**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Hua Lien International (Holding) Company Limited.

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

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



# HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED
# 華聯國際(控股)有限公司*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 969)**

# (1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

**Financial Adviser to the Company**

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

**Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders**

Nuada Limited
*Corporate Finance Advisory*

Donvex 富域資本
Donvex Capital Limited
富域資本有限公司

A letter from the Board is set out on pages 5 to 22 of this circular, a letter from the Independent Board Committee containing its recommendation on the Subscription and the Whitewash Waiver is set out on page 23 of this circular. A letter from the Joint Independent Financial Advisers containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver is set out on pages 24 to 46 of this circular.

A notice of the EGM of the Company to be convened and held at Dragon II, 2/F, The Kowloon Hotel, 19-21 Nathan Road, Tsimshatsui, Kowloon, Hong Kong at 12:00 noon on Wednesday, 15 August 2012 is set out on pages 114 to 115 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment hereof should you so wish.

27 July 2012

* *For identification purpose only*

# CONTENT

*In this circular, the following expressions shall have the following meanings unless the context otherwise requires:*

| | |
|---|---|
| "acting in concert" | has the meaning ascribed to it under the Takeovers Code |
| "Announcement" | The announcement issued by the Company dated 12 April 2012 in relation to, among other things, the Subscription and the Whitewash Waiver |
| "associate(s)" | has the meaning ascribed to it in the Listing Rules |
| "Board" | board of Directors |
| "Company" | Hua Lien International (Holding) Company Limited (華聯國際(控股)有限公司), a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange |
| "COMPLANT" | COMPLANT International Sugar Industry Co., Ltd. (中成國際糖業股份有限公司), which is a substantial Shareholder (as defined under the Listing Rules) |
| "COMPLANT Convertible Notes" | 5-year redeemable tranche 1 convertible notes issued by the Company on 27 February 2009 with an outstanding principal amount of HK$227,100,000 and the 5-year redeemable tranche 2 convertible notes issued on 27 February 2009 with an outstanding principal amount of HK$306,600,000 |
| "Completion" | completion of the Subscription |
| "Completion Date" | the date when Completion shall take place, being the second business day after all the Conditions have been fulfilled, or such other date as may be agreed in writing between the Company and the Subscriber |
| "Conditions" | the conditions precedent to Completion, as more particularly set out under the section headed "Conditions of the Subscription" in this circular |
| "connected person(s)" | has the meaning as ascribed to it under the Listing Rules |
| "Director(s)" | the director(s) of the Company |

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| "EGM" | the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, respectively |
| "Executive" | the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director |
| "Group" | the Company and its subsidiaries |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "Independent Board Committee" | the independent board committee comprising three independent non-executive Directors, namely Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei, which has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver |
| "Independent Shareholders" | Shareholders other than the Subscriber, Mr. Hu Yebi, any parties acting in concert with any of them and any other Shareholders who are involved in, or interested in the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver |
| "Jamaica Sugar Industry Projects" | the projects relating to the developments and investments in the Jamaican sugar industry which, involve, inter alia, cultivation of sugar cane, manufacturing, development, sale and distribution of sugar, molasses and any other related business in the sugar estates in Jamaica |
| "Joint Independent Financial Advisers" | Donvex Capital Limited and Nuada Limited, being the joint independent financial advisers to the Independent Board Committee and Independent Shareholders regarding the Subscription and the transactions contemplated thereunder and the Whitewash Waiver |

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|---|---|
| "Last Trading Day" | 12 April 2012, being the last trading day of the Shares on the Stock Exchange before the signing of the Subscription Agreement |
| "Latest Practicable Date" | 25 July 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular |
| "Listing Committee" | the listing sub-committee of the Stock Exchange |
| "Listing Rules" | the Rules governing the Listing of Securities on The Stock Exchange |
| "PRC" | the People's Republic of China, which, solely for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "Outstanding Convertible Notes" | redeemable tranche 1 convertible notes issued by the Company on 27 February 2009 with an outstanding principal amount of HK$320,100,000, redeemable tranche 2 convertible notes issued on 27 February 2009 with an outstanding principal amount of HK$306,600,000 and redeemable convertible notes issued on 26 August 2011 with an outstanding principal amount of HK$24,000,000, which include the COMPLANT Convertible Notes |
| "SFC" | Securities and Futures Commission of Hong Kong |
| "SFO" | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share(s)" | share(s) of HK$0.1 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subscriber" | China National Complete Plant Import & Export Corporation (Group) (中國成套設備進出口(集團)總公司), a state-owned company incorporated in the PRC and owns 70% equity interest in the COMPLANT |
| "Subscription" | the subscription by the Subscriber for the Subscription Shares pursuant to the Subscription Agreement |

| | |
|---|---|
| "Subscription Agreement" | the conditional subscription agreement dated 12 April 2012 between the Subscriber and the Company relating to the Subscription |
| "Subscription Price" | means the subscription price of HK$0.60 per Subscription Share |
| "Subscription Share(s)" | new Share(s) to be subscribed by the Subscriber pursuant to the Subscription Agreement |
| "Takeovers Code" | Hong Kong Code on Takeovers and Mergers |
| "Whitewash Waiver" | the waiver by the Executive under Note 1 on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer to the shareholders of the Company for all issued shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber as a result of the issue and allotment of the Subscription Shares to the Subscriber |
| "%" | per cent. |

*English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*

# HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED
# 華聯國際(控股)有限公司*

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 969)**

*Executive Directors:*
Mr. Han Hong
Mr. Xiao Longlong
Mr. Hu Yebi

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

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

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

27 July 2012

*To the Shareholders*

Dear Sir or Madam,

## (1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

### 1. INTRODUCTION

Reference is made to the Announcement. The Subscriber entered into the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 800,000,000 Subscription Shares at the price of HK$0.6000 per Subscription Share in cash. The Subscription Shares represent approximately 57.51% of the issued share capital of the Company as at the date of the Subscription Agreement and, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion, approximately 36.51% of the issued share capital of the Company as enlarged by the Subscription.

* *For identification purpose only*

The purpose of this circular is (i) to provide you with further information on, among other things, the details of the Subscription Agreement and the Whitewash Waiver; (ii) to set out the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver; (iii) to set out the letter of advice from the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (iv) to give you notice of the EGM; and (v) to provide other information as required under the Listing Rules and the Takeovers Code.

## 2. THE SUBSCRIPTION AGREEMENT

**Date:**

12 April 2012

**Parties:**

(i) the Subscriber, a state-owned company incorporated in the PRC and owns 70% equity interest in COMPLANT, where COMPLANT is a company incorporated in the Cayman Islands with limited liability, which currently holds 300,000,000 Shares, which represent approximately 21.56% of the existing issued share capital of the Company as at the Latest Practicable Date. As COMPLANT is a substantial Shareholder (as defined under the Listing Rules), the Subscriber is a connected person of the Company; and

(ii) the Company

**The Subscription Shares:**

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 800,000,000 Subscription Shares with aggregate nominal value of HK$80,000,000 to the Subscriber. As at the date of the Subscription Agreement, there were 1,391,180,000 Shares in issue and the Subscription Shares respectively represent approximately 57.51% of the issued share capital of the Company as at the date of the Subscription Agreement and, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion, approximately 36.51% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. Taking into account the Shares already owned by COMPLANT, immediately after the completion of the Subscription, the Subscriber and parties acting in concert with it including COMPLANT will hold approximately 50.20% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion) and approximately 64.57% thereof (assuming that the entire outstanding amount under the COMPLANT Convertible Notes are converted into Shares and no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion).

An application will be made by the Company for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Shares will be allotted and issued under a specific mandate to be sought for the approval from the Independent Shareholders at the EGM.

**Subscription Price:**

The Subscription Price for the Subscription Shares is HK$0.6000 per Subscription Share. The Subscription Price represents:

(i) the same as the closing price of HK$0.6000 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 1.35% over the average closing price of HK$0.5920 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(iii) the same as the average closing price of HK$0.6000 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(iv) a discount of approximately 1.09% to the average closing price of HK$0.6066 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

(v) a premium of approximately 5.26% to the closing price of HK$0.5700 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a premium of approximately 62.2% over and above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2011 of approximately HK$0.370 (based on a total of 1,391,180,000 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$514,877,000 as at 30 June 2011); and

(vii) a premium of approximately 45.60% over and above the Group's audited consolidated net asset value attributable to the Shareholders per Share as at 31 December 2011 of approximately HK$0.412 (based on a total of 1,391,180,000 Shares as at the Latest Practicable Date and the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$573,291,000 as at 31 December 2011).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the Stock Exchange and the recent trading prices of the Shares as quoted on the Stock Exchange. The total consideration for the Subscription Shares in the sum of HK$480,000,000 will be financed by internal resources available to the Subscriber.

**Rankings:**

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares. In addition, the Subscription Shares will not be subject to any lock-up or restrictions on disposal requirements.

**Conditions of the Subscription:**

Completion of the Subscription is conditional upon:

(i) the Listing Committee of the Stock Exchange having granted or agreeing to grant the listing approval in respect of, and permission to deal in, the Subscription Shares;

(ii) the Executive having granted the Whitewash Waiver (subject to the approval of the Independent Shareholders and there being no disqualifying transactions);

(iii) the passing of a resolution by the Independent Shareholders at the EGM approving the Subscription Agreement and the transactions contemplated thereunder, including the specific mandate relating to the allotment and issue of the Subscription Shares to the Subscriber pursuant to the Subscription Agreement;

(iv) the passing of a resolution by the Independent Shareholders at the EGM approving the Whitewash Waiver;

(v) approval, consents and authorization by the necessary governmental, quasi-governmental, statutory or regulatory body in both the PRC and Hong Kong having been obtained and remaining in force for the purpose of entering, implementing and completing the Subscription;

(vi) the Company's representations and warranties being true and accurate and not misleading on the date of the Subscription Agreement and on the Completion Date; and

(vii) the Subscriber having completed and being reasonably satisfied with the results of the due diligence exercise on the Group and other matters incidental thereto.

None of the Conditions can be waived by either party save and except for the Conditions set out in (vi) and (vii) above. In the event that not all the Conditions have been fulfilled or waived, as the case may be, by 31 July 2012 (or a later date by agreement in writing between the Company and the Subscriber), the Subscription Agreement will be automatically terminated and be of no further effect, and the parties shall be released from all obligations under the Subscription Agreement and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Subscription Agreement.

As at the Latest Practicable Date, save for Condition (v) which has been partly fulfilled for the part relating to the PRC and Condition (vii) which has been fulfilled, none of the Conditions has been fulfilled or waived.

**Completion:**

Subject to fulfillment of all the Conditions, Completion shall take place on the Completion Date.

## 3. EFFECTS OF THE SUBSCRIPTION

The shareholdings in the Company as at the Latest Practicable Date and immediately after Completion (assuming that there is no change in the issued share capital of the Company since the date of the Subscription Agreement up to Completion other than (i) the issue of the Subscription Shares; and (ii) the issue of the Subscription Shares and the conversion of all the COMPLANT Convertible Notes) are summarised as follows:

| | As at the Latest Practicable Date | | Immediately after completion of the Subscription assuming COMPLANT has not exercised the conversion rights under the COMPLANT Convertible Notes | | Immediately after completion of the Subscription assuming COMPLANT having exercised the conversion rights under the COMPLANT Convertible Notes | |
|---|---|---|---|---|---|---|
| | **Shares** | **Per cent.** *(Approx.)* | **Shares** | **Per cent.** *(Approx.)* | **Shares** | **Per cent.** *(Approx.)* |
| The Subscriber *(Notes 1 & 3)* | — | — | 800,000,000 | 36.51 | 800,000,000 | 25.96 |
| COMPLANT | 300,000,000 | 21.56 | 300,000,000 | 13.69 | 1,189,500,000 | 38.61 |
| *Subtotal of the Subscriber and parties acting in concert with it* | 300,000,000 | 21.56 | 1,100,000,000 | 50.20 | 1,989,500,000 | 64.57 |
| China-Africa Xin Xing Investment Limited *(Notes 2 & 3)* | 90,000,000 | 6.47 | 90,000,000 | 4.11 | 90,000,000 | 2.93 |
| HU Yebi *(Note 4)* | 215,943,083 | 15.52 | 215,943,083 | 9.85 | 215,943,083 | 7.01 |
| Public Shareholders | 785,236,917 | 56.45 | 785,236,917 | 35.84 | 785,236,917 | 25.49 |
| **Total** | 1,391,180,000 | 100.00 | 2,191,180,000 | 100.00 | 3,080,680,000 | 100.00 |

*Notes:*

1. The Subscriber is a PRC state-owned corporation and a wholly-owned subsidiary of a state-owned investment company, the State Development & Investment Corp. ("SDIC") (國家開發投資公司).

