beginning on 1st January 2009. The adoption of the new HKFRSs has no material effects on how the results and financial position for the current or prior accounting periods are prepared and presented.

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

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14 *(see note 3)*. The adoption of the new and revised HKFRSs has had no material effect on the reported results and 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 standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adpoters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[4]

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

[2] *Amendments that are effective for annual periods beginning on or after 1st July 2009 or 1st January 2010, as appropriate*

[3] *Effective for annual periods beginning on or after 1st January 2010*

[4] *Effective for transfers on or after 1st July 2009*

The adoption of HKFRS 3 (Revised) may affect the accounting treatment 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 the Group'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, amendments or interpretations will have no material impact on the results or financial position of the Group. The directors of the Group anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group in the period of initial application.

3. Principal accounting policies

The Financial Information has 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 Financial Information incorporates 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 statement of comprehensive income 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 statement of financial position 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 statement of comprehensive income.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, 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.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The accounting policies adopted in respect of loans and receivables are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance accounts. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance accounts. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and other payables, secured bank borrowings and obligations under finance leases) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Convertible loan notes

Convertible loan notes issued by the group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity (convertible loan notes equity reserve.)

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised. Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

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 statement of comprehensive income 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 the end of each reporting period 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 statement of comprehensive income, 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 end of the reporting period. 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 end of the reporting period. 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 statement of comprehensive income 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.

Provisions

Provisions are recognised when the Company has a present obligation as a result of past events; and it is probable that the Company 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 end of the reporting period, and are discounted to present value where the effect is material.

4. Critical accounting judgements and key sources of estimation uncertainty

The key sources of estimation uncertainty at the end of the reporting period, 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. At 31st December 2006, 2007 and 2008 and 30th June 2009, the carrying amount of trade receivables is approximately HK$185,133,000, approximately HK$97,171,000, approximately HK$69,242,000 and approximately HK$186,164,000 respectively.

Allowance for inventories

The management of the Group reviews its inventories at the end of each reporting period 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 at the end of each reporting period and make allowance for obsolete items. At 31st December 2006, 2007 and 2008 and 30th June 2009, the carrying amount of inventories is approximately HK$186,173,000, approximately HK$155,206,000, approximately HK$101,877,000 and approximately HK$63,115,000 respectively.

5. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders 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, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group's strategy remained unchanged. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as bank borrowings divided by total equities.

The management considers the gearing ratio at the year/period end was as follows:

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings *(note 25)*	182,564	160,358	124,869	114,647
Total equity	646,547	402,941	181,479	565,803
Total debt to total equity ratio	28.24%	39.80%	68.81%	20.26%

6. Financial risk management objectives and policies

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

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Trade and other receivables	444,483	142,712	80,666	191,498
Pledged bank deposits	1,500	1,500	–	–
Bank balances and cash	13,107	52,389	46,887	138,420
	459,090	196,601	127,553	329,918
Financial liabilities				
Trade and other payables	78,825	17,589	59,662	82,358
Bank borrowings	182,564	160,358	124,869	114,647
Convertible notes	–	–	–	450,491
	261,389	177,947	184,531	647,496

6b. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and other receivables, bank balances, trade and other payables, bank borrowings and convertible notes. 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

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 the Group. Given the trade and credit history of the parties who had maintained receivable balances due from customers as at 31st December 2006, 2007 and 2008, and 30th June 2009, the directors are of the opinion that the risk of default by these counterparties is not significant.

Liquidity risk

With regard to 2006 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 utilisation of borrowings and ensures compliance with loan covenants.

The maturity profile of the Group's financial liabilities as at 31st December 2006, 2007 and 2008 and 30th June 2009 are as follows:

At 31st December 2006

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

At 31st December 2007

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

At 31st December 2008

	Weighted average effective interest rate	Less than 1 year	1-2 year	2-5 years	More than 5 years	Carrying amount at 31.12.2008
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities						
Trade and other payables	N/A	59,662	–	–	–	59,662
Bank borrowings	6.4%	124,869	–	–	–	124,869
		184,531	–	–	–	184,531

At 30th June 2009

	Weighted average effective interest rate	Less than 1 year	1-2 year	2-5 years	More than 5 years	Carrying amount at 30.6.2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities						
Trade and other payables	N/A	82,358	–	–	–	82,358
Bank borrowings	4.92%	114,647	–	–	–	114,647
Convertible notes	9.19%	–	–	450,491	–	450,491
		197,005	–	450,491	–	647,496

Interest rate risk

The Group's bank balances carry floating-rate 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.

Sensitivity analysis

The Group's exposure to cash flow interest rate risk is mainly attributable to the variable-rate bank borrowings. If interest rate on borrowing has been 5% higher/lower with all other variable held constant, loss would increase/decrease by approximately HK$528,000, approximately HK$580,000, approximately HK$455,000 and approximately HK$147,000 for the year ended 31st December 2006, 2007 and 2008 and for the six months ended 30th June 2009 respectively.

Other price risk

The Group is not exposed to any equity securities risk or commodity price risk.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. 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. The Group is mainly exposed to fluctuation in exchange rate of USD and RMB against HK$.

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets denominated in foreign currencies	483,567	151,495	81,198	53,656
Financial liabilities denominated in foreign currencies	260,037	176,401	180,834	148,374
The financial assets were denominated in the following foreign currencies:				
RMB	483,567	151,495	81,198	53,656
The financial liabilities were denominated in the following foreign currencies:				
RMB	177,665	89,693	89,309	56,849
USD	82,372	86,708	91,525	91,525
	260,037	176,401	180,834	148,374

Sensitivity analysis

The following table demonstrates the sensitivity at the end of the reporting period 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			
		At 31st December			At 30th June
		2006	2007	2008	2009
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	5%	15,295	3,090	(406)	(160)
	–5%	(15,295)	(3,090)	406	160
USD	5%	(4,118)	(4,335)	4,576	4,576
	–5%	4,118	4,335	(4,576)	(4,576)

7. Segment information

The Group has adopted Hong Kong Financial Reporting Standards ("HKFRSs") 8 "Operating Segments" with effect from 1st January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format by geographical location of the customers. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14 in that manufacturing and trading of leather and the provision of supporting services to sweetener business are being identified as an operating segment in the current period. Provision of supporting services to sweetener business is the principal business of Sino-Africa Technology & Trading Limited (the "SATT") which newly acquired by the Companies during current period. The segment financial information for the six months ended 30th June 2008, 31st December 2007 and 2006 have been restated to conform to the requirements of HKFRS 8. The Group's reportable segments under HKFRS 8 are as follow:

Leather manufacturing and Trading	This segment is engaged in leather manufacturing, processing and trading
Supporting services to sweetener business	This segment is engaged in provision of (i) facilities, raw materials and goods supply services; (ii) management and technical staff; (iii) related consulting services on construction; & (iv) contract manufacturing services; to the sweetener business

Year ended 31st December 2006

	Revenue *HK$'000*	Operating Profit (Loss) *HK$'000*	Depreciation & Amortisation *HK$'000*
Manufacturing and trading of leather	718,909	(106,456)	34,398
Supporting services to sweetener business	–	–	–
	718,909	(106,456)	34,398
Other non-operating expense			
Interest income		639	
Interest expenses		(8,619)	
Loss before taxation		(114,436)	
Taxation income		1,597	
Loss for the year		(112,839)	

Year ended 31st December 2007

	Revenue *HK$'000*	Operating Profit (Loss) *HK$'000*	Depreciation & Amortisation *HK$'000*
Manufacturing and trading of leather	615,203	(258,808)	31,949
Supporting services to sweetener business	–	–	–
	615,203	(258,808)	31,949
Other non-operating expense			
Interest income		698	
Interest expenses		(11,292)	
Loss before taxation		(269,402)	
Taxation expense		(18,660)	
Loss for the year		(288,062)	

Year ended 31st December 2008

	Revenue	Operating Profit (Loss)	Depreciation & Amortisation
	HK$'000	*HK$'000*	*HK$'000*
Manufacturing and trading of leather	537,003	(194,980)	31,220
Supporting services to sweetener business	–	–	–
	537,003	(194,980)	31,220
Other non-operating expense			
Interest income		401	
Interest expenses		(9,093)	
Loss before taxation		(203,672)	
Taxation expense		(10,003)	
Loss for the year		(213,675)	

Six months ended 30th June 2008 (unaudited)

	Revenue	Operating Profit (Loss)	Depreciation & Amortisation
	HK$'000	*HK$'000*	*HK$'000*
Manufacturing and trading of leather	307,154	(70,304)	15,379
Supporting services to sweetener business	–	–	–
	307,154	(70,304)	15,379
Other non-operating expense		–	
Interest income		154	
Interest expenses		(4,553)	
Loss before taxation		(74,703)	
Taxation income		520	
Loss for the period		(74,183)	

Six months ended 30th June 2009

	Revenue *HK$'000*	Operating Profit (Loss) *HK$'000*	Depreciation & Amortisation *HK$'000*
Manufacturing and trading of leather	125,834	(68,234)	16,423
Supporting services to sweetener business	81,106	36,053	7,050
	206,940	(32,181)	23,473
Other non-operating expense		(40,000)	
Interest income		72	
Interest expenses		(16,345)	
Loss before taxation		(88,454)	
Taxation expense		(76)	
Loss for the period		(88,530)	