2. China Development Bank Corporation ("CDB") (國家開發銀行股份有限公司) is under the direct jurisdiction of the State Council of the PRC holding 100% of 國開金融有限責任公司(China Development Bank Capital Corporation Ltd.) which holds 100% of 中非發展基金有限公司(China-Africa Development Fund) which in turn holds 100% in China-Africa Xin Xing Investment Limited. Besides these 90,000,000 Shares, China-Africa Xin Xing Investment Limited also holds convertible notes of principal amount of HK$24,000,000 which can be converted into 40,000,000 Shares and there is no conversion of such convertible notes as at the Latest Practicable Date; and

3. Save for the fact that both CDB and SDIC are state-owned enterprises, these two corporations are operated independently from each other with different management teams and supervising authorities. CDB is a financial institution in the PRC under the direct jurisdiction of the State Council of the PRC and a policy bank, primarily responsible for fund raising for large-scale infrastructure projects in the PRC. On the other hand, SDIC is a state-owned investment holding company responsible for, among other things, the operation of state-owned assets and investment projects, it directly reports to State-owned Assets Supervision and Administration Commission (SASAC) of the State Council.

4. Mr. HU Yebi and his spouse, Ms. LI Ling Xiu are deemed (by virtue of the Securities and Futures Ordinance) to be interested in 340,943,083 Shares, among these 340,943,083 Shares, as to 3,448,000 Shares held by Ms. LI Ling Xiu and as to 212,495,083 Shares and also as to 125,000,000 Shares convertible from convertible notes of principal amount of HK$75,000,000 held by Hollyview International Limited, a company beneficially owned by Mr. HU Yebi and there is no conversion of such convertible notes as at the Latest Practicable Date.

## 4. CONVERSION OF THE COMPLANT CONVERTIBLE NOTES BY COMPLANT

The COMPLANT Convertible Notes were issued by the Company to COMPLANT on 27 February 2009 as part of the consideration for the acquisition of Sino-Africa Technology & Trading Limited (中非技術貿易有限公司) ("SATT") (further details of the acquisition are set out in the circular of the Company dated 23 January 2009). As a term of the COMPLANT Convertible Notes, its holders shall not have the right to convert the whole or part of the outstanding principal amount of the COMPLANT Convertible Notes into Shares to the extent that immediately after such conversion, the holders of the COMPLANT Convertible Notes together with the parties acting in concert with them, taken together, will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company (or in such percentage as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer) or otherwise: (i) a general offer shall be given; or (ii) a Whitewash Waiver should be obtained in accordance with the requirements of the Takeovers Code.

Immediately after completion of the Subscription, the aggregate shareholding of the Subscriber and the parties acting in concert with it, including COMPLANT, in the Company will exceed 50% and therefore, the Subscriber and COMPLANT would be obliged to make an unconditional mandatory general offer for all securities of the Company not already owned by them and their concert parties unless the Whitewash Waiver is granted.

After completion of the Subscription, the Subscriber and the parties acting in concert with it including COMPLANT may further increase their shareholdings in the Company by, among others, exercising the conversion rights under the COMPLANT Convertible Notes.

**Shareholders and public investors should note that immediately upon issue of the Subscription Shares, the shareholding of the Subscriber and the parties acting in concert with it including COMPLANT in the Company will exceed 50% of the voting rights of the Company. However, given each party in this concert group will hold less than 50% of the issued share capital of the Company, any of them may incur further obligation to make a general offer under Rule 26.1 of the Takeovers Code upon further acquisition of the Shares by any of them unless a waiver from the Executive is granted.**

The Subscriber and COMPLANT have confirmed to the Company that they will not convert the COMPLANT Convertible Notes immediately or soon after Completion.

## 5. INFORMATION ON THE SUBSCRIBER AND THE GROUP

The Subscriber is a PRC state-owned corporation established in November 1959 and a wholly-owned subsidiary of a state-owned investment company, namely, the State Development & Investment Corp. ("**SDIC**")(國家開發投資公司), with a strategic mission to be responsible for organizing, completing and implementing China-aided projects, engineering construction projects, establishment of plants, sugar cane cultivation, manufacture and development of sugar products and other sugar-related projects and building and construction projects, in foreign countries.

The Company is an investment holding company. The Group is principally engaged in sugar-related business, including the provision of supporting services to sugar sweetener and ethanol business to African countries, trading of raw materials and goods related to the sugar business, management and technical staff related to the sugar business in African countries.

The Subscriber confirmed that since its establishment, the Subscriber had completed more than 1400 large and medium-sized plant projects in developing countries in Asia, Africa and Latin America and thus, it had contributed to establishing cooperative bilateral ties between China and these developing countries, and meanwhile established good-standing relationships with these countries and their enterprises which, in the Directors' opinion, will benefit the Company in expanding its existing sugar-related business in these developing countries, including but not limited to the provision of supporting services to sugar sweetener in African countries and its ethanol business in Benin.

## 6. INTENTION OF THE SUBSCRIBER REGARDING THE GROUP

As mentioned above, it is part of the Subscriber's mission to implement a whole range of sugar-related projects in foreign countries, including establishment of plants, sugar cane cultivation, manufacture and development of sugar products and other sugar-related projects and building and construction projects. Given that the Group is principally engaged in sugar-related business, the Subscriber considers the business and product lines of the Group, including the provision of supporting services to sugar sweetener and ethanol business to African countries, and the provision of management and technical staff related to sugar business in African countries, to be complementary to accomplishing its mission. The Subscriber will leverage principally the existing management to continue to operate and develop the businesses of the Group. The Subscriber believes that its investment in the Company will create substantial benefits to the Company and its shareholders.

Upon Completion, the Subscriber will become the controlling shareholder of the Company under the Listing Rules. The Subscriber intends to continue the principal businesses of the Group after Completion and maintain the listing status of the Company on the Stock Exchange following Completion. Meanwhile, the Subscriber will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business developments of the Group. Subject to the results of the review and should suitable investments or business opportunities arise, the Subscriber may consider expanding the business of the Group with the objectives to broaden its income sources and to achieve accretion in the return to the Shareholders. However, none of the Subscriber and its subsidiaries had entered into any agreements or fixed any terms with the Group as at the Latest Practicable Date in relation to any possible expansion of the Group's businesses. The Subscriber has no intention to make major changes to the continued employment of the employees of the Group. The Subscriber does not intend to introduce any major changes to the business of the Group or re-deploy or dispose of the assets or business of the Group after Completion other than in its ordinary and usual course of business. The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code in the event any possible expansion of the Group's business operations materializes after Completion.

Currently, the Board had appointed two executive Directors nominated by COMPLANT to oversee the core business of the Group carried out by SATT. The number of Directors at present will not be changed as a result of the Subscription. The Subscriber has no intention to change the composition of the Board or the current management of the Company after Completion. However, if necessary and subject to the Listing Rules, the Takeovers Code, the provisions of the articles of association of the Company and the Board's approval on the appointment, COMPLANT and the Subscriber may nominate additional Director(s) to be appointed on the Board in order to maintain the number of representatives of the Subscriber and its concert parties in the Board in proportion to their shareholding interest in the Company from time to time.

## 7. REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

It is expected that a gross amount of HK$480 million will be raised from the Subscription. It is the intention of the Company to apply the net proceeds from the Subscription as follows: (i) a sum of approximately HK$50 million for funding part of the capital contribution requirement into the Company's existing ethanol biofuel business located in Benin, details of which are contained in the circular of the Company dated 22 November 2010; (ii) a sum of approximately HK$390 million for acquiring assets relating to the Group's principal business (including but not limited to the Jamaica Sugar Industry Projects mentioned in the announcement of the Company dated 1 June 2011 (the "**June 2011 Announcement**")); and (iii) a sum of approximately HK$40 million for the Group's general working capital.

Insofar as the project in Benin is concerned, the joint venture company, namely, Zheng Da Investments Limited, which is owned as to 65% by the Company, 10% by COMPLANT and 25% by a wholly-owned subsidiary of 中非發展基金有限公司 (China-Africa Development Fund) is in the course of setting up a project company in Benin to carry out the business of developing and producing renewable energy by utilising sugar cane and cassava as raw materials (the "**Ethanol Biofuel Business**") in Benin. Once the project company is set up, Zheng Da Investments Limited plans to enter an addendum with the Government of Benin to name the project company as the leasee for the approximately 4,800 hectares of land at annual rental of 11,875 FCFA (approximately HK$185) each hectare in place of Zheng Da Investments Limited. The Company expects that the construction of ethanol production facilities will start around the end of 2012.

Insofar as the Jamaica Sugar Industry Projects are concerned, as stated in the June 2011 Announcement, the Company had entered into a novation agreement with COMPLANT to the effect that COMPLANT's respective interests under the sale and purchase agreement and the leases with the Government of Jamaica will be novated to the Company entirely. The novation agreement was subsequently terminated on 20 July 2011 and details of the termination agreement are set out in the Company's announcement dated 20 July 2011.

On 15 August 2011, COMPLANT as the purchaser completed the acquisition of certain factory lands with an aggregate area of approximately 58.76 hectares and assets from the Government of Jamaica together with other statutory parties as sellers at a cash consideration in the sum of US$9 million (approximately HK$70.20 million) for the factory lands and the assets plus an undertaking to make a capital expenditure of US$126.8 million (approximately HK$989.04 million) for the revival and working capital of the three sugar estates in Jamaica (comprising of the Frome Estate in the parish of Westmoerland, Monymush Estate in the parish of Clarendon and Bernard Lodge Estate in the parish of Saint Catherine) (collectively, the "**Sugar Estates**").

COMPLANT also leased all pieces of the leased lands from the same parties with an aggregate area of approximately 32,571.51 hectares for a term of 50 years (with an option to renew for a further 25 years) commencing on 15 August 2011. The initial rent under the lease is US$35 per hectare per annum, subject to increases with reference to the inflation rate in the United States of America. The Leased Lands will be used for sugar cane farming, cassava farming or any other sugar cane related business (such as sugar, molasses, ethanol and co-generation from sugar cane and related crops).

The Board considers that the Jamaica Sugar Industry Projects would allow the Group to expand its business into the Jamaican sugar industry, which in the Directors' opinion would be strategically beneficial to the Group by extending the width and depth of the existing business, taking into account the Group' current business of providing supporting services to sweetener and ethanol businesses in African and other countries. Included in the revival plans of the Sugar Estates is to build a modernized sugar refinery at one of the Sugar Estates to produce raw sugar and refined sugar. Besides, upon completion of the revival plans of the Sugar Estates, the Group may, subject to the results of the feasibility studies, be initiated to build a dehydration factory at one of the Sugar Estates to produce fuel ethanol.

The negotiation between the Company and COMPLANT with respect to the Jamaica Sugar Industry Projects has been delayed as (i) the Company has to raise sufficient funding for the Jamaica Sugar Industry Projects; and (ii) COMPLANT has to obtain the consent from the relevant PRC government authority if it is to dispose of the Jamaica Sugar Industry Projects to the Company.

Despite the aforesaid, the Company still intends to acquire from COMPLANT all or part of the Jamaica Sugar Industry Projects by acquiring shareholding interest in the investment holding company and the negotiation between the Company and COMPLANT with respect to the Company's proposed acquisition of the Jamaica Sugar Industry Projects is still under way though no memorandum of understanding, letter of intent, fixed terms, agreement whatsoever had been entered into between the parties up to and including the Latest Practicable Date. Upon signing of the Subscription Agreement, pursuant to which the Company's funding for the Jamaica Sugar Industry Projects are more forthcoming, the Company will proceed to further negotiate with COMPLANT with respect to the Jamaica Sugar Industry Projects on a more concrete basis by agreeing on a binding sale and purchase agreements containing all the key terms of the proposed acquisition such as the consideration, conditions precedent and date of completion. The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code if the acquisition of the Jamaica Sugar Industry Projects takes place.

As COMPLANT is currently the single largest shareholder of the Company and has nominated two executive Directors out of three into the Board, the Company takes the view that both COMPLANT and it have an understanding with each other that the negotiation for the acquisition of the Jamaica Sugar Industry Projects would be reopened some time after signing of the Subscription Agreement and the consent of the relevant PRC government authority has been obtained with respect to the sale of the Jamaica Sugar Industry Projects to the Company and the valuation of the Jamaica Sugar Industry Projects is available, though no written agreement between the parties in this respect had been entered into as at the Latest Practicable Date. Though there is not yet any progress for the Jamaica Sugar Industry Projects, the Directors take the view that the proposed acquisition of the Jamaica Sugar Industry Projects will proceed to the agreement stage only after the issues on funding and PRC government approval are resolved. Nevertheless, the Company may consider entering into a memorandum of understanding with COMPLANT with respect to the proposed acquisition of the Jamaica Sugar Industry Projects if it finds it necessary. Despite the aforesaid, if the acquisition of the Jamaica Sugar Industry Projects cannot be proceeded finally, the Company will look for similar sugar cane farming and other sugar cane related business in African countries or South American countries.

Apart from the Subscription, the Board has considered various other means of fund raising, including debt financing, placement of new Shares to independent investors and rights issue (or open offer) as described below:

**(i) Debt financing**

Taking into account the current trading and business operations of the Group, which recorded audited loss for the period of HK$4,869,000 for the year ended 31 December 2011, it will be not practicable for the Group to arrange for any bank loans from local banks with the terms and amounts which are commercially acceptable to the Group without any guaranties or pledges. In addition, even if the additional bank loans were made available, additional finance charges would be incurred, particularly under the situation where there is an increase in the interest rates during the tenure of the bank loans. The Company had discussions with a financial institution in Hong Kong in November 2011 on debt financing for business expansion, the preliminary response was not satisfactory, both in terms of possible loan amount and interest rate.

**(ii) Placement of new Shares in Hong Kong to independent investors**

Regarding the viability of other means of equity financing, although the Company has not formally discussed with any placing agents, the Directors advised that, given the trading volume of the Shares has been relatively low, the Company would encounter difficulties in finding a commercial placing agent in Hong Kong for a placement of new Shares with acceptable placing fee and on fully underwritten basis.

**(iii) Rights issue or open offer**

The Directors note that a rights issue or an open offer of the Company will give an opportunity to all Shareholders to participate in the subscription for new Shares to be issued by the Company. Pursuant to Chapter 7 of the Listing Rules, a rights issue or an open offer of a listed issuer on the Stock Exchange may not require underwriting. However, the Directors consider that, in the absence of a underwriter, the Company would have difficulties to complete a rights issue or an open offer, given that certain public Shareholders may not be interested to participate in a rights issue or an open offer, taking into account the trading volume of the Shares has been relatively low. On the other hand, although the Company has not formally discussed with any independent underwriters, the Directors advised that the Company would encounter difficulties in finding an independent underwriter in Hong Kong which is interested to underwrite a rights issue or open offer of the Company with reasonable underwriting fee and subscription price which is of reasonable discount to the recent closing price of the Shares.

Overall, the Subscription will strengthen the capital base and financial position of the Group, and would enable the Company to raise funds in a timely manner for its future development. In light of the above, the Directors are of the view that it is in the interests of the Group and the Independent Shareholders as a whole to raise funds by the Subscription. As the Subscription Price represents a significant premium over and above the Group's net asset value attributable to the Shareholders as at 31 December 2011, the Directors consider that it is in the interests of the Company to increase its share capital. The Directors also consider that the Subscription will enlarge the capital base of the Company and will reduce the gearing level of the Group thereby strengthening the financial position of the Group for its ongoing business development.

Based on the above, the Directors (other than the independent non-executive Directors who will express their view after considering the advice from the Joint Independent Financial Advisers) consider that the Subscription represents a straightforward and cost-effective means of financing for the Group, and is fair and reasonable and on normal commercial terms, and the entering into of the Subscription Agreement is in the interests of the Group and the Shareholders as a whole.

The Board has not considered asking COMPLANT to exercise the conversion rights under the COMPLANT Convertible Notes as the COMPLANT Convertible Notes have yet to become mature until 26 February 2014 and above all, the conversion of the COMPLANT Convertible Notes would not bring into any funding to the Company.

The net proceeds from the Subscription are estimated to be approximately HK$478.5 million and based on the estimated net proceeds, the net subscription price would be approximately HK$0.598 per Subscription Share.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

In particular, the Subscriber's extensive experience in the sugar industry, the Subscriber has established a number of sugar estates for the governments of Mali, Tanzania, Togo, Benin, Rwanda, Congo, Madagascar and other developing countries. Currently, the Subscriber is running seven sugar estates in Togo, Madagascar, Benin, Sierra Leone and Jamaica with a total sugar cane plantation of over 40,000 hectares and a total annual sugar production capacity of over 250,000 tons plus over 20,000 cube meters of ethanol per year. That sugar and ethanol production expertise will be useful to the Company in its existing Ethanol Biofuel Business in Benin and the Company's proposed acquisition of the Jamaica Sugar Industry Projects (if it takes place). Furthermore, the direct shareholding interest from the state-owned enterprise will further facilitate the above technology transfer to the Company and be beneficial to the Company for further overseas acquisition. Further, the Subscription provides a good opportunity for the Company to raise additional capital. The executive Directors are of the view that the terms of the subscription of new Shares pursuant to the Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The opinion of the independent non-executive Directors is contained in this circular after considering the advice and recommendations of the Joint Independent Financial Advisers to the Independent Board Committee.

## 8. LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, COMPLANT holds 300,000,000 Shares, which represent approximately 21.56% of the existing issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, COMPLANT also holds the COMPLANT Convertible Notes in the principal amount of HK$533,700,000 which can be converted into 889,500,000 Shares during their conversion period. As the Subscriber owns 70% equity interest in COMPLANT, a substantial Shareholder (as defined under the Listing Rules), the Subscriber is accordingly a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under the Listing Rules. The Subscription is therefore subject to the reporting, announcement, and Independent Shareholders' approval at general meeting requirements under the Listing Rules.

The Subscriber, and the parties acting in concert with it including COMPLANT and their respective associates shall abstain from voting on the resolution approving the Subscription Agreement and the transactions contemplated thereunder at the EGM. Mr. Hu Yebi had been involved in the negotiations of the Subscription and shall also abstain from voting on the resolution approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

## 9. TAKEOVERS CODE IMPLICATIONS

As at the date of the Subscription Agreement, COMPLANT held 300,000,000 Shares, representing approximately 21.56% of the voting rights of the Company. As at the Latest Practicable Date, COMPLANT also holds the COMPLANT Convertible Notes in the principal amount of HK$533,700,000 which can be converted into 889,500,000 Shares during their conversion period. Save for the aforesaid, as at the Latest Practicable Date, the Subscriber and the parties acting in concert with it do not hold any other Shares, warrants, options or other convertible or exchangeable securities of the Company. Upon Completion, 800,000,000 Subscription Shares will be issued to the Subscriber. Thus, the interest of the Subscriber and the parties acting in concert with it including COMPLANT in the voting rights of the Company will be increased from approximately 21.56% to approximately 50.20% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion) and 64.57% (assuming that the entire outstanding amount under the COMPLANT Convertible Notes are converted into Shares and no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion). As advised by COMPLANT, COMPLANT does not intend to transfer, sell or dispose of or convert the COMPLANT Convertible Notes before the Completion. Accordingly, the Subscriber would be obliged to make an unconditional mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it and the parties acting in concert with it including COMPLANT, unless the Whitewash Waiver is granted.

An application to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeover Code has been made as a result of the Subscription. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. The Subscriber, and the parties acting in concert with it including COMPLANT, and those Shareholders who are interested in or are involved in the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver and their respective associates shall abstain from voting on the resolutions approving the Subscription and the transactions contemplated thereunder and the Whitewash Waiver at the EGM. Mr. Hu Yebi, who is the Director involved in the negotiations and discussions of the terms of the Subscription with the Subscriber and is therefore regarded as being "involved in" the Subscription under Note 1 on dispensation from Rule 26 of the Takeovers Code, and the parties acting in concert with him and their respective associates including Ms. Li Ling Xiu shall also abstain from voting on the resolutions approving the Subscription and the transactions contemplated thereunder and the Whitewash Wavier at the EGM. The Directors, having made all reasonable enquiries, confirmed that so far as they are aware, save for the Subscriber, COMPLANT, Mr. Hu Yebi and Ms. Li Ling Xiu, no Shareholder is required to abstain from voting on the resolutions approving the Subscription and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

As at the Latest Practicable Date, neither the Subscriber nor any party acting in concert with it including COMPLANT has received any irrevocable commitment from any Independent Shareholder as to whether that they will vote for or against the resolutions approving the Subscription and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

**If the Subscription and the transactions contemplated thereunder and the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Subscriber and the parties acting in concert with it including COMPLANT in the Company will exceed 50%. The Subscriber and the parties acting in concert with it including COMPLANT may further increase their shareholdings in the Company by, among other things, exercising the conversion rights under the COMPLANT Convertible Notes.**

**Shareholders and public investors should note that immediately upon issue of the Subscription Shares, the shareholding of the Subscriber and the parties acting in concert with it including COMPLANT in the Company will exceed 50% of the voting rights of the Company. However, given each party in this concert group will hold less than 50% of the issued share capital of the Company, any of them may incur further obligation to make a general offer under Rule 26.1 of the Takeovers Code upon further acquisition of the Shares by any of them unless a waiver from the Executive is granted.**

The Subscriber has undertaken to the Company that apart from the Subscription Agreement, neither the Subscriber nor the parties acting in concert with it will, from the date of the Subscription Agreement until the issue of the Subscription Shares, acquire or dispose of or enter into any agreements or arrangements to acquire or dispose of any voting rights in the Company.

## 10. INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, save for the Outstanding Convertible Notes which are convertible into 1,084,500,000 Shares, the Company does not have any options, warrants or convertible securities in issue.

The Subscriber has confirmed that neither the Subscriber nor any parties acting in concert with it including COMPLANT:

(i) apart from 800,000,000 new Shares under the Subscription Agreement, has acquired or disposed of or entered into any agreements or arrangements to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Subscription Agreement and up to the Latest Practicable Date;

(ii) apart from 300,000,000 Shares and the COMPLANT Convertible Notes in the principal amount of HK$533,700,000 which can be converted into 889,500,000 Shares during their conversion period owned by COMPLANT, owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivatives in respect of securities in the Company;

(iii) has any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Subscriber and which might be material to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver;

(iv) has any agreements or arrangements or understanding (including any compensation arrangement) exist between the Subscriber or any persons acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of the Company having any connections with or dependent upon the Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, there are not any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Subscriber or any persons acting in concert with it has borrowed or lent.

## 11. FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company did not conduct any fund raising activities during the past 12 months immediately preceding the date of the Announcement.

## 12. GENERAL

Pursuant to the Listing Rules, the Independent Board Committee comprising of all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. In compliance with Note 1 on Dispensations from Rule 26 of the Takeovers Code, the Independent Board Committee comprising of all the independent non-executive Directors has been established to, inter alia, make a recommendation to the Independent Shareholders as to whether the Whitewash Waiver and the terms of the Subscription Agreement are fair and reasonable and on how to vote in respect of the Whitewash Waiver and the Subscription and the transactions contemplated thereunder.

Pursuant to Rule 2.1 of the Takeovers Code, the Board has appointed Donvex Capital Limited and Nuada Limited as the Joint Independent Financial Advisers to advise the Independent Board Committee and Independent Shareholders, as to, inter alia, the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver and give their recommendations on how to vote in respect of the Whitewash Waiver and the Subscription and the transactions contemplated thereunder. The appointment of the Joint Independent Financial Advisers has been approved by the Independent Board Committee.

None of the members of the Independent Board Committee has any interests or involvements in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver.

Other than Mr. Han Hong and Mr. Xiao Longlong, by virtue of being the deputy general manager and the director of COMPLANT respectively, are considered to have material interests in the Subscription and have abstained from voting on the board resolution for approving the Subscription Agreement, no other Director was materially interested in the Subscription and has to abstain from voting on the board resolution for approving the Subscription Agreement.

**Shareholders and potential investors should note that the Subscription, which is subject to a number of conditions precedent, may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## 13. THE EXTRAORDINARY GENERAL MEETING

Set out on pages 114 to 115 of this circular is a notice of the EGM to be convened and held at Dragon II, 2/F, The Kowloon Hotel, 19-21 Nathan Road, Tsimshatsui, Kowloon, Hong Kong at 12:00 noon on Wednesday, 15 August 2012, at which ordinary resolutions will be proposed for the Independent Shareholders to consider, and if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. In compliance in the Listing Rules, the votes to be taken at the EGM in respect of the resolutions to be proposed at the EGM will be taken by poll, the results of which will be published after the EGM.

To the best of Director's knowledge, information and belief, after making all reasonable enquiries, as at the Latest Practicable Date, save for the Subscription Shares:

(a) (i) there were no voting trusts or other agreements or arrangements or understandings (other than outright sale) entered into by or binding upon the Subscriber and its associates; and

(ii) there were no obligations or entitlements of the Subscriber and its associates,

whereby such persons had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and

(b) there were no discrepancies between the beneficial shareholding interests of the Subscriber and its associates and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the EGM.

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

## 14. RECOMMENDATIONS

The Directors (including all the independent non-executive Directors after considering the advice of the Joint Independent Financial Advisers) consider that the Subscription and the Subscription Agreement are fair and reasonable and on normal commercial terms, the Whitewash Waiver is fair and reasonable and the Subscription and the Whitewash Waiver are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Your attention is drawn to:

(a) the letter from the Independent Board Committee, the text of which is set out in page 23 of this circular; and

(b) the letter from the Joint Independent Financial Advisers, the text of which is set out in pages 24 to 46 of this circular.

## 15. ADDITIONAL INFORMATION

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

**Shareholders and potential investors should note that the Subscription, which is subject to a number of conditions precedent, may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

By order of the Board
**Hua Lien International (Holding) Company Limited**
**Hu Yebi**
*Executive Director*

# HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED
# 華聯國際（控股）有限公司*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 969)**

27 July 2012

*To the Independent Shareholders*

Dear Sir or Madam,

## (1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

This Independent Board Committee has been established to advise you on the terms of the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 27 July 2012 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Subscription and the advice of the Joint Independent Financial Advisers in relation thereto as set out on pages 24 to 46 of the Circular, we are of the opinion that (i) the Subscription and the Subscription Agreement are fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interests of the Group and the Shareholders as a whole; and (ii) the Whitewash Waiver is fair and reasonable and on normal commercial terms, and is in the interests of the Group and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, as well as the Whitewash Waiver.