Segment profit represents the profit earned by each segment without allocation of non-operating expense, interest income and interest expenses. This is the measure reported to the Group's Chief Executive Officer, the CODM of the Group, for the purpose of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment reported to CODM of the Group:

	At 31st December			At 30th June
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Manufacturing and trading of leather	908,091	558,615	353,881	261,829
Supporting services to sweetener business	–	–	–	895,150
	908,091	558,615	353,881	1,156,979

8. Other expenses

	Year ended 31st December			Six months ended 30th June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Impairment loss on goodwill	–	–	–	–	40,000
Impairment loss recognised in respect of property, plant & equipment	–	–	70,000	–	–
Impairment loss recognised in respect of trade and other receivables	11,912	46,236	33,869	23,041	28,729
Impairment loss on property, plant and equipment, inventories and trade and other receivables for suspended Xian Hua Lien Tannery Co. Ltd.	112,242	65,675	–	–	–
	124,154	111,911	103,869	23,041	68,729

9. Loss before taxation

	Year ended 31st December			Six months ended 30th June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Loss before taxation has been arrived at after charging:					
Directors' remunerations *(note 10)*	1,913	750	820	406	370
Retirement benefits scheme contributions	562	457	479	450	553
Other staff costs	13,657	11,666	14,254	7,626	3,813
Total staff costs	16,132	12,873	15,553	8,482	4,736
Depreciation for property, plant and equipment	34,398	31,949	31,220	14,834	15,854
Amortisation of prepaid lease payment on land use rights	1,024	1,078	1,138	545	569
Amortisation of intangible assets	–	–	–	–	7,050
Total depreciation and amortisation	35,422	33,027	32,358	15,379	23,473
Auditors' remuneration	465	454	458	–	–
Allowance for inventories	–	34,033	13,833	1,941	9,160
Loss on disposal of property, plant and equipment	147	–	–	–	36
Allowance for bad and doubtful receivables, net	11,912	46,236	33,869	23,041	28,729
Net foreign exchange losses	–	–	2,258	–	–
and after crediting:					
Net foreign exchange gains	3,865	3,063	–	990	902
Interest income	639	698	401	154	72
Gain on disposal of property, plant and equipment	–	68	56	68	–
Write-back for inventories	847	–	–	–	–

10. Directors' remunerations

The emoluments paid or payable to each of the directors of the Company were as follows:

Year ended 31st December 2006

	Fees	Salaries, allowances, and other remuneration	Employer's contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Shih Chian Fang	–	533	–	533
Liaw Yuan Chian	–	840	–	840
Chaiteerath Boonchai	–	180	–	180
Chen Ling	–	270	–	270
Independent Non-executive Directors				
Yu Chi Jui	30	–	–	30
Li Xiao Wei	30	–	–	30
Fu Heng Yang	30	–	–	30
	90	1,823	–	1,913

Year ended 31st December 2007

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

Year ended 31st December 2008

	Fees	Salaries, allowances, and other remuneration	Employer's contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Shih Chian Fang	–	100	–	100
Liaw Yuan Chian	–	100	–	100
Zhou Yan Xia	–	360	–	360
Kuang Yong	–	100	–	100
Chaiteerath Boonchai	–	–	–	–
Chen Ling	–	–	–	–
Independent Non-executive Directors				
Zheng Lui	100	–	–	100
Yu Chi Jui	30	–	–	30
Li Xiao Wei	30	–	–	30
Fu Heng Yang	–	–	–	–
	160	660	–	820

Six months ended 30th June 2008 (unaudited)

	Fees	Salaries, allowances, and other remuneration	Employer's contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Shih Chian Fang	–	46	–	46
Liaw Yuan Chian	–	50	–	50
Zhou Yan Xia	–	180	–	180
Kuang Yong	–	50	–	50
Chen Ling	–	–	–	–
Independent Non-executive Directors				
Zheng Lui	50	–	–	50
Yu Chi Jui	15	–	–	15
Li Xiao Wei	15	–	–	15
Fu Heng Yang	–	–	–	–
	80	326	–	406

Six months ended 30th June 2009

	Fees	Salaries, allowances, and other remuneration	Employer's contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Shih Chian Fang	–	46	–	46
Liaw Yuan Chian	–	50	–	50
Zhou Yan Xia	–	120	–	120
Kuang Yong	–	50	–	50
Han Hong	–	24	–	24
Chen Ling	–	–	–	–
Independent Non-executive Directors				
Zheng Lui	50	–	–	50
Yu Chi Jui	15	–	–	15
Li Xiao Wei	15	–	–	15
Fu Heng Yang	–	–	–	–
	80	290	–	370

11. Employees' emoluments

The aggregate emoluments of the five highest paid individuals included (for the year ended 31st December 2006: three, 31st December 2007: one, 31st December 2008: one, and for the six months ended 30th June 2008: one and 30th June 2009: one) executive directors of the Company, whose emoluments are included in note 10 above. The emoluments of the remaining highest paid individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries and allowances	745	896	925	522	536
Retirement benefits scheme contributions	12	12	12	6	6
	757	908	937	528	542

The emoluments of each of the remaining (for the year ended 31st December 2006: two, 31st December 2007: four, 31st December 2008: four, for the six months ended 30th June 2008: four and 30th June 2009: four) highest paid individuals did not exceed HK$1,000,000 respectively.

12. Income tax expense

	Year ended 31st December			Six months ended 30th June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current tax:					
Hong Kong profits tax calculated at (2006: 17.5%, 2007: 17.5%, and 2008: 16.5%) of the estimated assessable profit					
– current year	21	16	11	–	–
– overprovision in prior years	2,112	–	(12)	–	–
	2,133	16	(1)	–	–
PRC enterprise income tax					
– current year	(1)	–	–	–	–
Deferred tax *(note 19)*:					
– current year	(3,729)	18,644	9,383	(520)	76
– attributable to a change in tax rate	–	–	621	–	–
	(3,729)	18,644	10,004	(520)	76
	(1,597)	18,660	10,003	(520)	76

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. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was increased from 24% to 25% from 1st January 2008 onwards.

The income tax expenses for the Relevant Periods can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	Year ended 31st December						Six months ended 30th June			
	2006		2007		2008		2008		2009	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000	%
Loss before tax	(114,436)		(269,402)		(203,672)		(74,703)		(88,453)	
Tax at the income tax rate of 23%, 23%, 25%, 23% and 25% *(Note)*	(26,320)	(23.0)	(61,962)	(23.0)	(50,918)	(25.0)	(17,182)	(23.0)	(22,113)	(25.0)
Tax effect of expenses that are not deductible in determining taxable profit	26,887	23.5	64,141	23.8	40,679	20.0	7,572	10.1	23,775	26.9
Tax effect of income that is not taxable in determining taxable profit	(1,807)	(1.6)	(2,877)	(1.1)	(2,827)	(1.4)	(978)	(1.3)	(12,272)	(13.9)
Tax effect of tax losses not recognised	–	–	20,283	7.5	22,465	11.0	10,136	13.6	10,686	12.1
Effect of different tax rates of subsidiaries operating in different province of the PRC	(357)	(0.3)	(925)	(0.3)	616	0.3	(68)	(0.1)	–	–
Overprovision in prior year	–	–	–	–	(12)	0.0	–	–	–	–
Income tax expenses and effective tax rate for the year	(1,597)	(1.4)	18,660	6.9	10,003	4.9	(520)	(0.7)	76	0.1

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

13. Loss per share

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

	Year ended 31st December			Six months ended 30th June	
	2006	2007	2008	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Loss					
Loss for purpose of basic loss per share	(73,362)	(293,968)	(217,814)	(77,167)	(90,053)
Number of Shares	**2006**	**2007**	**2008**	**2008**	**2009**
	'000	'000	'000	'000 (unaudited)	'000
Weighted average number of ordinary share for the purpose of basic loss per share	686,400	742,064	823,680	823,680	928,064

No diluted loss per share was presented in 2006 as there was no potential dilutive share during that year. Diluted loss per share for the year ended 31st December 2007 and 2008 and the six months ended 30th June 2008 and 2009 had not been disclosed, as the warrants outstanding had an anti-dilutive effect on the basic loss per share for the year ended 31st December 2007 and 2008 and the six months ended 30th June 2008 and 2009.

14. Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31st December 2006, 2007 and 2008.

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2008 and 2009.

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*
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
Exchange adjustments	13,724	22,433	1,866	402	278	38,703
Additions	–	100	–	–	484	584
Transfers	173	–	–	–	(173)	–
Disposals	–	–	–	(444)	–	(444)
At 31st December 2008	260,922	416,880	36,333	7,425	5,589	727,149
Exchange adjustments	–	–	–	–	–	–
Additions	–	–	–	–	227	227
Transfers	109	–	–	–	(109)	–
Disposals	–	–	–	(456)	–	(456)
At 30th June 2009	261,031	416,880	36,333	6,969	5,707	726,920

	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*
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	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
Exchange adjustments	6,752	17,891	1,838	396	–	26,877
Provided for the year	10,734	20,383	–	103	–	31,220
Impairment loss recognised	60,000	10,000	–	–	–	70,000
Eliminated on disposals	–	–	–	(398)	–	(398)
At 31st December 2008	199,007	369,974	36,169	7,425	–	612,575
Exchange adjustments	–	–	–	–	–	–
Provided for the period	5,368	10,565	–	(79)	–	15,854
Impairment loss recognised	–	–	–	–	–	–
Eliminated on disposals	–	–	–	(377)	–	(377)
At 30th June 2009	204,375	380,539	36,169	6,969	–	628,052
NET BOOK VALUES						
At 31st December 2006	128,425	88,527	93	30	3,990	221,065
At 31st December 2007	125,504	72,647	136	143	5,000	203,430
At 31st December 2008	61,915	46,906	164	–	5,589	114,574
At 30th June 2009	56,656	36,341	164	–	5,707	98,868

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

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed for reporting purposes as:				
Non-current asset	43,441	44,649	45,992	45,423
Current asset	1,024	1,078	1,138	1,138
	44,465	45,727	47,130	46,561

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

17. Goodwill

	HK$'000
At 31st December 2006, 2007 and 2008	–
Arising on acquisition of a subsidiary on 27th February 2009	321,768
Impairment loss recognised	(40,000)
At 30th June 2009	281,768

The carrying amount of goodwill at the end of the reporting period was attributable to acquisition of the SATT.