Yours faithfully,
**Independent Board Committee**

| **Dr. Zheng Liu** | **Mr. Yu Chi Jui** | **Ms. Li Xiao Wei** |
|---|---|---|
| *Independent non-executive Director* | *Independent non-executive Director* | *Independent non-executive Director* |

* *For identification purpose only*

*The following is the text of a letter of advice from Nuada Limited and Donvex Capital Limited to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver which has been prepared for the purpose of incorporation in this circular:*

Nuada Limited
*Corporate Finance Advisory*

19th Floor, BLINK,
111 Bonham Stand,
Sheung Wan
Hong Kong

Donvex
富域資本
Donvex Capital Limited
富域資本有限公司

Unit 1305, 13th Floor,
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

27 July 2012

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

Dear Sirs,

## (1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

### (I) INTRODUCTION

We refer to our engagement as the Joint Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transaction contemplated thereunder and the Whitewash Waiver, details of which are set out in the section headed "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 27 July 2012 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 12 April 2012, the Subscriber entered in to the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 800,000,000 Subscription Shares at the price of HK$0.60 per Subscription Share in cash.

Since the Subscriber owns 70% equity interest in COMPLANT, which holds 300,000,000 Shares, representing 21.56% of the existing issued share capital of the Company, the Subscriber is a connected person of the Company. Accordingly the Subscription constitutes a connected transaction for the Company under the Listing Rules. The Subscription is therefore subject to Independent Shareholders' approval at general meeting requirements under the Listing Rules.

As at the date of the Subscription Agreement, COMPLANT, being a party acting in concert with the Subscriber, held 300,000,000 Shares, representing approximately 21.56% of the voting rights of the Company. As at the date hereof, COMPLANT also holds the COMPLANT Convertible Notes in the principal amount of HK$533,700,000 which can be converted into 889,500,000 Shares during its conversion period. Upon Completion, 800,000,000 Subscription Shares will be issued to the Subscriber. Thus the interest of the Subscriber and parties acting in concert with it, including COMPLANT, in the voting rights of the Company will be increased from approximately 21.56% to 50.20% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion) and 64.57% (assuming that the entire outstanding amount under the COMPLANT Convertible Notes are converted into Shares and no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion). Accordingly, the Subscriber would be obliged to make an unconditional mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it, unless the Whitewash Waiver is granted.

The EGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval on the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. The Subscriber and parties acting or presumed to be acting in concert with it, their respective associates and those involved or interested in the Subscription and the transactions contemplated thereunder and the Whitewash Waiver shall abstain from voting at the EGM in respect of the resolutions approving the Subscription and the transactions contemplated thereunder and the Whitewash Waiver.

The Independent Board Committee, comprising Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. We have been appointed as the Joint Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. In our capacity as the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules and the Takeovers Code, our role is to give you an independent opinion as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and as to voting.

## (II) BASIS OF OUR OPINION AND RECOMMENDATION

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

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

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Subscription Agreement, the transaction contemplated thereunder, and the Whitewash Waiver, to form our opinion and recommendation.

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

## (III) PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, we have considered the principal factors and reasons set out below:

### 1. Background of the Subscription

On 12 April 2012, the Subscriber entered into the Subscription Agreement with the Company, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 800,000,000 Subscription Shares at the price of HK$0.60 per Subscription Share in cash. The Subscription Shares represent approximately 57.51% of the issued share capital of the Company as at the date of the Subscription Agreement and, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion, approximately 36.51% of the issued share capital of the Company as enlarged by the Subscription.

### 2. Information of the Group

The Company is an investment holding company. The Group is principally engaged in sugar-related business, including provision of supporting services to sugar sweetener and ethanol business to African countries, trading of raw materials and goods related to the sugar business, management and technical staff related to the sugar business in African countries.

The following are financial information extracted from the annual reports of the Group:

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| | *(Audited)* | *(Audited)* | *(Audited)* |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | 195,052 | 205,767 | 154,317 |
| Profit/(Loss) from continuing operations | (4,869) | (28,699) | (77,333) |
| Profit/(Loss) for the year | (4,869) | 38,748 | (176,067) |

| | As at 31 December | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| | *(Audited)* | *(Audited)* | *(Audited)* |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Total assets | 1,213,686 | 1,101,291 | 1,217,815 |
| Total liabilities | 640,389 | 609,752 | 730,729 |
| Net assets | 573,297 | 491,539 | 487,086 |
| Bank balances and cash | 373,710 | 306,141 | 166,041 |

As shown in the table above, the Group has recorded net loss for the year ended 31 December 2009 and 2011 despite the fact that the Group has net profit for the year ended 31 December 2010. The net loss for the year ended 31 December 2011 was approximately HK$5.00 million (net profit in 2010: HK$38.70 million). The net loss for the year ended 31 December 2011 was mainly due to (i) the increase in administrative expense of approximately HK$5.00 million; (ii) the increase in finance cost as a result of the effective interest expense incurred from convertible notes of approximately HK$3.00 million; and (iii) the decrease in turnover as a result of the decrease in orders of general-purpose industrial and agricultural equipment and accessories, motor vehicles and steels. Although the Group has net profit for the year ended 31 December 2010, such net profit of approximately HK$38.70 million for the year ended 31 December 2010 was mainly attributable to the profit from discontinued operations of approximately HK$67.40 million, resulting from the net impact on the gain on disposal of leather operations of approximately HK$76.90 million and loss from manufacturing and trading of leather of approximately HK$9.45 million.

The fluctuation of the net profit of the Group from year 2009 to 2011 would have a negative impression to the financial institutions for debt financing purposes. As such, the Subscription, being the only available means for fund raising after considering other fund raising alternatives as stated under the section named "Fund raising alternatives available to the Group", is in the interests of the Group and the Independent Shareholders as a whole.

**3. Information of the Subscriber**

The Subscriber is a PRC state-owned corporation established in November 1959 and a wholly-owned subsidiary of a state-owned investment company, namely, the State Development & Investment Corp., with a strategic mission to be responsible for organizing, completing and implementing China-aided projects, engineering construction projects, establishment of plants, sugar cane cultivation, manufacture and development of sugar products and other sugar-related projects and building and constructions project, in foreign countries.

**4. Reasons for and benefits of the Subscription**

It is expected that a gross amount of HK$480.00 million will be raised from the Subscription. It is the intention of the Company to apply the net proceeds from the Subscription as follows: (i) a sum of approximately HK$50.00 million for funding part of capital contribution requirement into the existing ethanol biofuel business in Benin of the Company, details of which are contained in the circular of the Company dated 22 November 2010; (ii) a sum of approximately HK$390.00 million for acquiring assets relating to the Group's principal business (including but not limited to the Jamaica Sugar Industry Projects mentioned in the announcement of the Company dated 1 June 2011); and (iii) a sum of approximately HK$40.00 million as the Group's general working capital. All the above use of proceed is the basis for determining the amount to be raised from the Subscription.

***Progress of Existing Ethanol Biofuel Project in Benin***

Insofar as the project in Benin is concerned, the joint venture company, namely, Zheng Da Investments Limited, which is owned as to 65.00% by the Company, 10.00% by COMPLANT and 25.00% by a wholly-owned subsidiary of 中非發展基金有限公司 (China-Africa Development Fund), will set-up a project company in Benin to carry on the business of developing and producing renewable energy by utilising sugar cane and cassava as raw materials (the "Ethanol Biofuel Business") in Benin. Once the project company is set up, an addendum will be entered with the Government of Benin to assign the project company as the leasee for approximately 4,800 hectares of land at an annual rental of 11,875 FCFA (approximately HK$185) per hectare for the construction of ethanol production facilities. The construction of ethanol production facilities plans to start at the end of 2012.

***Proposed Acquisition of Jamaica Sugar Industry Projects***

*(a) Acquisition of the factory lands and its assets by COMPLANT*

On 15 August 2011, COMPLANT (as the purchaser) has completed the acquisition from the Government of Jamaica together with other statutory parties (as the sellers) of certain factory lands of an aggregate area of approximately 58.76 hectares and its assets. Cash of US$9.00 million (approximately HK$70.20 million) was paid for the factory lands and its assets, and a capital expenditure of US$126.80 million (approximately HK$989.04 million) was undertaken for the revival including the repair and replacement for old manufacturing facilities, and the working capital of the three sugar estates in Jamaica (comprising the Frome Estate in the parish of Westmoreland, Monymush Estate in the parish of Clarendon and Bernard Lodge Estate in the parish of Saint Catherine) (collectively, the "Sugar Estates").

*(b) The leased lands of COMPLANT*

COMPLANT also leased all pieces of the leased lands from the same parties with an aggregate area of approximately 32,571.51 hectares for a term of 50 years (with an option to renew for a further 25 years) commencing on 15 August 2011. The initial rent under the lease is US$35.00 per hectare per annum, subject to the increases with reference to the inflation rate in the United States of America. The leased lands will be used for sugar cane farming, cassava farming or any other sugar cane related business (such as sugar, molasses, ethanol and co-generation from sugar cane and related crops).

*(c) Progress of the Proposed Acquisition of Jamaica Sugar Industry Projects*

The negotiation between the Company and COMPLANT with respect to the Jamaica Sugar Industry Projects has been delayed as (i) the Company has to raise sufficient funding for the Jamaica Sugar Industry Projects; and (ii) COMPLANT has to obtain the consent from the relevant PRC government authority if it is to dispose of the Jamaica Sugar Industry Projects to the Company.

*(d) Intention of the Company on Jamaica Sugar Industry Projects*

Despite the aforesaid, the Company still intends to acquire from COMPLANT all or part of the Jamaica Sugar Industry Projects by acquiring shareholding interest in the investment holding company and the negotiation between the Company and COMPLANT with respect to the Company's proposed acquisition of the Jamaica Sugar Industry Projects is still under way though no memorandum of understanding, letter of intent, fixed terms, agreement whatsoever had been entered into between the parties up to and including the Latest Practicable Date. Upon signing of the Subscription Agreement, pursuant to which the Company's funding for the Jamaica Sugar Industry Projects are more forthcoming, the Company will proceed to further negotiate with COMPLANT with respect to the Jamaica Sugar Industry Projects on a more concrete basis by agreeing on a binding sale and purchase agreement containing all the key terms of the proposed acquisition such as the consideration, condition precedents and date of completion. The Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code if the acquisition of the Jamaica Sugar Industry Projects takes place.

As COMPLANT is currently the single largest shareholder of the Company and the Board has appointed two executive Directors out of three into the Board, the Company takes the view that both COMPLANT and it have an understanding with each other that the negotiation for the acquisition of the Jamaica Sugar Industry Projects would be reopened sometime after signing of the Subscription Agreement and the consent of the relevant PRC government authority has been obtained with respect to the sale of the Jamaica Sugar Industry Projects to the Company and the valuation of the Jamaica Sugar Industry Projects is available, though no written agreement or solid timetable between the parties in this respect had been entered into as at the Latest Practicable Date. Though there is not yet any progress for the Jamaica Sugar Industry Projects, the Directors take the view that the proposed acquisition of the Jamaica Sugar Industry Projects will proceed to the agreement stage only after the issues on funding and PRC government approval are resolved. Nevertheless, the Company may consider entering into a memorandum of understanding with COMPLANT with respect to the proposed acquisition of the Jamaica Sugar Industry Projects if it finds it necessary.

Despite the aforesaid, if the acquisition of the Jamaica Sugar Industry Projects cannot be proceeded finally, the Company will look for similar sugar cane farming and other sugar cane related business in African countries or South American countries. As such, the Subscription is in the interests of the Group and the Independent Shareholders as a whole as the fund to be raised from the Subscription will be available for any suitable potential investment when opportunity arises for the Company.

(e) *View from the Board on the Proposed Acquisition of Jamaica Sugar Industry Projects*

The Board considers that the Jamaica Sugar Industry Projects would allow the Group to expand its business into the Jamaican sugar industry, which in the Directors' opinion would be strategic beneficial to the Group by extending the width and depth of the existing business, taking into account the Group' current business of providing supporting services to sweetener and ethanol businesses in African and other countries. Included in the revival plans of the Sugar Estates is to build a modernized sugar refinery at one of the Sugar Estates to produce raw sugar and refined sugar. Besides, upon completion of the revival plans of the Sugar Estates, the Group may, subject to the results of the feasibility studies, initiate to build a dehydration factory at one of the Sugar Estates to produce fuel ethanol.

Having considered that (i) the Directors take the view that the proposed acquisition of the Jamaica Sugar Industry Projects will proceed to the agreement stage only after the issues on funding and PRC government approval are resolved, (ii) the high possibilities of recommencing the negotiation of the Jamaica Sugar Industry Projects as the Company has kept continuous communication with COMPLANT, (iii) the Company's intention to allocate approximately HK$390.00 million for acquiring assets relating to the Group's principal business in case the proposed acquisition does not take place; and (iv) the capital requirement for Project in Benin, we are of the view that the amount of proceeds is fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

In the event that the acquisition of the Jamaica Sugar Industry Projects cannot be proceeded finally, the Company will look for similar sugar cane farming and other sugar cane related business in African countries or South American countries. The fund to be raised from the Subscription will be available for any suitable potential investment when opportunity arises for the Company. As such, we are of the view that the amount of proceeds is fair and reasonable and in the interest of the Group and the Independent Shareholders as a whole even without the acquisition of the Jamaica Sugar Industry Projects.

**5. Basis of the Subscription Price**

The Subscription Price for the Subscription Shares is HK$0.60 per Subscription Share. The Subscription Price represents:

(i) The same as the closing price of HK$0.60 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) A premium of approximately 1.35% to the average closing price of HK$0.592 per Share on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;

(iii) The same as the average closing price of HK$0.60 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(iv) A discount of approximately 1.10% to the average closing price of HK$0.6067 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

(v) A premium of approximately 62.16% above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2011 of approximately HK$0.37 (based on a total of 1,391,180,000 Shares as at the Latest Practicable Date and the Group's unaudited net asset value attributable to the Shareholders of approximately HK$514,877,000 as at 30 June 2011);

(vi) A premium of approximately 45.63% over and above the Group's audited consolidated net asset value attributable to the Shareholders per Share as at 31 December 2011 of approximately HK$0.412 (based on a total of 1,391,180,000 Shares as at the Latest Practicable Date and the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$573,297,000 as at 31 December 2011); and

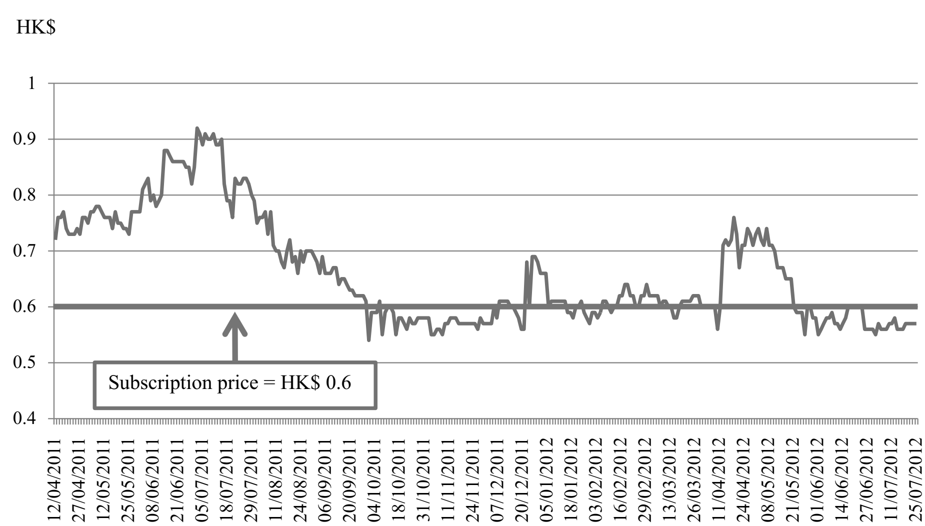
(vii) A premium of approximately 5.26% above the closing price of HK$0.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the Stock Exchange and the recent trading prices of the Shares as quoted on the Stock Exchange. The total consideration for the Subscription Shares in the sum of HK$480,000,000 will be financed by internal resources available to the Subscriber.

In assessing the reasonableness of the Subscription Price, we have reviewed the closing price level of the Shares traded on the Stock Exchange during the last twelve months preceding the date of the Subscription Agreement up to the Latest Practicable Date (the "Review Period").

During the Review Period, catastrophic events such as the European sovereign-debt crisis and the downgrade of the long term credit rating of the government of the United States of America by a major credit rating agency Standard & Poor's happened to give severe impacts to global stock markets, including the Hong Kong stock market. Under such a situation, overall financial market conditions had changed significantly with tighter credit conditions, drop in corporate earnings under weak business confidence as a result sluggish market sentiment and decline in equity markets. Some of these events have adverse impact on the operations of the Group. We therefore believe that it is appropriate to analyse the Subscription Price relative to the performance of the Shares during the Review Period.

### *(i) Review on Share prices performance*

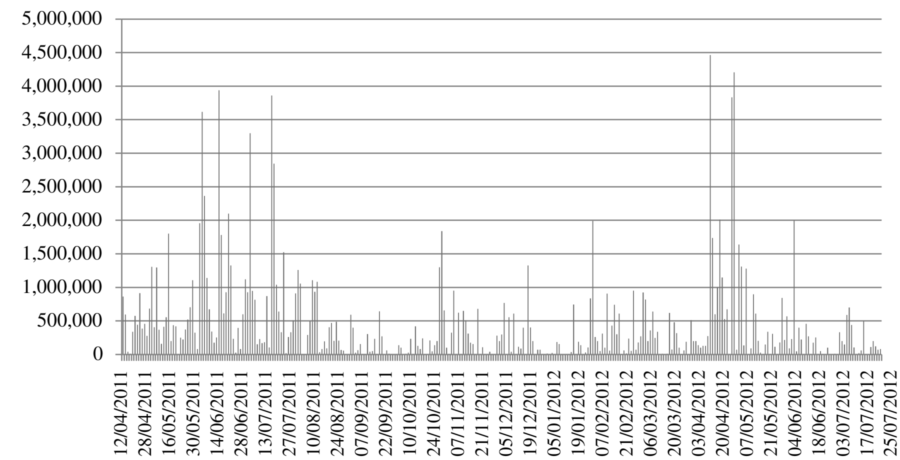


Source: Hong Kong Exchanges and Clearing Limited

During the Review Period, the Shares traded within the range of HK$0.92 per Share and HK$0.54 per Share as shown above. For the period from 12 May 2011 to 30 September 2011, the Shares price was generally declining. Since then, the daily closing price fluctuated in a low level till the end of the Review Period as compared to the period from 12 May 2011 to 30 September 2011 except the short-term share price increase due to the stimulation of the announcement of the Subscription. We noted the fluctuation in Share prices and the management has informed us that they are not aware of any possible reasons for such fluctuations. The Subscription Price represents a premium of approximately 5.26% above the closing price of the Shares of HK$0.57 as of the Latest Practicable Date.

***(ii) Review on trading liquidity of the Shares***

For the purpose of assessing the trading liquidity of the Shares, the following charts show the daily trading volume of the Shares during the Review Period:




Source: Hong Kong Exchanges and Clearing Limited

| Month | Highest daily turnover (in number of Shares) | Lowest daily turnover (in number of Shares) | Average daily turnover (in number of Shares) | Number of trading days with turnover lower than 1 million (in days) | Percentage of average daily turnover over total number of Shares in issue *(note1)* *(Approx.)* | Percentage of average daily turnover over total number of Shares held by the Independent Shareholders *(note 2)* *(Approx.)* |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| April | 914,000 | 10,000 | 464,667 | 12 | 0.0334% | 0.0426% |
| May | 1,800,000 | — | 547,300 | 16 | 0.0393% | 0.0502% |
| June | 3,940,000 | 26,000 | 1,170,762 | 12 | 0.0842% | 0.1073% |
| July | 3,862,000 | 20,000 | 952,100 | 15 | 0.0684% | 0.0873% |
| August | 1,258,000 | — | 396,870 | 19 | 0.0285% | 0.0364% |
| September | 644,000 | — | 120,100 | 20 | 0.0086% | 0.0110% |
| October | 1,838,000 | — | 286,900 | 18 | 0.0206% | 0.0263% |
| November | 950,000 | — | 227,636 | 22 | 0.0164% | 0.0209% |
| December | 1,328,000 | — | 247,800 | 19 | 0.0178% | 0.0227% |
| **2012** | | | | | | |
| January | 836,000 | — | 136,556 | 18 | 0.0098% | 0.0125% |
| February | 1,990,000 | — | 371,333 | 20 | 0.0267% | 0.0340% |
| March | 924,000 | — | 277,273 | 22 | 0.0199% | 0.0254% |
| April | 4,462,000 | — | 1,179,889 | 11 | 0.0848% | 0.1081% |
| May | 1,640,000 | — | 409,273 | 19 | 0.0294% | 0.0375% |
| June | 1,998,000 | — | 216,476 | 20 | 0.0156% | 0.0198% |
| July | 700,000 | — | 197,059 | 17 | 0.0142% | 0.0181% |

*(Source: Hong Kong Exchanges and Clearing Limited)*

*Notes:*

1. Based on the total number of issued Shares of 1,391,180,000 as at the Latest Practicable Date.

2. Based on the total number of Shares of 1,091,180,000 held by the Independent Shareholders as at the Latest Practicable Date.

During the Review Period, a trading volume of lower than 1 million shares was recorded 280 days on the Stock Exchange. As illustrated in the table above, the trading volume of the Shares during the Review Period has been thin. During the Review Period, the highest average daily trading volume was approximately 1,179,889 Shares, representing approximately 0.0848% of the total number of issued Shares and approximately 0.1081% of the total number of Shares held by the Independent Shareholders.

Immediately following the release of the announcement in April 2012, the trading volume suddenly surged to approximately 1.20 million Shares, possibly caused by the stimulation following the announcement of the Subscription. Thereafter, the trading volume of the Shares was gradually dropped to the normal trading volume of less than 0.5 million Shares per day during the Review Period. It is reasonable to infer that the sudden upsurge of market interest in the Shares is mainly attributable to the announcement and hence may not be sustainable in the long run.

Based on the above, we therefore consider the trading of the Shares was relatively thin and inactive during the Review Period.

***(iii) Comparison on basis with identifiable connected subscriptions***

We have compared the Subscription Price to the subscription prices of subscriptions for new shares involving companies listed on the Stock Exchange during the Review Period.

We have considered of selecting listed companies with similar business nature of the Company. However, no listed companies with similar business nature of the Company have carried out subscription of new shares during the Review Period. In order to obtain the market trend of the subscription prices for new shares during the Review Period, instead of selecting listed companies with similar business nature of the Company, our selection criteria is to select transactions involving the subscription of new shares by a connected person (as defined under the Listing Rules) within the Review Period. We have, to the best of our effort, knowledge and endeavour, selected and identified an exhaustive list of 8 transactions involving the subscription of new shares by a connected person (as defined under the Listing Rules) within the Review Period ("Connected Subscription Comparables") from the Stock Exchange websites to compare the premium or discount of their respective subscription price to (i) the last trading day ("LTD"); (ii) the 5-day average closing price prior to and including the LTD before the release of the respective announcement; and (iii) the 10-day average closing price prior to and including the LTD before the release of the respective announcement as shown in the following table.

| Date of announcement | Company Name | Stock Code | Subscription price *(HK$)* | Premium/ (discount) of the subscription price over/ (to) the closing price on the LTD *(%)* *(Approx.)* | Premium/ (discount) of the subscription price over/ (to) the 5-day average closing price prior to and including the LTD *(%)* *(Approx.)* | Premium/ (discount) of the subscription price over/ (to) the 10-day average closing price prior to and including the LTD *(%)* *(Approx.)* | Market capitalization *(HK$ million)* *(Approx.)* | Principal Business | Price/ Earnings ratio *(Approx.)* | Premium/ (discount) of subscription price over/ (to) NAV per share *(%)* *(Approx.)* | Dilution effect *(Note 1)* *(%)* *(Approx.)* | Change of shareholdings of the subscriber *(%)* *(Approx.)* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 19-Jan-12 | Bingo Group Holdings Limited | 8220 | 0.03 | (59.46) | (58.9) | (58.33) | 457 | Provision of property holding & management services, sales & trading of coal & palm oil & movie production, licensing & derivatives, crossover marketing, provision of interactive contents, artist development & last miles engagement. | N/A | 18 | 42.1 | 29.31 to 50.26 |
| 12-Jan-12 | Chun Wo Development Holdings Limited | 711 | 0.4 | 9.59 | 9.89 | 9.74 | 406 | Civil engineering; building construction; foundation; fitting out & interior design; electrical & mechanical engineering; trace-work engineering; maintenance engineering; property development; property management & security services. | N/A | (72) | 6.8 | 14.12 to 19.6 |
| 30-Dec-11 | Yueshou Environmental Holdings Limited | 1191 | 0.036 | (10) | (10.89) | (10.67) | 173 | Property development, provision of installation services, sales of chemical agents and petroleum chemical products, provision of technical services of environmental protection operations and forestry business. | N/A | (92) | 14.3 | 14.31 to 25.03 |
| 15-Sep-11 | Beijing Development (Hong Kong) Limited | 154 | 1.23 | 1.65 | (0.32) | (1.68) | 867 | Provide IT related services included system integration; construction of information networks and sale of related equipment; IT technical support and consultation services; develop and sale of software. | 15.8 | 16 | 24.1 | 42.87 to 53.95 |
| 8-Sep-11 | Siberian Mining Group Company Limited | 1142 | 0.04 | 37.9 | 22.7 | 31.6 | 141 | Coal mining; digital television broadcasting; and vertical farming. | N/A | (91) | 38.6 | 2.5 to 29.7 |
| 19-Aug-11 | Eternite International Company Limited | 8351 | 0.75 | (13.79) | (8.09) | (13.89) | 580 | Design and the trading of jeweller products; and retailing of jeweller products. | N/A | 170 | 19.3 | 50.04 to 52.96 |
| 12-Jul-11 | Global Digital Creations Holdings Limited | 8271 | 0.35 | (13.6) | (10.3) | (9.56) | 349 | Creation and production of computer graphic , production of films and television programme , training courses for computer graphic and cultural park. | 1.1 | (46) | 34.2 | 1.95 to 16.64 |
| 17-Jun-11 | Ko Yo Ecological Agrotech (Group) Limited | 827 | 0.174 | 4.2 | 1.2 | (1.7) | 892 | Research and development, manufacture, marketing and distribution of chemical products, chemical fertilizers and bulk blending fertilizers. | 7.3 | 1 | 4.9 | 11.12 to 15.3 |
| | | | median | (4.18) | (4.21) | (5.63) | 432 | | 7.3 | (22) | 22 | |
| | | | range | (59.46) to 37.9 | (58.9) to 22.7 | (58.33) to 31.6 | 141 to 892 | | 1.1 to 15.8 | (92) to 170 | 5 to 42 | |
| 12-Apr-12 | The Company | | 0.6 | 0 | 1.35 | 0 | 793 | Provision of facilities, raw materials and goods supply services; management and technical staff; related consulting services on construction; contract manufacturing services; to the sweetener and ethanol business. | N/A | 228 | 57.5 | 21.6 to 50.2 |

*(Source: Hong Kong Exchanges and Clearing Limited)*

*Note 1:* The number of new shares to be issued or subscribed as a percentage of the original number of shares outstanding.