Impairment test for goodwill

The recoverable amount of supporting services to sweetener business has been determined based on a value in use calculation. That calculation uses cash flow projections based on profit guarantee for two years ending 31st December 2009 and a discount rate of 14%. Cash flow projections beyond the 2 years periods are extrapolated using a steady growth rate of 4%.

During the period, the Group recognised HK$40,000,000 impairment on goodwill attributable to the cash-generating unit of supporting service for the sweetener business.

18. Intangible asset

Customer relationship	*HK$'000*
At 31st December 2006, 2007 and 2008	–
Carrying amount	
Acquired on acquisition of a subsidiary on 27th February 2009	423,000
Amortisation for the period	(7,050)
At 30th June 2009	415,950

The intangible asset was purchased as part of a business combination of SATT during the period and has a definite useful life which is amortised on straight-line basis over the estimated useful life of 20 years.

19. 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
Credit (charge) to income *(note 12)*	873	(834)	3,690	3,729
At 31st December 2006	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
Exchange Adjustments	576	(68)	–	508
(Charge) credit to income *(note 12)*	(10,130)	747	–	(9,383)
Effect of change in tax rate *(note 12)*	(810)	189	–	(621)
At 31st December 2008	–	758	–	758
Charge to income *(note 12)*	–	(76)	–	(76)
At 30th June 2009	–	682	–	682

20. Inventories

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	56,822	49,052	12,464	11,480
Work in progress	117,647	101,104	86,159	31,796
Finished goods	11,704	5,050	3,254	19,839
	186,173	155,206	101,877	63,115

Inventories of the Group were carried at net realizable value of approximately HK$186,173,000, approximately HK$155,206,000, approximately HK$101,877,000 and approximately HK$63,115,000 at 31st December 2006, 2007 and 2008 and 30th June 2009 respectively.

21. 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$185,133,000, approximately HK$97,171,000, approximately HK$69,242,000 and approximately HK$186,164,000, the aged analysis of which at 31st December 2006, 2007 and 2008 and 30th June 2009 respectively is as follows:

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 30 days	27,255	53,954	15,527	44,848
31 – 60 days	38,938	34,584	34,405	13,521
61 – 90 days	48,888	7,213	19,310	28,149
91 – 180 days	70,052	1,420	–	35,583
181 – 365 days	–	–	–	48,913
Over 365 days	–	–	–	15,150
	185,133	97,171	69,242	186,164

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

22. Bank balances and cash

Bank balances carry interest at market rates which range from 1.5% to 3.5%, 0.5% to 4.5%, 0.01% to 2.70% and 0.01% to 2.50% at 31st December 2006, 2007 and 2008 and 30th June 2009 respectively.

23. Trade and other payables

Included in trade and other payables are trade payables of approximately HK$61,438,000, approximately HK$17,339,000, approximately HK$40,971,000 and approximately HK$61,238,000, the aged analysis of which at 31st December 2006, 2007 and 2008 and 30th June 2009 respectively is as follows:

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 30 days	4,218	10,459	18,987	12,738
31 – 60 days	1,015	92	5,073	1,654
61 – 90 days	2,959	501	4,636	11,945
91 – 180 days	16,323	3,027	6,811	18,782
181 days to 1 year	28,192	1,739	3,609	3,126
Over 1 year	8,731	1,521	1,855	12,993
	61,438	17,339	40,971	61,238

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

24. Loan from a director

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

25. Bank borrowings

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans	100,192	73,650	33,344	23,122
Unsecured bank loans	82,372	86,708	91,525	91,525
	182,564	160,358	124,869	114,647
The bank borrowings are repayable as follows:				
Within one year or on demand	182,564	160,358	124,869	114,647
One to two years	–	–	–	–
Two to five years	–	–	–	–
	182,564	160,358	124,869	114,647
Less: Amount due within one year shown under current liabilities	(182,564)	(160,358)	(124,869)	(114,647)
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**
At 31st December 2006	100,192	9,800
At 31st December 2007	69,968	9,800
At 31st December 2008	30,010	9,800
At 30th June 2009	20,810	9,800

The effective borrowing rate of the Group ranged from 5.18% to 7.02%, 5.1% to 10.9%, 4.3% to 8.1% and 4.8% to 8.1% per annum for the year ended 31st December 2006, 2007 and 2008 and the six months ended 30th June 2009 respectively.

The Group obtained new loans with aggregate amounts of approximately HK$75,500,000, approximately HK$61,000,000, approximately HK$37,000,000 and HK$15,556,000 during the year of 2006, 2007 and 2008 and the six months of 2009 respectively. The proceeds were used for working capital purpose.

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

At 31st December 2006, 2007 and 2008 and 30th June 2009, 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:

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid lease payments on land use right and building	85,218	93,320	83,842	80,882
Plant and machinery	51,849	57,984	29,000	27,364
	137,067	151,304	112,842	108,246

(ii) Inventories of the Group pledged of approximately HK$52 million, approximately HK$51 million, HK$ nil and HK$ nil for the year ended 31st December 2006, 2007 and 2008 and the period ended 30th June 2009 respectively;

(iii) Bank deposits of the Group pledged of approximately HK$1.5 million, approximately HK$1.5 million, HK$ nil and HK$ nil for the year ended 31st December 2006, 2007 and 2008 and the period ended 30th June 2009 respectively;

(iv) Cross-guarantees between subsidiaries; and

(v) The Company's corporate guarantees (at 31st December 2006, the aggregate amounts of facilities utilised by subsidiaries, including bills payable, amounted to approximately HK$10 million). At 31st December 2007 and 2008 and 30th June 2009, the Company had not given guarantees to banks in respect of general banking facilities granted to subsidiaries.

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 (Shaanxi Province Highest People's Court) that granted the bank the legal rights to freeze and sequestrate all the assets of Xian Hua Lien including property, plant and equipment, inventories, trade receivables and bank balances. At the end of the reporting period, Bank of China continued to sequestrate the bank accounts, the property, plant and machinery and inventories of Xian Hua Lien as additional security which have no carrying value at the end of the reporting period.

Besides, the pledged prepaid lease premium and certain of pledged buildings of Jiangmen Hua Lien with carrying value of approximately HK$38.2 million at the end of the reporting period continued to be sequestrated 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) at the end of the reporting period.

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

26. Convertible notes

On 27th February 2009, the Company issued two tranches of 5-year zero coupon convertible notes at par, due in February, 2014 (the "Notes"), for an aggregate principal amount of HK$673,200,000, which is part of the consideration for the acquisition of SATT. The Notes are convertible, at the option of noteholders, into ordinary shares of HK$0.10 each of the Company at an initial conversion price HK$0.6 per share, subject to anti-dilutive adjustment, at any time from 27th February 2009 up to and including 26th February 2014.

The Notes contain two components, a liability and an equity element. The liability component is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The equity element is presented in equity as "Convertible notes equity reserve". The effective interest rate of the liability component is 9.0219%.

Liability component	*HK$'000*
Carrying amount	
Issued on 27th February 2009	437,095
Accrued effective interest charges	13,396
At 30th June 2009	450,491

27. Share capital

	Notes	**Number of share** '000	*HK$'000*
Authorised			
Ordinary share of HK$0.1 each at 1st January 2006, 31st December 2006, 2007 and 2008		1,500,000	150,000
Increase during the period	*(i)*	4,500,000	450,000
At 30th June 2009		6,000,000	600,000
Issued and fully paid			
At 1st January 2006 and 31st December 2006		686,400	68,640
Issue of placing shares	*(ii)*	137,280	13,728
At 31st December 2007 and 2008		823,680	82,368
Issue of consideration shares	*(iii)*	300,000	30,000
Issue of subscription shares	*(iv)*	100,000	10,000
At 30th June 2009		1,223,680	122,368

(i) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 20th February 2009, the authorised ordinary share capital of the Company was increased from HK$150,000,000 divided into 1,500,000,000 shares of a par value of HK$0.1 each to HK$600,000,000 divided into 6,000,000,000 shares of a par value of HK$0.1 each by creation of an additional 4,500,000,000 new shares of a par value of HK$0.1 each in the capital of the Company.

(ii) *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 exiting shares in all respects.*

(iii) *On 27th February 2009, 300,000,000 new shares of HK$0.1 each were issued at a price of HK$0.60 per share. The net proceeds were used to settle part of the consideration for the acquisition of SATT.*

(iv) *On 22nd June 2009, 100,000,000 new shares of HK$0.1 each were issued at a price of HK$0.60 per share under three subscription agreements dated 5th June 2009.*

28. Acquisition of a subsidiary

On 27th February 2009, the Group acquired 100% equity interest of the SATT from an independent third party at a consideration of HK$853,200,000.

	Carrying amount before the acquisition *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:			
Intangible asset	–	423,000	423,000
Prepayments	216	–	216
Trade and other receivables	143,340	–	143,340
Cash at bank and cash equivalents	23,250	–	23,250
Accrued expenses	(6)	–	(6)
Trade and other payables	(58,368)	–	(58,368)
Net assets acquired	108,432	423,000	531,432
Total consideration			(853,200)
Goodwill			321,768
Satisfied by:			
Fair value of convertible notes			673,200
Issue of shares at fair value *(Note 27)*			180,000
			853,200
Net cash inflow arising on acquisition			
Cash consideration paid			–
Bank balance and cash acquired			23,250
			23,250

29. Commitments

a. Operating lease commitments:

	Year ended 31st December			Six months ended 30th June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Minimum lease payments paid during the year under operating leases in respect of land and buildings and office premises	757	245	192	93	327

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	245	156	216	869
In the second to fifth year inclusive	125	–	180	1,044
Over five years	–	–	–	–
	370	156	396	1,913

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

The Group did not have any significant operating lease commitments at the end of the reporting period.

b. 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 the date of the reporting period, the pre-determined distributions payable to the Joint Venture Partner over the entire cooperative joint venture period are as follows:

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable:				
Within one year	5,610	5,906	6,234	4,215
One to two years	5,610	5,906	6,234	5,384
Two to five years	14,725	15,500	16,361	16,151
Over five years	50,994	47,772	44,192	34,545
	76,939	75,084	73,021	60,295

The Group did not have any significant other commitments at the end of the reporting period.

30. 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 was terminated by a resolution passed by shareholders on 20th September 2007. No options has ever been granted under the terminated 2000 share option scheme.

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.

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 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 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 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 this 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 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. At the end of the reporting period, no share option has been granted under the 2007 Share Option Scheme since its adoption.

31. 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 PRC subsidiaries are required to contribute a certain percentage, ranging from 18% to 20%, 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 end of the reporting period, there were no significant forfeited contributions available to reduce the contribution payable in the future years.

The total cost charged to the consolidated statement of comprehensive income of approximately HK$0.6 million, approximately HK$0.5 million, approximately HK$0.5 million, approximately HK$0.4 million and approximately HK$0.6 million represents contributions payable to these schemes by the Group in respect of the year ended 31st December 2006, 2007 and 2008 and the six months ended 30th June 2008 and 2009 respectively.

32. Related party transactions and balances

During the year/period, the Group had certain transactions with related parties. Details of these transactions for the year/period and balances at 31st December 2006, 2007 and 2008 and 30th June 2009 with these related parties are as follows:

(a) Transaction with related parties

	At 31st December			At 30th June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Sales to four subsidiaries of COMPLANT International Sugar Industry Co., Ltd. *(Note (i))*	–	–	–	–	81,106
Purchase from substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. *(Note (ii))*	–	–	–	–	31,504
Rental and building management fee paid to substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. *(Note (iii))*	–	–	–	–	216

Note

(i) Pursuant to four supply and service agreements dated 15th December 2008, which approved by independent shareholders of the Company on 20th February 2009, SATT, a subsidiary of the Company, rendering supporting services to sweetener business to four subsidiaries of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

(ii) Pursuant to a supply and service agreement dated 15th December 2008, which approved by independent shareholders of the Company on 20th February 2009, SATT, a subsidiary of Company, receiving supporting services to sweetener business from the substantial shareholder of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

(iii) The amount paid by SATT pursuant to a tenancy agreement dated 15th December 2008 between SATT, a subsidiary of Company and the substantial shareholder of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

(b) Trade receivables and payables of related parties

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables of four subsidiaries of COMPLANT International Sugar Industry Co., Ltd. *(Note (i))*	–	–	–	155,425
Trade payable to substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. *(Note (ii))*	–	–	–	43,044

Note

(i) The trade receivables are interest free and unsecured. The amount receivables by SATT, a subsidiary of the Company, rendering supporting services to sweetener business to four subsidiaries of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

(ii) The trade payable is interest free and unsecured. The amount payables by SATT, a subsidiary of the Company, in relation to receiving supporting services to sweetener business from the substantial shareholder of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

(c) Key management personnel compensation

Remuneration for key management during the Relevant Periods was as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Directors' fee	90	140	160	80	80
Salaries, allowance and benefits in kind	1,823	610	660	326	290
Mandatory Provident Fund Contribution	–	–	–	–	–
	1,913	750	820	406	370

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

(d) 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 29(b).

33. Subsidiaries

Details of the Company's subsidiaries at 31st December 2006, 2007 and 2008 and 30th June 2009 are as follows:

Name of company	Place of Incorporation/ operations	Nominal value of issued share capital/ registered capital	Effective proportion of issued registered capital held by the Company At 31st December 2006	2007	2008	At 30th June 2009	Principal activities
Galloon International (Holding) Company Limited	British Virgin Islands/ Taiwan	Ordinary shares US$2	100%	100%	100%	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%	100%	100%	100%	Manufacture and sale of leather
Hua Lien Group (Holding) Company, Limited ("Hua Lien Group (Holding)")	British Virgin Islands/ Hong Kong	Ordinary shares US$19,193,997 *Note (i)*	100%	100%	100%	100%	Investment holding
Jumbo Right Investments Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$1	100%	100%	100%	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%	100%	100%	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)*	70.5% *Note (iii)*	70.5% *Note (iii)*	70.5% *Note (iii)*	Manufacture and sale of leather

Name of company	Place of Incorporation/ operations	Nominal value of issued share capital/ registered capital	Effective proportion of issued registered capital held by the Company At 31st December 2006	2007	2008	At 30th June 2009	Principal activities
Sawston International Limited	British Virgin Islands/ Taiwan	Ordinary shares US$1	100%	100%	100%	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)*	51% *Note (v)*	51% *Note (v)*	51% *Note (v)*	Manufacture and sale of leather
Sino-Africa Technology & Trading Limited ("SATT")	British Virgin Islands	Ordinary shares US$3,000,000	–	–	–	100%	Provision of supporting services to sweetener business
Sino-Africa Technology & Trading (Hong Kong) Limited ("SATT Hong Kong")	Hong Kong	Ordinary shares HK$1	–	–	–	100%	Investment holding

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

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

*** *Joint stocks limited liability company 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 receive dividends or to receive notice of or to attend or to 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 29(b).

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 (2007: 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 RMB65,600,000.

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 30th June 2009 (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 30th June 2009.

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

III. EVENT AFTER THE BALANCE SHEET DATE

On 16th October and 19th October 2009, the Company entered into an agreement with Sino Commend Limited for the conditional sale and purchase of the Disposal at a total consideration of HK$101,500,000. Details of the transactions are set out in the Company's announcement dated 20th October 2009.

The Target Group principally engaged in investment holding, manufacture and sale of leather and raw material sourcing. The Disposal constitutes a very substantial disposal for the Company under the Listing Rules and will be subject to the approval of the shareholders.

The revenue and expenses, assets and liabilities, and cash flows of the Target Group are set out as follows:

(i) Revenue and expenses of the Target Group

	Year ended 31st December			Six months ended 30th June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Turnover	718,909	615,203	537,003	307,154	125,834
Cost of sales	(694,855)	(753,113)	(603,421)	(357,105)	(159,124)
Gross profit (loss)	24,054	(137,910)	(66,418)	(49,951)	(33,290)
Other operating income	14,565	14,183	2,869	10,238	954
Distribution costs	(408)	(220)	(174)	(82)	(31)
Administrative expenses	(143,576)	(133,792)	(126,440)	(30,368)	(35,533)
Finance costs	(8,619)	(11,292)	(9,093)	(4,553)	(2,948)
Loss before taxation	(113,984)	(269,031)	(199,256)	(74,716)	(70,848)

(ii) Assets and liabilities of the Target Group

	At 31st December			At 30th June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	221,065	203,430	114,574	98,868
Prepaid lease payments on land uses rights	43,441	44,649	45,992	45,423
Deferred tax assets	27,560	10,254	758	682
	292,066	258,333	161,324	144,973
Current assets				
Inventories	186,173	155,206	101,877	63,115
Trade and other receivables	444,483	142,712	80,649	35,833
Prepaid lease payments on land uses rights	1,024	1,078	1,138	1,138
Pledged bank deposits	1,500	1,500	–	–
Bank balances and cash	13,085	12,100	10,151	18,347
	646,265	312,596	193,815	118,433
Current liabilities				
Trade and other payables	78,014	16,556	56,480	34,092
Loan from a director	16,514	16,127	13,970	12,119
Tax liabilities	11,799	11,916	11,444	11,444
Amounts due to immediate holding company	69,477	69,048	70,378	65,554
Amounts due to minority shareholders of subsidiaries	1,786	1,880	–	–
Bank borrowings	182,564	160,358	124,869	114,647
	360,154	275,885	277,141	237,856
Net current assets	286,111	36,711	(83,326)	(119,423)
Total assets less current liabilities	578,177	295,044	77,998	25,550
Capital and reserves				
Share capital	148,609	148,609	148,609	148,609
Reserves	427,472	144,339	(70,611)	(123,059)
Equity attributable to owners of the Company	576,081	292,948	77,998	25,550
Minority interests	2,096	2,096	–	–
Total equity	578,177	295,044	77,998	25,550