As shown in the above table, the premium/discount of which the subscription price of the Connected Subscription Comparables represented over/to (i) the closing price immediately prior to announcement ranged from discount of approximately 59.46% to a premium of approximately 37.90% with an median of a discount of approximately 4.18%; (ii) the 5 days average closing price ranged from a discount of approximately 58.90% to a premium of approximately 22.70% with an median of a discount of approximately 4.21%; and (iii) the 10 days average closing price ranged from a discount of approximately 58.33% to a premium of approximately 31.60% with an median of a discount of approximately 5.63%.

***(iv) Comparison on basis with identifiable independent subscriptions***

In order to consider the market practice of the subscription price of new shares, we also consider the subscription of new shares by independent third parties ("Independent Subscription Comparables") instead of just Connected Subscription Comparables. We have, to the best of our effort, knowledge and endeavour, selected and identified an exhaustive list of 13 Independent Subscription Comparables within the Review Period from the Stock Exchange websites to compare the premium or discount of their respective subscription price to (i) the last trading day ("LTD"); (ii) the 5-day average closing price prior to and including the LTD before the release of the respective announcement; and (iii) the 10-day average closing price prior to and including the LTD before the release of the respective announcement as shown in the following table.

| Date of announcement | Company Name | Stock Code | Subscription price *(HK$)* | Premium/(discount) of the subscription price over/(to) the closing price on the LTD *(%)* *(Approx.)* | Premium/(discount) of the subscription price over/(to) the 5-day average closing price prior to and including the LTD *(%)* *(Approx.)* | Premium/(discount) of the subscription price over/(to) the 10-day average closing price prior to and including the LTD *(%)* *(Approx.)* | Market capitalization *(HK$ million)* *(Approx.)* | Principal Business | Price/Earnings ratio *(Approx.)* | Premium/(discount) of subscription price over/(to) NAV per share *(%)* *(Approx.)* | Dilution effect *(Note 1)* *(%)* *(Approx.)* | Change of shareholdings of the subscriber *(%)* *(Approx.)* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 14-Jun-12 | China Water Property Group Limited | 2349 | 0.6 | (13.04) | (13.79) | N/A | 1,574 | Property investment and development business and other property-related services in the PRC, and manufacture and sales of snack food. | 47.15 | (28) | 2.8 | 0.0 to 2.8 |
| 21-May-12 | Creative Energy Solutions Holdings Limited | 8109 | 2.8 | (7.09) | (7.09) | (7.09) | 504 | Provision of energy efficiency solutions and engineering consulting services. | 5.43 | 1487 | 4.2 | 0.0 to 4.0 |
| 23-Apr-12 | Dragonite International Limited | 329 | 0.138 | (9.8) | (0.72) | N/A | 125 | Production and sales of health care products, pharmaceutical products and RUYAN atomizing cigarettes. | N/A | 14 | 14.5 | 0.0 to 12.6 |
| 15-Feb-12 | Sateri Holdings Limited | 1768 | 2.64 | (7) | (5) | N/A | 5,913 | Manufacture and sales of cellulose products and viscose staple fibres. | 4.90 | (30) | 0.06 | 0.0 to 0.1 |
| 14-Feb-12 | China Grand Pharmaceutical and Healthcare Holdings Limited | 512 | 0.333 | (2.1) | (1.20) | N/A | 471 | Manufacture and sales of pharmaceutical, healthcare products and chemical products. | 8.68 | 2 | 2.1 | 0.0 to 2.1 |
| 27-Jan-12 | Hybrid Kinetic Group Limited | 1188 | 0.1 | 12.36 | 12.36 | 14.94 | 8,772 | Environmental products and related business; natural resources business; development and manufacturing of lithium-ion power battery; and development and manufacturing of hybrid vehicles. | N/A | 291 | 20.0 | 0.0 to 16.6 |

| Date of announcement | Company Name | Stock Code | Subscription price (HK$) | Premium/ (discount) of the subscription price over/ (to) the closing price on the LTD (%) (Approx.) | Premium/ (discount) of the subscription price over/ (to) the 5-day average closing price prior to and including the LTD (%) (Approx.) | Premium/ (discount) of the subscription price over/ (to) the 10-day average closing price prior to and including the LTD (%) (Approx.) | Market capitalization (HK$ million) (Approx.) | Principal Business | Price/ Earnings ratio (Approx.) | Premium/ (discount) of subscription price over/ (to) NAV per share (%) (Approx.) | Dilution effect (Note 1) (%) (Approx.) | Change of shareholdings of the subscriber (%) (Approx.) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 12-Jan-12 | Long Success International (Holdings) Limited | 8017 | 0.04 | 0 | (5.21) | (14.89) | 17 | Manufacturing and sales of paper products, money-lending business and biodegradable materials manufacturing. | N/A | (98) | 19.8 | 0.0 to 16.5 |
| 15-Dec-11 | China Financial International Investments Limited | 721 | 0.45 | (9.09) | (9.82) | N/A | 2,010 | An investment company mainly investing in a diversified portfolio of investments in listed and unlisted companies established and/or doing business in Hong Kong and the PRC. | 54.44 | 145 | 7.4 | 0.0 to 6.9 |
| 13-Dec-11 | Larry Jewelry International Company Limited | 8351 | 0.76 | (15.60) | (5.50) | (2.2) | 570 | Design and the trading of jewellery products; and retailing of jewellery products. | N/A | 300 | 3.7 | 1.2 to 4.8 |
| 26-May-11 | Flyke International Holdings Ltd | 1998 | 1.9 | 11.76 | 8.82 | 6.86 | 731 | Design, production and sales of sports shoes and also includes sportswear and sports accessories. | 2.81 | 55 | 3.0 | 0.0 to 2.9 |
| 19-May-11 | Willie International Holdings Limited | 273 | 0.2 | (10.71) | (11.43) | N/A | 75 | Property investment, investment in securities trading, money lending and investment holding. | N/A | (91) | 20.0 | 0.0 to 16.7 |
| 20-May-11 | China Financial International Investments Limited | 721 | 0.5 | (9.09) | (8.42) | N/A | 2,010 | An investment company mainly investing in a diversified portfolio of investments in listed and unlisted companies established and/or doing business in Hong Kong and the PRC. | 54.44 | 172 | 1.5 | 0.0 to 1.5 |
| 19-May-11 | China Water Affairs Group Limited | 855 | 3.4 | 17.65 | 17.48 | N/A | 2,715 | Provision of water supply and sewage treatment; development of properties for sale and investment in properties; construction of road and other municipal works; manufacture and sale of concrete products. | 8.61 | 52 | 17.0 | 0.0 to 14.5 |
| | | median | (7.09) | (5.21) | (2.20) | 731.34 | | | 8.65 | 52 | 4.2 | |
| | | range | (15.6) to 17.65 | (13.79) to 17.48 | (14.89) to 14.94 | 16.66 to 8,772.16 | | | 2.81 to 54.44 | (98) to 1,487 | 0.06 to 20 | |
| 12-Apr-12 | The Company | 0.6 | 0 | 1.35 | 0 | 793 | | Provision of facilities, raw materials and goods supply services; management and technical staff; related consulting services on construction; contract manufacturing services; to the sweetener and ethanol business. | N/A | 228 | 57.5 | 21.6 to 50.2 |

*(Source: Hong Kong Exchanges and Clearing Limited)*

*Note 1:* The number of new shares to be issued or subscribed as a percentage of the original number of shares outstanding.

As shown in the above table, the premium/discount of which the subscription price of the Independent Subscription Comparables represented over/to (i) the closing price immediately prior to announcement ranged from a discount of approximately 15.6% to a premium of approximately 17.65% with an median of a discount of approximately 7.09%; (ii) the 5 days average closing price ranged from a discount of approximately 13.79% to a premium of approximately 17.48% with an median of a discount of approximately 5.21%; and (iii) the 10 days average closing price ranged from a discount of approximately 14.89% to a premium of approximately 14.94% with an median of a discount of approximately 2.20%.

***(v) Our conclusion for the comparison with Connected Subscriptions Comparables and Independent Subscriptions Comparables***

We are of the view that the range of the premium/discount of the Connected Subscriptions Comparables and the Independent Subscriptions Comparables to the corresponding closing prices as of their last trading day merely provides an indication of the range of the subscription price accepted in the market during the Review Period for our reference. As the premium of the Subscription Price to the corresponding closing prices as of the Last Trading Day is above the median of the premium of the Connected Subscriptions Comparables and the Independent Subscriptions Comparables to the corresponding closing prices as of their last trading day, we are of the view that the Subscription Price is in line with the market trend during the Review Period.

Although the dilution effect on the shareholdings of the public shareholders as a result of the Subscription is higher than the dilution effect shown in the Connected Subscriptions Comparables and the Independent Subscriptions Comparables, we are of the view that the proceeds of the Subscription, which would be used for the development of the existing ethanol biofuel business in Benin of the Company and the proposed acquisition of Jamaica Sugar Industry Projects, would outweigh the dilution effect on the shareholdings of the public shareholders.

*(vi) Our views on the fairness and reasonableness of the Subscription Price*

We have noticed that (i) the Subscriber will have absolute control of the Company after the Subscription without paying a control premium; and (ii) market trend of the subscription price of new shares could not be obtained as no listed companies with similar business nature of the Company have carried out subscription of new shares during the Review Period. However, having considered that (i) the benefits of the Subscription as discussed in the section headed "Reasons for and benefits of the Subscription"; (ii) the Subscription Price represents a premium of approximately 5.26% above the closing price of the Shares of HK$0.57 as of the Latest Practicable Date; (iii) the low liquidity in the trading of the Shares under the Review Period which independent potential investors may not be interested in subscription as it would be relatively difficult in disposing the Shares; (iv) no immediate fund raising alternative available to the Group as concluded under the section named "Fund raising alternatives available to the Group"; and (v) the Subscription would provide additional working capital to the Group for its future investment, we are of the view that the Subscription Price is acceptable and is fair and reasonable so far as the Company and the Shareholders are concerned.

**6. Financial effects of the Subscription on the Group**

*(i) Cashflow*

According to the audited annual report of the Group for the year ended 31 December 2011, the Group had bank balances and cash of approximately HK$373.70 million and audited net assets of approximately HK$573.30 million. Upon Completion, the liquidity and cash position of the Group will be improved as the Subscription will facilitate the Company to raise net proceeds of approximately HK$480.00 million. Accordingly, we are of the view that the cash position and the net current assets of the Company are expected to improve upon Completion.

*(ii) Earnings*

Save for the expenses relating to the Subscription, we are of the view that the Completion will not have any immediate material impact on the earnings of the Group. Nevertheless, earnings per share will be diluted as a result of the Share Subscription.

*(iii) Net assets value*

According to the audited annual report for the year ended 31 December 2011, the net asset value was approximately HK$573.30 million. Upon Completion, the net asset value will be improved as the Subscription would increase the total assets and share capital of the Company.

***(iv) NAV per share***

The amount of gross proceeds of approximately HK$480.00 million is expected to be received by the Company upon Completion. As a result, bank balances and cash, total assets and net assets are expected to increase by approximately HK$480.00 million. Upon the issuance of 800.00 million of Subscription Shares, the NAV per Share is expected to increase from approximately HK$0.412 to approximately HK$0.481.

***(v) Gearing ratio***

According to the audited annual report of the Group for the year ended 31 December 2011, the gearing of the Group was approximately 112%. Upon Completion, the total assets of the Group would be increased as a result of the Subscription whilst the total liabilities of the Group would remain the same, resulting in a drop of gearing ratio of the Group subject to all other things remaining unchanged. Thus, we are of the view that the gearing level of the Group will be improved upon Completion.

It is reasonable to conclude that the financial effect upon Completion should be an improvement in cashflow, net assets value and gearing ratio but no immediate effect on earnings. We are of the view that the Subscription is fair and reasonable and in the interests of the Independent Shareholders and the Company as a whole.