(iii) Cash flows of the Target Group

	Year ended 31st December			Six months ended 30th June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
OPERATING ACTIVITIES					
Loss from operating activities before tax	(113,984)	(269,031)	(199,256)	(74,716)	(70,848)
Adjustment for:					
Impairment loss recognised in respect of property, plant and equipment	32,375	–	70,000	–	–
Impairment loss recognised in respect of trade and other receivables	30,436	–	–	–	–
Impairment losses on property, plant and equipment, inventories, and trade and other receivables for suspended Xian Hua Lien Tannery Co. Ltd.	–	–	–	–	–
(Write-back) allowance for inventories	(847)	34,033	13,833	1,941	13,833
Provision for net realisable value of inventories	49,432	–	–	–	–
Allowance for bad and doubtful debt	11,912	111,910	33,869	23,041	28,729
Depreciation and amortisation of property, plant and equipment	34,398	31,949	31,220	14,834	15,854
Amortisation of prepaid lease payment	1,024	1,078	1,138	545	569
(Gain) loss on disposal of property, plant and equipment	147	(68)	(56)	(68)	36
Interest income	(636)	(243)	(57)	(33)	(52)
Interest expense	8,619	11,292	9,093	4,553	2,948
Operating cash flows before movements in working capital	52,876	(79,080)	(40,216)	(29,903)	(8,931)
Decrease (increase) in inventories	10,870	(3,066)	39,496	32,585	24,929
(Increase) decrease in trade and other receivables	(59,772)	189,861	28,194	(21,424)	16,087
Decrease (increase) in amounts due from minority shareholders of subsidiaries	621	94	(1,880)	(1,880)	–
(Increase) decrease in trade and other payables	(2,535)	(61,886)	41,254	36,776	(7,213)
Cash generated from operations	2,060	45,923	66,848	16,154	24,872
Hong Kong Profit Tax paid	(25)	(10)	(5)	(5)	–
PRC enterprise income tax paid	(3,158)	–	(591)	(566)	–

	Year ended 31st December			Six months ended 30th June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(1,123)	45,913	66,252	15,583	24,872
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(626)	(2,616)	(584)	(475)	(227)
Interest received	636	243	57	33	52
Decrease in pledged bank deposits	8,600	–	1,500	1,500	–
Proceeds from disposal of property, plant and equipment	12	500	102	87	43
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	8,622	(1,873)	1,075	1,145	(132)
FINANCING ACTIVITIES					
Interest paid	(8,619)	(11,292)	(9,093)	(4,553)	(2,948)
Dividend paid to minority interest	(5,610)	(5,906)	(6,235)	(2,984)	(1,523)
(Repayment to) net borrowing from a director	(106)	(387)	(2,157)	481	(1,851)
Addition of new loan	75,500	61,158	36,667	–	15,556
Repayment of bank loan	(104,415)	(92,973)	(81,064)	(14,518)	(25,778)
NET CASH USED IN FINANCING ACTIVITIES	(43,250)	(49,400)	(61,882)	(21,574)	(16,544)
NET (DECREASE) INCREASE IN CASH EQUIVALENTS	(35,751)	(5,360)	5,445	(4,846)	8,196
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	30,846	13,085	12,100	12,100	10,151
Effect of foreign exchange rate changes	17,990	4,375	(7,394)	(1,417)	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	13,085	12,100	10,151	5,837	18,347
CASH AND CASH EQUIVALENTS REPRESENT					
Bank balances and cash	13,085	12,100	10,151	5,837	18,347

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of its subsidiaries in respect of any period subsequent to 30th June 2009. No dividends have been declared or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30th June 2009.

Yours faithfully,

HLM & Co.
Certified Public Accountants

Hong Kong, 23rd November 2009

FINANCIAL AND TRADING PROSPECTS

Looking ahead, the supporting services to sweetener business will become the main contributor to our Group's overall revenue and profitability.

Efforts to further increase value for Shareholders will continue which include (i) to proactively identify investment opportunities to diversify its business into production sectors of sweetener and ethanol in light of the relatively more promising prospect of these industries, (ii) to actively strengthen the financial position of the Group, and consider raising funds by suitable means when opportunities arise, and (iii) to divest its loss-making leather business operation as this would release the Group from continually subsidizing this operation.

INDEBTEDNESS OF THE GROUP

As at 30 September 2009, the Group had outstanding secured bank borrowings of approximately HK$103,047,071 and unsecured convertible notes of approximately HK$460,430,955. Save as aforesaid or as otherwise disclosed herein, the 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$78,299,487 and HK$26,918,761 respectively.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the 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 September 2009.

Save as disclosed above, the directors have confirmed that there have been no material changes in the indebtedness of the Group since 30 September 2009.

WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources available to the Group, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirement for the next twelve months from the date of this circular.

MATERIAL ADVERSE CHANGE

Apart from the Disposal, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date of the latest published audited financial statements of the Company.

PROPERTY RECONCILIATION

	Property interests held and occupied by the Target Group in the PRC
Property	
Carrying value as at 30th June 2009 *(Note 1)*	RMB92,894,000
Depreciation for the period from 30th June 2009 to 30th September 2009 *(Note 2)*	RMB3,343,000
Carrying value as at 30th September 2009 *(Note 3)*	RMB89,551,000
Revaluation Surplus of property interest	RMB118,149,000
Valuation Report as at 30th September 2009 *(Note 4)*	RMB207,700,000

Notes:–

1. extracted from the audited account of the Company for the period ended 30th June 2009.

2. extracted from the management account of the Company for the period ended 30th September 2009.

3. extracted from the management account of the Company for the period ended 30th September 2009.

4. extracted from the property valuation report as set out in Appendix IV to this circular.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

For the year ended 31 December 2006

Business and Financial Review

For the year ended 31 December 2006, the Remaining Group did not have any trading activity and turnover was zero (31 December 2005: zero) and the remaining Group recorded a net loss of approximately HK$0.4 million caused by expenses on professional and director fees (31 December 2005: HK$0.8 million).

Liquidity and Financial Resources

The Remaining Group financed its expenses with internal financial resources. As at 31 December 2006, the Remaining Group had cash and bank balances of approximately HK$0.02 million (31 December 2005: HK$0.02 million) and the Remaining Group did not have any bank borrowing or debt security and thus the gearing ratio was zero (31 December 2005: zero).

Material acquisitions and disposals

The Remaining Group had no material acquisitions and disposals during the year ended 31 December 2006.

Capital Structure

The remaining Group had no changes in capital structure during the year ended 31 December 2006.

Future Plans relating to Material Investment or Capital Asset

As at 31 December 2006, the Remaining Group did not have any future plan relating to material investment or capital asset.

Charge on Assets

As at 31 December 2006, the Remaining Group did not pledge any assets.

Contingent Liabilities

As at 31 December 2006, the Remaining Group had given guarantees to a bank in respect of general banking facilities utilised by Target Group amounted to approximately HK$10 million.

Capital Commitments

As at 31 December 2006, the Remaining Group had no expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment.

Foreign Exchange Exposure

Most of the assets and liabilities of the Remaining Group are denominated in HK dollar and US dollar. As the foreign exchange rate of these two currencies was under pegged exchange rate system and the Remaining Group had no material foreign exchange exposure, the Remaining Group did not make any hedging arrangement during the year.

Employees and Remuneration Policy

The Remaining Group remunerated its employees with respect to its employment terms, individual performance and the prevailing industry practice. Its remuneration packages were reviewed on a periodical basis to ensure that it is maintained at a competitive level. As at 31 December 2006, the Remaining Group had headcounts of approximately seven.

For the year ended 31 December 2007

Business and Financial Review

For the year ended 31 December 2007, the Remaining Group did not have any trading activity and turnover was zero (31 December 2006: zero) and the remaining Group recorded a net loss of approximately HK$0.4 million caused by expenses on professional and director fees (31 December 2006: HK$0.4 million).

Liquidity and Financial Resources

The Remaining Group financed its expense mainly with funds raised from the placing of ordinary shares and the issue of unlisted warrants. Those financing activities increased the cash and bank balances of Remaining Group to approximately HK$40.2 million as at 31 December 2007 (31 December 2006: HK$0.02 million). The Remaining Group did not have any bank borrowing or debt security as at 31 December 2007 and thus the gearing ratio was zero (31 December 2006: zero).

Material acquisitions and disposals

The Remaining Group had no material acquisitions and disposals during the year ended 31 December 2007.

Capital Structure

On 6 August 2007, the Remaining Group issued and allotted a total of 137,280,000 Shares of HK$0.1 each for a consideration of HK$0.262 per Share. Net proceeds of approximately HK$35 million were raised.

On 4 October 2007, the Remaining Group issued 164,736,000 unlisted warrants for consideration of HK$0.03 each. Gross proceeds of approximately HK$4.9 million were raised. This had grouped under warrant reserve in shareholders' equity.

Except the above, the remaining Group had no other changes in capital structure during the year ended 31 December 2007.

Future Plans relating to Material Investment or Capital Asset

As at 31 December 2007, the Remaining Group did not have any future plans relating to material investment or capital asset.

Charge on Assets

As at 31 December 2007, the Remaining Group did not pledge any assets.

Contingent Liabilities

The guarantee to a bank for general banking facilities granted to Target Group was released during the year ended 31 December 2007. The Remaining Group neither provide any further guarantee to any party nor there were any significant contingent liabilities as at 31 December 2007.

Capital Commitments

As at 31 December 2007, the Remaining Group had no expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment.

Foreign Exchange Exposure

Most of the assets and liabilities of the Remaining Group are denominated in HK dollar and US dollar. As the foreign exchange rate of these two currencies was under pegged exchange rate system and the Remaining Group had no material foreign exchange exposure, the Remaining Group did not make any hedging arrangement during the year.

Employees and Remuneration Policy

The Remaining Group remunerated its employees with respect to its employment terms, individual performance and the prevailing industry practice. Its remuneration packages were reviewed on a periodical basis to ensure that it is maintained at a competitive level. As at 31 December 2007, the Remaining Group had headcounts of approximately eight.

For the year ended 31 December 2008

Business and Financial Review

For the year ended 31 December 2008, the Remaining Group did not have any trading activity and turnover was zero (31 December 2007: zero) and the remaining Group recorded a net loss of approximately HK$4.4 million (31 December 2007: HK$0.4 million). The increase in net loss was mainly due to the increase in professional fees for the proposed acquisition of the entire interest in Sino-Africa Technology & Trading Limited ("SATT").

Liquidity and Financial Resources

The Remaining Group financed its expenses with internal financial resources. As at 31 December 2008, the Remaining Group had cash and bank balances of approximately HK$36.7 million (31 December 2007: HK$40.2 million) and the Remaining Group did not have any bank borrowing or debt security and thus the gearing ratio was zero (31 December 2007: zero).

Material acquisitions and disposals

The Remaining Group had no material acquisitions and disposals during the year ended 31 December 2008.

Capital Structure

The remaining Group had no changes in capital structure during the year ended 31 December 2008.

Future Plans relating to Material Investment or Capital Asset

Reference is made to announcement dated 16 December 2008. The Remaining Group entered into a sales and purchase agreement on 12 November 2008, whereby the Remaining Group had conditionally agreed to acquire the entire interest in SATT for a total consideration of HK$853.2 million.

Charge on Assets

As at 31 December 2008, the Remaining Group did not pledge any assets.

Contingent Liabilities

As at 31 December 2008, the Remaining Group had not provided any guarantee in favour of any party nor there were any significant contingent liabilities.

Capital Commitments

As at 31 December 2008, the Remaining Group had no expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment.

Foreign Exchange Exposure

Most of the assets and liabilities of the Remaining Group are denominated in HK dollar and US dollar. As the foreign exchange rate of these two currencies was under pegged exchange rate system and the Remaining Group had no material foreign exchange exposure, the Remaining Group did not make any hedging arrangement during the year.

Employees and Remuneration Policy

The Remaining Group remunerated its employees with respect to its employment terms, individual performance and the prevailing industry practice. Its remuneration packages were reviewed on a periodical basis to ensure that it is maintained at a competitive level. As at 31 December 2008, the Remaining Group had headcounts of approximately eight.

For the six months ended 30 June 2008

Business and Financial Review

For the six months period ended 30 June 2008, the Remaining Group did not have any trading activity and turnover was zero (30 June 2007: zero) and the remaining Group recorded a net profit for the period of approximately HK$0.01 million which came from the interest income and gain in currencies translation during the period (30 June 2007: net loss of approximately HK$0.1 million).

Liquidity and Financial Resources

The Remaining Group financed its expenses with internal financial resources. The Remaining Group had cash and bank balances of approximately HK$39.3 million (31 December 2007: HK$40.2 million) and the Remaining Group did not have any bank borrowing or any debt security and thus the gearing ratio was zero as at 30 June 2008 (31 December 2007: zero).

Material acquisitions and disposals

The Remaining Group had no material acquisitions and disposals during the period ended 30 June 2008.

Capital Structure

The remaining Group had no changes in capital structure during the six months ended 30 June 2008.

Future Plans relating to Material Investment or Capital Asset

References are made to announcements dated 27 February 2008 and 25 July 2008. The Remaining Group entered into a non-legally binding letter of intent and amended letter of intent, whereby the Remaining Group may acquire the entire interest in SATT.

Charge on Assets

As at 30 June 2008, the Remaining Group did not pledge any assets.

Contingent Liabilities

As at 30 June 2008, the Remaining Group had not provided any guarantee in favour of any party nor there were any significant contingent liabilities.

Capital Commitments

As at 30 June 2008, the Remaining Group had no expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment.

Foreign Exchange Exposure

Most of the assets and liabilities of the Remaining Group are denominated in HK dollar and US dollar. As the foreign exchange rate of these two currencies was under pegged exchange rate system and the Remaining Group had no material foreign exchange exposure, the Remaining Group did not make any hedging arrangement during the period.

Employees and Remuneration Policy

The Remaining Group remunerated its employees with respect to its employment terms, individual performance and the prevailing industry practice. Its remuneration packages were reviewed on a periodical basis to ensure that it is maintained at a competitive level. As at 30 June 2008, the Remaining Group had headcounts of approximately eight.

For the six months ended 30 June 2009

Business and Financial Review

For the six months period ended 30 June 2009, the Remaining Group recorded a turnover of approximately HK$81.1 million (30 June 2008: zero), which represented the turnover of SATT from 27 February 2009 (date of acquisition) to 30 June 2009 in relation to the provision of supporting services to four subsidiaries of COMPLANT International Sugar Industry Co., Ltd. in African countries.

The Remaining Group's gross margin percentage was approximately 56% and recorded a gross profit of approximately HK$45 million which represented the gross profit of SATT from 27 February 2009 (date of acquisition) to 30 June 2009 (30 June 2008: nil). However, due to non recurring other expenses of approximately HK$40 million impairment loss on goodwill arising from the acquisition of SATT made during the period, a net loss of approximately HK$17.6 million was recorded for the same period (30 June 2008: net profit of HK$0.01 million).

In accordance to International Sugar Association quarterly market outlook, February 2009, the world consumption of sugar will increase by 2.19% from 162.241 million tonnes in 2007/08 to 165.801 million tonnes in 2008/09. In addition, the recent increase in gasoline price will cause the price of ethanol to increase and this will increase the demand on raw sugar to produce ethanol. Therefore, the market outlook for supporting services to sweetener business remains positive for the second half of 2009 and the supporting services to sweetener business will continue to be the main contributor of profit and cash flow to the Remaining Group.

Liquidity and Financial Resources

The Remaining Group financed its operations and capital expenditures mainly with internally generated funds and the issue of ordinary shares and convertible notes. The net cash inflow generated by Remaining Group during the six months ended 30 June 2009 was approximately HK$83.3 million. As at 30 June 2009, the Remaining Group had cash and bank balances of approximately HK$120 million (31 December 2008: HK$36.7 million) and the Remaining Group's gearing ratio (convertible notes of approximately HK$450.5 million divided by total assets of approximately HK$973.5 million) was approximately 46.3% (31 December 2008: zero). The increase in gearing ratio was due to the two tranches of convertible notes issued during the period.

Material acquisitions and disposals

The Remaining Group acquired the entire issued capital of SATT on 27 February 2009 at consideration of approximately HK$853.2 million settled by the issue of 300,000,000 consideration share of HK$0.6 each and the issue of two tranches of 5-year zero coupon convertible notes for an aggregate principal amount of approximately HK$673.2 million.

Except the above, there were no other material acquisitions and disposals during the six months ended 30 June 2009.

Capital Structure

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

Except the above, there were no other changes in capital structure during the six months ended 30 June 2009.

Future Plans relating to Material Investment or Capital Asset

As at 30 June 2009, the Remaining Group did not enter into any agreement in respect of any proposed material investment or capital assets. The Company will continue to explore opportunities in acquiring business in production sectors of sweetener and ethanol that will strategically build a business and investment platform, which will thrive and maximize value for Shareholders in the long run.

Charge on Assets

As at 30 June 2009, the Remaining Group did not pledge any assets.

Contingent Liabilities

As at 30 June 2009, the Remaining Group did not have any significant contingent liabilities.

Capital Commitments

As at 30 June 2009, the Remaining Group had no expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment.

Foreign Exchange Exposure

Most of the assets and liabilities of the Remaining Group and the Remaining Group's sales and purchases were denominated in HK dollar and US dollar. The US dollar sales and purchases substantially hedged the risks of transactions in same foreign currency and the Remaining Group did not make any other hedging arrangement during the period.

Employees and Remuneration Policy

The Remaining Group remunerated its employees with respect to its employment terms, individual performance and the prevailing industry practice. Its remuneration packages were reviewed on a periodical basis to ensure that it is maintained at a competitive level. As at 30 June 2009, the Remaining Group had headcounts of approximately forty.

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

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
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E-mail 電郵: hlm@hlm.com.hk

23rd November 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 set out on pages 96 to 103 under the heading of "Unaudited Pro Forma Financial Information of the Remaining Group" (the "Unaudited Pro Forma Financial Information") in the circular dated 23rd November 2009 (the "Circular") of Hua Lien International (Holding) Company Limited (the "Company"), in connection with the proposed disposal of the entire interests in Hua Lien Group (Holding) Company, Limited and its subsidiaries ("Target Group"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purpose only, to provide information about how the Disposal might have affect the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 96 to 103 of the Circular.

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 Group for the period ended 30th June 2009 or any future periods; or
- the financial position of the Group as at 30th June 2009 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

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the Disposal.