### 7. Effects on shareholding of existing Shareholders

Upon Completion, 800.00 million Subscription Shares will be issued. The Subscription Shares represent approximately 57.51% of the existing issued share capital and approximately 36.51% of the enlarged share capital of the Company. Set out below the table showing the shareholding of the Company as at the Latest Practicable Date and immediately after issuance of the Subscription Shares

| | immediately before completion of the Subscription | | Immediately after completion of the Subscription assuming COMPLANT has not exercised the conversion rights under the COMPLANT Convertible Notes | | Immediately after completion of the Subscription assuming COMPLANT having exercised the conversion rights under the COMPLANT Convertible Notes | |
|---|---|---|---|---|---|---|
| | **Shares** | *% (Approx.)* | **Shares** | *% (Approx.)* | **Shares** | *% (Approx.)* |
| The Subscriber | — | — | 800,000,000 | 36.51 | 800,000,000 | 25.96 |
| COMPLANT | 300,000,000 | 21.56 | 300,000,000 | 13.69 | 1,189,500,000 | 38.61 |
| Subtotal of the Subscriber and parties acting in concert with it | 300,000,000 | 21.56 | 1,100,000,000 | 50.20 | 1,989,500,000 | 64.57 |
| China-Africa Xin Xing Investment Limited *(Note 1)* | 90,000,000 | 6.46 | 90,000,000 | 4.10 | 90,000,000 | 2.92 |
| HU Yebi *(Note 2)* | 215,943,083 | 15.52 | 215,943,083 | 9.85 | 215,943,083 | 7.00 |
| Public Shareholders | 785,236,917 | 56.45 | 785,236,917 | 35.84 | 785,056,917 | 25.49 |
| **Total** | **1,391,180,000** | **100** | **2,191,180,000** | **100** | **3,080,680,000** | **100** |

*Notes:*

1. China Development Bank Corporation (國家開發銀行股份有限公司) which is under the direct jurisdiction of the State Council of the PRC holds 100% of 國開金融有限責任公司(China Development Bank Capital Corporation Ltd.) which holds 100% of 中非發展基金有限公司(China-Africa Development Fund) which in turn holds 100% in China-Africa Xin Xing Investment Limited. Besides these 90,000,000 Shares, China- Africa Xin Xing Investment Limited also holds convertible notes of principal amount of HK$24,000,000 which can be converted into 40,000,000 Shares and there is no conversion of such convertible notes as at the Latest Practicable Date; and

2. Mr. HU Yebi and his spouse, Ms. LI Ling Xiu are deemed (by virtue of the Securities and Futures Ordinance) to be interested in 340,943,083 Shares, among these 340,943,083 Shares, as to 3,448,000 Shares held by Ms. LI Ling Xiu and as to 212,495,083 Shares and also as to 125,000,000 Shares convertible from convertible notes of principal amount of HK$75,000,000 held by Hollyview International Limited, a company beneficially owned by Mr. HU Yebi and there is no conversion of such convertible notes as at the Latest Practicable Date.

As shown above, the percentage shareholding interests of existing public Shareholders will be diluted from approximately 56.45% as at the Latest Practicable Date to approximately 35.84% upon issuance of the Subscription Shares. Taking into consideration that the Subscription (i) will improve the financial position of the Company; (ii) will reduce the percentage level of indebtedness of the Group, and (iii) the possible enhancement of NAV per share, we are of the view that despite there is an effect of dilution in terms of percentage of shareholdings to the Independent Shareholders, the extent of such dilution is acceptable so far as the Independent Shareholders are concerned due to the increased of funding available for the potential investment of the Group.

**8. Intention of the Subscriber regarding the Group**

Upon Completion, the Subscriber will become the controlling shareholder of the Company under the Listing Rules. The Subscriber intends to continue the principal businesses of the Group after Completion and will maintain the listing status of the Company on the Stock Exchange following Completion. Meanwhile, the Subscriber will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, the Subscriber may consider expanding the business of the Group with the objectives to broaden its income source and to achieve accretion in the return to the Shareholders. However, none of the Subscriber and its subsidiaries had entered into any agreement or fixed any terms with the Group as at the Latest Practicable Date in relation to any possible expansion of the Group's businesses. The Subscriber has no intention to re-deploy the employees or the fixed assets of the Group after Completion other than in its ordinary and usual course of business. The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code in the event any possible expansion of the Group's business operations materializes after Completion.

**9. Fund raising alternatives available to the Group**

Apart from the Subscription, the Board has considered various other means of fund raising, including debt financing, placement of new Shares to independent investors and rights issue (or open offer) as described below:

***i. Debt financing***

Taking into account the current trading and business operations of the Group, which recorded loss for the period of approximately HK$4.87 million for the year ended 31 December 2011, it will be not practicable for the Group to arrange for any bank loans from local banks with terms and amounts which are commercially acceptable to the Group without any guaranties or pledges. In addition, even if the additional bank loans were made available, additional finance charges would be incurred, particularly under the situation where there is an increase in the interest rates during the tenure of the bank loans. The Company had discussion with a financial institution in Hong Kong in November 2011 on debt financing for business expansion, the preliminary response was not satisfactory, both in terms of possible loan amount and interest rate.

*ii.* ***Placement of new Shares in Hong Kong to independent investors***

Regarding the viability of other means of equity financing, although the Company has not formally discussed with any placing agent, the Directors advised that, given the trading volume of the Shares has been relatively low, the Company would encounter difficulties in finding a commercial placing agent in Hong Kong for a placement of new Shares with acceptable placing fee and on fully underwritten basis.

*iii.* ***Rights issue or open offer***

The Directors note that a rights issue or an open offer of the Company will give an opportunity to all Shareholders to participate in the subscription for new Shares to be issued by the Company. Pursuant to Chapter 7 of the Listing Rules, a rights issue or an open offer of a listed issuer on the Stock Exchange may not require underwriting. However, the Directors consider that, in the absence of an underwriter, the Company would have difficulties to complete a rights issue or an open offer, given that certain public Shareholders may not be interested to participate in a rights issue or an open offer, taking into account the trading volume of the Shares has been relatively low. On the other hand, although the Company has not formally discussed with any independent underwriter, the Directors advised that, due to the loss position of the Company and the low trading volume of the Shares, the Company would encounter difficulties in finding an independent underwriter in Hong Kong which is interested to underwrite a rights issue or open offer of the Company with reasonable underwriting fee and subscription price which is of reasonable discount to the recent closing price of the Shares. The Company has not invited the Subscriber to be the underwriter to underwrite a rights issue or an open offer for reason that in order to be the underwriter of the fund raising exercise in Hong Kong, the Subscriber will be subject to stringent approval of the relevant PRC government department, which will substantially delay the timetable of the rights issue or open offer of the Company. As such, the Directors are of the view that rights issue or open offer may not be the appropriate mean for its fund raising exercise.

Based on the above, we are of the view the Subscription is the only available option for the Company to raise fund to finance the projects stated in the paragraph named as "Reasons for and benefits of the Subscription" above.

## (IV) WHITEWASH WAIVER

Immediately following the allotment and issue of the Subscription Shares to the Subscriber, and assuming that there is no further issue of Shares prior to the Completion of the Share Subscription, the interest of the Subscriber and parties acting in concert with it in the Company will increase from approximately 21.56% to 50.20% of the issued ordinary share capital of the Company immediately upon Completion, assuming COMPLANT has not exercised the conversion rights under the COMPLANT Convertible Notes. The Subscriber and parties acting in concert with it are therefore obliged under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the issued share of the Company that are not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it as a result of Completion. An application has been made to the Executive to grant the Subscriber and parties acting in concert with it the Whitewash Waiver, which, if granted, will be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of a poll. The Subscriber and parties acting in concert with it and their respective associates and those who are interested in or involved in the Subscription and the Whitewash Waiver, will be abstained from voting on the resolution approving the Subscription and the Whitewash Waiver at the EGM.

Pursuant to the Subscription Agreement, the Subscription is conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription will not proceed and no general offer obligation will be triggered. In the event that the Subscription does not proceed, the Group and the Shareholders will not be able to enjoy the benefits that would arise from the Subscription and the supply of working capital.

## (V) CONCLUSION

Having taken into consideration of the following principal factors and reasons regarding the Subscription, in particular that:

(i) It is not practicable to the Group in obtaining other means of financing due to the current trading environment and the low trading volume of the Shares as discussed under the section named “Fund raising alternatives available to the Group”;

(ii) The Subscription would enable the Group to have sufficient funding for the development of the projects as discussed under the section named “Reasons for and benefits of the Subscription”;

(iii) The overall positive effect on the financial position of the Group in terms of cashflow, net asset value and gearing outweighs the dilution effect of the shareholding interest of the existing Shareholders upon Completion; and

(iv) The Subscription Price is acceptable and is fair and reasonable so far as the Company and the Shareholders are concerned as discussed in the section named “Our views on the fairness and reasonableness of the Subscription Price”.

We are of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

| | |
|---|---|
| Yours faithfully, | Yours faithfully, |
| **Nuada Limited** | **Donvex Capital Limited** |
| **Kevin Chan** | **Doris Sy** |
| *Director* | *Director* |

## 1. FINANCIAL SUMMARY

The following information is extracted from the audited consolidated financial statements of the Group for the three years ended 31 December 2009, 2010 and 2011:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **CONTINUING OPERATIONS** | | | |
| Turnover | 195,052 | 205,767 | 154,317 |
| Cost of sales | (103,294) | (120,930) | (67,005) |
| Gross profit | 91,758 | 84,837 | 87,312 |
| Other operating income | 448 | 409 | 218 |
| Distribution costs | — | (21) | (15) |
| Administrative expenses | (31,415) | (26,283) | (18,827) |
| Other expenses | (21,150) | (46,150) | (112,882) |
| Profit (loss) from operations | 39,641 | 12,792 | (44,194) |
| Finance costs | (44,510) | (28,699) | (33,139) |
| Loss before tax | (4,869) | (28,699) | (77,333) |
| Income tax expense | — | — | — |
| Loss for the year from continuing operations | (4,869) | (28,699) | (77,333) |
| **Discontinued operations** | | | |
| Profit (loss) for the year from discontinued operations | — | 67,447 | (98,734) |
| **(Loss) profit for the year** | (4,869) | 38,748 | (176,067) |
| (Loss) profit attributable to : | | | |
| Owners of the Company | (4,875) | 37,851 | (179,113) |
| Non-controlling interests | 6 | 897 | 3,046 |
| | (4,869) | 38,748 | (176,067) |
| **(Loss) earnings per share** | | | |
| From continuing and discontinued operations | | | |
| – Basic (cents per share) | (0.37) | 3.03 | (15.82) |
| – Diluted (cents per share) | (0.37) | 2.93 | (15.82) |
| From continuing operations | | | |
| – Basic and Diluted (cents per share) | (0.37) | (2.30) | (6.83) |

**Assets and Liabilities**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Total Assets | 1,213,686 | 1,101,291 | 1,217,815 |
| Total Liabilities | 640,389 | 609,752 | 730,729 |
| Net Assets | 573,297 | 491,539 | 487,086 |
| Equity attributable to owners of the Company | 573,291 | 491,539 | 487,086 |
| Non-controlling interests | 6 | — | — |
| Total Equity | 573,297 | 491,539 | 487,086 |

*Notes:*

1. The audited consolidated financial statements of the Group for the three years ended 31 December 2009, 2010 and 2011 were audited by HLM & Co., Certified Public Accountants. No qualified opinion had been issued by HLM & Co. in respect of the aforementioned audited consolidated financial statements of the Group.

2. There were no extraordinary or exceptional items due to size, nature or incidence.

3. No dividend was paid or proposed by the Company during each of the three years ended 31 December 2011, 2010 and 2009, nor has any dividend been proposed by the Company since 31 December 2011.