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30th June 2009 is prepared based on the audited consolidated statement of financial position of the Group as at 30th June 2009 as extracted from the Accountants' Report of the Group set out in Appendix I to this circular as if the Disposal had been completed on 30th June 2009.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the period ended 30th June 2009 are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the period ended 30th June 2009, respectively, as extracted from the Accountants' Report of the Group set out in Appendix I to this circular as if the Disposal had been completed on 1st January 2009.

This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and financial results of the Remaining Group at 30th June 2009 or any future date.

I. Unaudited Pro Forma Consolidated Statement of Financial Position

	Audited consolidated statement of financial position of the Group at 30th June 2009	Pro Forma Adjustments		Adjusted unaudited pro forma consolidated statement of financial position of the Remaining Group
		Note a	*Note b*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	98,868	(98,868)		–
Prepaid lease payments on land use rights	45,423	(45,423)		–
Goodwill	281,768			281,768
Intangible asset	415,950			415,950
Deferred tax assets	682	(682)		–
	842,691			697,718
CURRENT ASSETS				
Inventories	63,115	(63,115)		–
Trade and other receivables	191,498	(35,833)		155,665
Prepaid lease payments on land use rights	1,138	(1,138)		–
Bank balances and cash	138,420	(18,347)	99,500	219,573
	394,171			375,238
CURRENT LIABILITIES				
Trade and other payables	82,358	(34,092)		48,266
Loan from a director	12,119	(12,119)		–
Loan from a shareholder	–	(65,554)	65,554	–
Tax liabilities	11,444	(11,444)		–
Bank borrowings	114,647	(114,647)		–
	220,568			48,266
NET CURRENT ASSETS	173,603			326,972

	Audited consolidated statement of financial position of the Group at 30th June 2009	**Pro Forma Adjustments**		**Adjusted unaudited pro forma consolidated statement of financial position of the Remaining Group**
		Note a	*Note b*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	1,016,294			1,024,690
NON-CURRENT LIABILITY				
Convertible notes	450,491			450,491
NET ASSETS	565,803			574,199
CAPITAL AND RESERVES				
Share capital	122,368			122,368
Reserves	443,435		8,396	451,831
TOTAL EQUITY	565,803			574,199

II. Unaudited Pro Forma Consolidated Statement of Comprehensive Income

	Audited consolidated statement of comprehensive income of the Group for the six months ended 30th June 2009	Pro Forma Adjustments		Adjusted unaudited pro forma consolidated statement of comprehensive income of the Remaining Group
		Note c	*Note d*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	206,940	(125,834)		81,106
Cost of sales	(195,223)	159,124		(36,099)
Gross profit	11,717			45,007
Other operating income	974	(954)	8,396	8,416
Distribution costs	(31)	31		–
Administrative expenses	(44,769)	35,533		(9,236)
Other expenses	(40,000)			(40,000)
Finance cost	(16,345)	2,948		(13,397)
Loss before tax	(88,454)			(9,210)
Income tax expense	(76)	76		–
Loss for the period	(88,530)			(9,210)
Other comprehensive loss for the period				
Currency translation differences	–			–
Total comprehensive loss for the period	(88,530)			(9,210)

III. Unaudited Pro Forma Consolidated Statement of Cash Flows

	Audited consolidated statement of cash flows of the Group for the six months ended 30th June 2009	Pro Forma Adjustments		Adjusted unaudited pro forma consolidated statement of cash flows of the Remaining Group
		Note e	*Note f*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES				
Loss from operating activities before tax	(88,454)	70,848	8,396	(9,210)
Adjustments for:				
Allowance for inventories	13,833	(13,833)		–
Allowance for bad and doubtful debt	28,729	(28,729)		–
Depreciation and amortisation of property, plant and equipment	15,854	(15,854)		–
Amortisation of prepaid lease payment	569	(569)		–
Amortisation of intangible assets	7,050			7,050
Impairment loss on goodwill	40,000			40,000
Loss on disposal of property, plant and equipment	36	(36)		–
Gain on disposal of subsidiaries	–		(8,396)	(8,396)
Interest income	(72)	52		(20)
Interest expense	16,345	(2,948)		13,397
Operating cash flows before movements in working capital	33,890			42,821
Decrease (increase) in inventories	24,929	(24,929)		–
Decrease (increase) in trade and other receivables	3,996	(16,087)		(12,091)
(Decrease) increase in trade and other payables	(35,679)	7,213		(28,466)
NET CASH GENERATED FROM OPERATING ACTIVITIES	27,136			2,264

	Audited consolidated statement of cash flows of the Group for the six months ended 30th June 2009	Pro Forma Adjustments		Adjusted unaudited pro forma consolidated statement of cash flows of the Remaining Group
		Note e	*Note f*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(227)	227		–
Interest received	72	(52)		20
Acquisition of subsidiary	23,250			23,250
Disposal of subsidiary	–		99,500	99,500
Proceeds from disposal of property, plant and equipment	43	(43)		–
NET CASH GENERATED FROM INVESTING ACTIVITIES	23,138			122,770
FINANCING ACTIVITIES				
Proceeds from issue of shares	58,271			58,271
Repayment of borrowings	(25,778)	25,778		–
Addition of new loan	15,556	(15,556)		–
Dividends paid to minority shareholders of subsidiaries	(1,523)	1,523		–
Interest paid	(2,948)	2,948		–
Net borrowing from a director	(2,319)	1,851		(468)
NET CASH USED IN FINANCING ACTIVITIES	41,259			57,803
NET INCREASE IN CASH AND CASH EQUIVALENTS	91,533			182,837
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	46,887	(10,151)		36,736
CASH AND CASH EQUIVALENTS AT END OF PERIOD	138,420			219,573

IV. Notes to the Unaudited Pro Forma Financial Information

(a) The adjustment represents the de-consolidation of the assets and liabilities attributable to the Target Group as at 30th June 2009 from the consolidated financial position of the Group as at 30th June 2009, which has been extracted from Section I of the accountants' report of the Group in Appendix I to the Circular, as if the Disposal had taken place on 30th June 2009.

(b) The adjustment represents the estimated net cash proceeds of the Target Group, as if the Disposal had taken place at 30th June 2009, which is calculated as follows:

	HK$'000
Sales consideration	101,500
Less: Estimated payment of fees and expenses in connection with the Disposal	(2,000)
Estimated net cash proceeds	99,500

The consideration of HK$40,000,000 is payable in cash by Sino Commend Limited ("Sino Commend") to the Group on or before the completion date. The remaining consideration of HK$61,500,000 is payable in cash by Sino Commend to the Group within six months following the completion date.

The adjustment reflects the estimated gain of approximately HK$8,396,000 resulting from the Disposal, assuming that the Disposal had taken place on 30th June 2009. The estimated gain is calculated by the estimated net cash proceeds of approximately HK$99,500,000 deducting the discharge of the shareholder's loan of approximately HK$65,554,000 and the net asset values of the Target Group as at 30th June 2009 of approximately HK$25,550,000.

(c) The adjustment represents the de-consolidation of the income and expenses attributable to the Target Group for the period ended 30th June 2009 from the consolidated statement of comprehensive income of the Group for the period ended 30th June 2009, which has been extracted from Section I of the accountants' report of the Group in Appendix I to the Circular, as if the Disposal had taken place on 1st January 2009. The adjustment will not have continuing statement of comprehensive income effect to the Remaining Group.

(d) The adjustment represents the estimated gain on disposal of the Target Group, as if the Disposal had taken place at 1st January 2009, which is calculated as follows:

	HK$'000
Sales consideration	101,500
Less: Estimated payment of fees and expenses in connection with the Disposal	(2,000)
Estimated net cash proceeds	99,500
Less: Discharge of the Shareholder's Loan	(65,554)
Net asset values of the Target Group as at 30th June 2009 (for illustration purpose only)	(25,550)
Estimated gain on disposal of the Target Group	8,396

(e) The adjustment represents the de-consolidation of the net cash flows attributable to the Target Group for the period ended 30th June 2009 from the consolidated statement of cash flow of the Group for the period ended 30th June 2009, which has been extracted from Section I of the accountants' report of the Group in Appendix I to the Circular, as if the Disposal had taken place on 1st January 2009. The adjustment will not have continuing cash flow statement effect on the Remaining Group.

(f) The adjustment represents the estimated gain on disposal of Target Group of approximately HK$8,396,000 and the estimated net cash proceeds arising on Disposal of approximately HK$99,500,000. The adjustment will not have continuing cash flow statement effect to the Remaining Group.

(g) No adjustments have been made to reflect any trading result or other transactions of the Group and the Target Group entered into subsequent to 30th June 2009.

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 September 2009 for the property interests of the Target Group.

Vigers Appraisal and Consulting Limited
International Assets Appraisal Consultants

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

23rd November 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 by Hua Lien Group (Holding) Company, Limited (the "Target Company") and its subsidiaries (the "Target Group"), 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 September, 2009 ("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, which are held and occupied by the Target Group, 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.

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 People's Republic of China (the "PRC"). 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 Target Company's PRC legal adviser, Guangdong Guan Hong Law Firm.

We have relied to a considerable extent on information provided by the Target Group and have accepted advice given to us by the Target 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 Target Group that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Target 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 Renminbi (RMB). 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 (GP)
MRICS MHKIS MSc(e-com)
Managing Director

Note : Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty three years' experience in undertaking valuations of properties in Hong Kong and has over sixteen years' experience in valuations of properties in the PRC. Raymond joined Vigers in 1989.

SUMMARY OF VALUATION

Property	Market Value in existing state as at 30th September 2009	Interest attributable to the Target Group	Market Value in existing state attributable to the Target Group as at 30th September 2009
Property interests held and occupied by the Target 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	RMB75,400,000 (equivalent to approximately HK$85,680,000)	70.5%	RMB53,157,000 (equivalent to approximately HK$60,410,000)
2. An industrial complex located at Denggaoshi, Yaimen Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC	RMB132,300,000 (equivalent to approximately HK$150,340,000)	100%	RMB132,300,000 (equivalent to approximately HK$150,340,000)
Total	**RMB207,700,000 (equivalent to approximately HK$236,020,000)**		**RMB185,457,000 (equivalent to approximately HK$210,750,000)**

VALUATION CERTIFICATE

Property interests held and occupied by the Target Group in the PRC

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30th September 2009
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 single 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 Target Group for industrial and ancillary uses.	RMB75,400,000 (equivalent to approximately HK$85,680,000) **Interest attributable to the Target Group** 70.5% **Market Value in existing state attributable to the Target Group as at 30th September 2009** RMB53,157,000 (equivalent to approximately HK$60,410,000)

Notes:

1. According to a State-owned Land Use Right 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, C3639276, C3639277, C3639278, C3639279, C3639280, C3639286, C3639287, C3639288 and C3639289), 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, 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 Target Group.

4. We have been provided with a legal opinion on the property prepared by the Target 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 its supplementary agreement both 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 amount 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 orgainizations.

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30th September 2009
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 single 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 Target Group for industrial and ancillary uses.	RMB132,300,000 (equivalent to approximately HK$150,340,000) **Interest attributable to the Target Group** 100% **Market Value in existing state attributable to the Target Group as at 30th September 2009** RMB132,300,000 (equivalent to approximately HK$150,340,000)

Notes:

1. Pursuant to four State-owned Land Use Right 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 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, C3053498, C4110786, C4110787, C4110788, C4110975, C4110976, C4110977 and C4110978), 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, Galloon Leather (China) Co., Ltd. is an indirect wholly-owned subsidiary of the Target Group.

4. We have been provided with a legal opinion on the property prepared by the Target 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 two Maximum Amount Mortgage Agreements 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 Nos.: GDY475022006090 and GDY475022006091), 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.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiry, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

(a) Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company was as follows:

Authorised share capital		*HK$*
6,000,000,000	Shares	600,000,000
Issued and fully paid		
1,248,680,000	Shares	124,868,000

(b) Convertible notes

As at the Latest Practicable Date, there were unlisted zero coupon convertible redeemable notes ("Notes") in the aggregate outstanding principal amount of HK$658,200,000 issued by the Company, entitling the holders thereof to convert up to 1,097,000,000 new Shares at an initial conversion price of HK$0.6 per Share (subject to adjustment) until 26 February 2014.

(c) Unlisted warrants

As at the Latest Practicable Date, there were 164,736,000 unlisted warrants, entitling the holder thereof to subscribe up to 164,736,000 new Shares at a subscription price of HK$0.6 per Share (subject to adjustment) until 3 October 2011.

Save for the Notes, the Company had no other securities convertible into Shares as at the Latest Practicable Date.

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 SFO (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 to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	Capacity	Number of ordinary shares held by controlled corporation *(Note)*	Approximate % to the issued share capital of the Company as at the Latest Practicable Date
Liaw Yuan Chian (“Mr. Liaw”)	Controlled corporation	363,500,039	29.11

Note: Mr. Liaw was deemed to have interests in 363,500,039 ordinary shares in the Company, which were held by Joyce Services Limited, a company in which Mr. Liaw has 58.87% beneficial interests.

As at the Latest Practicable Date, Mr. Liaw held one nominee ordinary share in Hua Lien (Hong Kong) Company Limited in trust for Hua Lien Group (Holding) Company, Limited and 126,000 non-voting deferred shares in Hua Lien (Hong Kong) Company Limited, both Hua Lien (Hong Kong) Company Limited and Hua Lien Group (Holding) Company, Limited are the Company’s subsidiaries. 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, as at the Latest Practicable Date, no Director or chief executive officer of the Company had any other interest or short position in the Shares and 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 SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or are required, pursuant to the Model Code 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, the following persons (other than the Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 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 the Company or any other member of the Group are set out below:

Long position in the Shares

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate % to the issued share capital of the Company as at the Latest Practicable Date
COMPLANT International Sugar Industry Co., Ltd. *(Note i)*	Beneficial interests	1,189,500,000	95.26
Lau Ying Ying Angela *(Note ii)*	Beneficial interests	164,736,000	13.19
Hu Yebi *(Note iii)*	Held by controlled corporation & spouse	128,448,000	10.29

Notes:

(i) 中國國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council) holds 100% in State Development Investment Corporation, which, in turn, holds 100% in China National Complete Plant Import & Export Corporation (Group) which, in turn, holds 70% in COMPLANT International Sugar Industry Co., Ltd. The 1,189,500,000 Shares held by COMPLANT International Sugar Industry Co., Ltd., comprise 300,000,000 Shares it beneficially owns and the convertible note of principal amount of HK$533,700,000 it holds, which can be converted into 889,500,000 Shares during its conversion period.

(ii) Lau Ying Ying Angela holds 164,736,000 unlisted warrants which can be converted to 164,736,000 Shares upon full exercise of the warrants.

(iii) Hu Yebi and his spouse, Li Ling Xiu are deemed (by virtue of the SFO) to be interested in 128,448,000 Shares in the Company. It comprised 3,448,000 Shares held by Li Ling Xiu and 125,000,000 Shares held by Hollyview International Limited, a company beneficially owned by Hu Yebi, which held convertible note of principal amount in HK$75,000,000 which can be converted into 125,000,000 Shares during its conversion period.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons (other than Directors or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which is required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, 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 the Company or any other member of the Group.

4. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any members of the Remaining Group, which is not terminable by the Company or any members of the Remaining Group 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 their respective associates had any interest in businesses, which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which have been, since 31 December 2008 (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 were proposed to be acquired or disposed of by or leased to any member of the Group.

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.

7. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years preceding the Latest Practicable Date which are or may be material:

(a) the sale and purchaser agreement dated 12 November 2008 entered into between the COMPLANT International Sugar Industry Co., Ltd., Jumbo Right Investments Limited and the Company in relation to the acquisition of the entire interest in Sino-Africa Technology & Trading Limited ("SATT") by Jumbo Right Investments Limited from COMPLANT International Sugar Industry Co., Ltd. at a total consideration of HK$853.2 million (subject to adjustment); and

(b) the Agreements.

9. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
HLM & Co. ("HLM")	Certified Public Accountants
Vigers Appraisal & Consulting Limited ("Vigers")	Professional valuer

HLM and Vigers have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letters, opinions, and references to their respective names, in the form and context in which they appear in this circular.

As at the Latest Practicable Date, none of HLM and Vigers has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did they have any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up).

10. MISCELLANEOUS

(a) The principal place of business of the Company in Hong Kong 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 Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited, situated at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(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 annual reports of the Company for each of the two financial years ended 31 December 2008;

(d) the accountants' report of the Group prepared by HLM, the text of which is set out in Appendix I of this circular;

(e) the unaudited pro forma financial information of the Remaining Group and the letter from HLM, the text of which is set out in Appendix III of this circular;

(f) the property valuation report prepared by Vigers, the text of which is set out in Appendix IV of this circular;

(g) the letters of consent given by the experts referred to in the section headed "Qualifications and Consents of Experts" in this appendix;

(h) copy of each circular which has been issued since the date of the latest published audited accounts of the Company, namely the circular dated 23 January 2009 in relation to (1) very substantial acquisition in respect of the acquisition of the entire issued share capital of SATT; (2) continuing connected transactions; (3) increase in authorised share capital; and (4) specific mandate to issue new shares.

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 Rosewood, Level 3, Renaissance Kowloon Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 9 December 2009 at 12:00 noon for the purpose of considering and, if thought fit, passing with or without modification the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT the sale and purchase agreement dated 16 October 2009 and the supplemental agreement dated 19 October 2009 (collectively the "**Agreements**") entered into between the Company as vendor and Sino Commend Limited (嘉漢有限公司) as purchaser (the "**Purchaser**") (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 disposal of the entire issued share capital of Hua Lien Group (Holding) Company, Limited (the "**Target Company**") by the Company to the Purchaser at a total consideration of HK$101.5 million and the discharge by the Company of the shareholder's loan due from the Target Company and its subsidiaries to the Company which is approximately HK$65.6 million as at 30 June 2009 (the "**Shareholder's Loan**") at the date of completion of the disposal be and are hereby confirmed, approved and ratified, and all the transactions contemplated under the Agreements including but not limited to (i) the disposal of the entire issued share capital of the Target Company by the Company to the Purchaser; (ii) the discharge by the Company of the Shareholder's Loan at the date of completion of the disposal; and (iii) the entering into the share charge and the escrow agreement in such form and substance as attached in the schedules to the Agreements be and are hereby confirmed, approved and ratified, 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 Agreements 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."

Yours faithfully,
For and on behalf of the Board of
Hua Lien International (Holding) Company Limited
Shih Chian Fang
Chairman

Hong Kong, 23 November 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.