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

The following information is extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2011:

**Consolidated Statement of Comprehensive Income**
*For the year ended 31st December 2011*

| | | 2011 | 2010 |
|---|---|---|---|
| | *Notes* | *HK$'000* | *HK$'000* |
| **Continuing operations** | | | |
| Turnover | *7* | 195,052 | 205,767 |
| Cost of sales | | (103,294) | (120,930) |
| Gross profit | | 91,758 | 84,837 |
| Other operating income | | 448 | 409 |
| Distribution costs | | – | (21) |
| Administrative expenses | | (31,415) | (26,283) |
| Other expenses | *8* | (21,150) | (46,150) |
| Profit from operations | | 39,641 | 12,792 |
| Finance costs | *9* | (44,510) | (41,491) |
| Loss before tax | | (4,869) | (28,699) |
| Income tax expense | *13* | – | – |
| Loss for the year from continuing operations | *10* | (4,869) | (28,699) |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | *14* | – | 67,447 |
| **(Loss) profit for the year** | | (4,869) | 38,748 |
| **Other comprehensive expense** | | | |
| Translation reserve released upon disposal of subsidiaries | | – | (33,398) |
| **Total comprehensive (expense) income for the year** | | (4,869) | 5,350 |
| (Loss) profit attributable to: | | | |
| Owners of the Company | | (4,875) | 37,851 |
| Non-controlling interests | | 6 | 897 |
| | | (4,869) | 38,748 |

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| Total comprehensive (expense) income attributable to: | | | |
| Owners of the Company | | (4,875) | 4,453 |
| Non-controlling interests | | 6 | 897 |
| | | (4,869) | 5,350 |
| **Dividend** | *15* | – | – |
| **(Loss) earnings per share** | *16* | | |
| From continuing and discontinued operations | | | |
| – Basic (cents per share) | | (0.37) | 3.03 |
| – Diluted (cents per share) | | (0.37) | 2.93 |
| From continuing operations | | | |
| – Basic and Diluted (cents per share) | | (0.37) | (2.30) |

**Consolidated Statement of Financial Position**
*At 31st December 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 17 | 195 | 297 |
| Goodwill | 18 | 226,511 | 226,511 |
| Intangible asset | 19 | 363,075 | 384,225 |
| | | 589,781 | 611,033 |
| Current assets | | | |
| Trade and other receivables | 20 | 250,195 | 184,117 |
| Bank balances and cash | 21 | 373,710 | 306,141 |
| | | 623,905 | 490,258 |
| Current liability | | | |
| Trade and other payables | 22 | 103,125 | 108,371 |
| Net current assets | | 520,780 | 381,887 |
| Total assets less current liability | | 1,110,561 | 992,920 |
| Non-current liability | | | |
| Convertible notes | 23 | 537,264 | 501,381 |
| Net assets | | 573,297 | 491,539 |
| Capital and reserves | | | |
| Share capital | 25 | 139,118 | 124,868 |
| Reserves | | 434,173 | 366,671 |
| Equity attributable to owners of the Company | | 573,291 | 491,539 |
| Non-controlling interests | 26 | 6 | – |
| Total equity | | 573,297 | 491,539 |

## Consolidated Statement of Changes in Equity

*For the year ended 31st December 2011*

| | Share capital | Share premium | Warrant reserve | Convertible notes equity reserve | Translation reserve | Goodwill reserve | Special reserve | PRC statutory reserves | Accumulated losses | Attributable to owners of the Company | Non-controlling 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 2010 | 124,868 | 232,604 | 4,942 | 230,845 | 33,398 | (24,509) | 238,966 | 21,910 | (375,938) | 487,086 | – | 487,086 |
| Profit for the year | – | – | – | – | – | – | – | – | 37,851 | 37,851 | 897 | 38,748 |
| Other comprehensive expense | | | | | | | | | | | | |
| Reserves released upon disposal of subsidiaries | – | – | – | – | (33,398) | – | – | – | – | (33,398) | – | (33,398) |
| Total comprehensive (expense) income for the year | – | – | – | – | (33,398) | – | – | – | 37,851 | 4,453 | 897 | 5,350 |
| Disposal of subsidiaries | – | – | – | – | – | 24,509 | (238,966) | (21,910) | 236,367 | – | – | – |
| Pre-determined distribution | – | – | – | – | – | – | – | – | – | – | (897) | (897) |
| At 31st December 2010 and 1st January 2011 | 124,868 | 232,604 | 4,942 | 230,845 | – | – | – | – | (101,720) | 491,539 | – | 491,539 |
| Loss for the year | – | – | – | – | – | – | – | – | (4,875) | (4,875) | 6 | (4,869) |
| Other comprehensive expense | – | – | – | – | – | – | – | – | – | – | – | – |
| Total comprehensive (expense) income for the year | – | – | – | – | – | – | – | – | (4,875) | (4,875) | 6 | (4,869) |
| Issue of shares on exercise of convertible notes *(note 23)* | 5,250 | 30,788 | – | (11,048) | – | – | – | – | – | 24,990 | – | 24,990 |
| Transfer on lapse of warrants *(note 24(a))* | – | – | (4,942) | – | – | – | – | – | 4,942 | – | – | – |
| Recognition of the equity component of convertible notes *(note 23)* | – | – | – | 7,637 | – | – | – | – | – | 7,637 | – | 7,637 |
| Issue of new shares | 9,000 | 45,000 | – | – | – | – | – | – | – | 54,000 | – | 54,000 |
| At 31st December 2011 | 139,118 | 308,392 | – | 227,434 | – | – | – | – | (101,653) | 573,291 | 6 | 573,297 |

**Consolidated Statement of Cash Flows**
*For the year ended 31st December 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| (Loss) profit for the year | | (4,869) | 38,748 |
| Adjustments for: | | | |
| Income tax expense | | – | 9 |
| Impairment loss recognised in respect of trade and other receivables | | – | 25,000 |
| Depreciation and amortisation of property, plant and equipment | | 148 | 5,320 |
| Amortisation of intangible asset | | 21,150 | 21,150 |
| Amortisation of prepaid lease payments on land use rights | | – | 190 |
| Gain on disposal of subsidiaries | | – | (76,897) |
| Interest income | | (448) | (392) |
| Interest expense | | 44,510 | 42,095 |
| Operating cash flows before movements in working capital | | 60,491 | 55,223 |
| Decrease in inventories | | – | 8,480 |
| Increase in trade and other receivables | | (66,077) | (13,713) |
| Decrease in trade and other payables | | (5,247) | (9,121) |
| NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES | | (10,833) | 40,869 |
| INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | | (46) | (289) |
| Net cash inflow from disposal of subsidiaries | *14c* | – | 94,313 |
| Interest received | | 448 | 392 |
| NET CASH GENERATED FROM INVESTING ACTIVITIES | | 402 | 94,416 |

| | Notes | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|
| FINANCING ACTIVITIES | | | |
| Proceeds from issue of subscription shares | | 54,000 | – |
| Proceeds from issue of convertible notes | | 24,000 | – |
| Dividends paid to minority shareholders of subsidiaries | | – | (897) |
| Interest paid | | – | (604) |
| Increase of loan from a director | | – | 172 |
| NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES | | 78,000 | (1,329) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 67,569 | 133,956 |
| CASH AND CASH EQUIVALENTS AT 1ST JANUARY | | 306,141 | 172,185 |
| CASH AND CASH EQUIVALENTS AT 31ST DECEMBER | | 373,710 | 306,141 |
| CASH AND CASH EQUIVALENTS REPRESENT | | | |
| Bank balances and cash | | 373,710 | 306,141 |

## Notes to the Consolidated Financial Statements

*For the year ended 31st December 2011*

### 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 its principal place of business in Hong Kong is at Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong.

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

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

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSS")

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January 2011.

| | |
|---|---|
| Amendments to HKFRSs | Improvements to HKFRSs issued in 2010 |
| Amendments to HKFRS 1 | Limited exemption from comparative HKFRS 7 disclosures for first-time adopters |
| HKAS 24 (as revised in 2009) | Related party disclosures |
| Amendments to HKAS 32 | Classification of rights issues |
| Amendments to HK(IFRIC) – INT 14 | Prepayments of a minimum funding requirement |
| HK(IFRIC) – INT 19 | Extinguishing financial liabilities with equity instruments |

The application of the new and revised HKFRSs in the current year has no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSS")** *(Continued)*

**New and revised HKFRSs in issue but not yet effective**

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

| | |
|---|---|
| Amendments to HKFRS 1 | Severe hyperinflation and removal of fixed dates for first-time adopters[1] |
| Amendments to HKFRS 7 | Disclosures – Transfers of financial assets[1] |
| Amendments to HKFRS 7 | Disclosures – Offsetting financial assets and financial liabilities[4] |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory effective date of HKFRS 9 and transition disclosures[6] |
| HKFRS 9 | Financial instruments[6] |
| HKFRS 10 | Consolidated financial statements[4] |
| HKFRS 11 | Joint arrangements[4] |
| HKFRS 12 | Disclosures of interests in other entities[4] |
| HKFRS 13 | Fair value measurement[4] |
| Amendments to HKAS 1 | Presentation of items of other comprehensive income[3] |
| Amendments to HKAS 12 | Deferred tax: Recovery of underlying assets[2] |
| HKAS 19 (as revised in 2011) | Employee benefits[4] |
| HKAS 27 (as revised in 2011) | Separate financial statements[4] |
| HKAS 28 (as revised in 2011) | Investments in associates and joint ventures[4] |
| Amendments to HKAS 32 | Offsetting financial assets and financial liabilities[5] |
| HK(IFRIC) – INT 20 | Stripping costs in the production phase of a surface mine[4] |

1 Effective for annual periods beginning on or after 1st July 2011
2 Effective for annual periods beginning on or after 1st January 2012
3 Effective for annual periods beginning on or after 1st July 2012
4 Effective for annual periods beginning on or after 1st January 2013
5 Effective for annual periods beginning on or after 1st January 2014
6 Effective for annual periods beginning on or after 1st January 2015

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. The amendments made in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 is not likely to have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs") *(Continued)*

**New and revised HKFRSs in issue but not yet effective** *(Continued)*

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

**Basis of consolidation**

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

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

***Allocation of total comprehensive income to non-controlling interests***

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Basis of consolidation** *(Continued)*

***Changes in the Group's ownership interests in existing subsidiaries*** *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets.

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangement are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Business combinations** *(Continued)*

When the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Change in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

**Discontinued Operations**

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale has been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a major line of business or geographical area of operation. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is presented as if the operation had been discontinued from the start of the comparative period.

**Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**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.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Foreign currencies** *(Continued)*

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Related parties**

(i) A person, or a close member of that person's family, is related to the group if that person:

(1) has control or joint control over the group;

(2) has significant influence over the group; or

(3) is a member of the key management personnel of the group or the group's parent.

(ii) An entity is related to the group if any of the following conditions applies:

(1) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(6) The entity is controlled or jointly controlled by a person identified in (i) above.

(7) A person identified in (i)(1) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**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.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Share-based payment transactions**

***Share options granted to employees in an equity-settled share-based payment transaction***

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revised its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to a share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

**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 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 items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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 difference associated with investments in subsidiaries and associates, and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Taxation** *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**Property, plant and equipment**

Property, plant and equipment including furniture and equipment held for use in the supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost or fair value at the date of revaluation, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is charged so as to write off the cost of other items of property, plant and equipment over their estimated useful life, using the straight line method, at the following rates per annum:

| | |
|---|---|
| Furniture and equipment | 20%-25% |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

**Intangible assets**

Intangible assets acquired in a business combination consist of customer relationship and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost), which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are amortised on the basis of their expected useful life.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Intangible assets** *(Continued)*

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

**Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Provisions** *(Continued)*

When some or all of the economic benefits required to settle a provision are expected to be receovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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.

***(1) Financial assets***

The Group's financial assets include loans and receivables.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables 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).

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Financial instruments** *(Continued)*

***(1) Financial assets*** *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as 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 assets, such as trade receivables, assets that are assessed not to be impaired individually, in addition, 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses 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.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Financial instruments** *(Continued)*

***(2) 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. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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 (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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including bank and other borrowings, trade payables and others) are subsequently measured at amortised cost, using the effective interest method.

***(3) Convertible notes***

Convertible notes issued by the Company 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 an equity instrument.

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

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Financial instruments** *(Continued)*

***(3) Convertible notes*** *(Continued)*

At the end of the reporting period, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option classified as equity will remain in the convertible notes equity reserve until the conversion option is exercised, in which case, the balance stated in the convertible notes equity reserve will be transferred to share premium. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible notes equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the convertible 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 recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the life of the convertible notes using the effective interest method.

***(4) Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Cash and cash equivalents**

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

***(a) Depreciation***

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account of their estimated residual values, using the straight line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

***(b) 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.

***(c) Impairment of goodwill***

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

***(d) Impairment of intangible assets***

The management of the Group reviews its intangible assets at the end of each reporting period for any indication that the intangible assets may be impaired if its carrying amount may be in excess of the greater of its net selling price and its value in use. The value in use means the discontinued present value of the future cash flows expected to arise from the continuing use of the intangible assets and from its disposal at the end of its useful life.

## 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.

During the year ended 31st December 2011, the Group's strategy remained unchanged. The Group monitors capital risk on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The Management considers the gearing ratio at the end of each reporting period to be as follows:

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Total borrowings | 537,264 | 501,381 |
| Total equity | 573,297 | 491,539 |
| Total debt to total equity ratio | 93.72% | 102.00% |

The decrease in gearing ratio during the year was mainly due to decrease in convertible notes as result of the conversion of convertible notes of principal amount of HK$31.5 million into 52,500,000 ordinary shares during the year and the issue of 90,000,000 subscription shares at HK$0.6 each.

## 6. FINANCIAL INSTRUMENTS

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

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Financial assets** | | |
| Trade and other receivables | 250,195 | 184,117 |
| Bank balances and cash | 373,710 | 306,141 |
| | 623,905 | 490,258 |
| **Financial liabilities** | | |
| Trade and other payables | 103,125 | 108,371 |
| Convertible notes | 537,264 | 501,381 |
| | 640,389 | 609,752 |

6. **FINANCIAL INSTRUMENTS** *(Continued)*

6b. **Financial Risk Management Objectives and Policies**

The Group's major financial instruments include trade and other receivables, bank balances, trade and other payables and 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 is managed by customer/counterparty, by geographical region and by industry sector. Credit risk arising therefore is 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. The Group has concentration of credit risk on certain individual customers. In order to minimise the credit risk, the management of the Group has procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

***Liquidity risk***

With regard to 2011 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.

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### 6b. Financial Risk Management Objectives and Policies *(Continued)*

***Liquidity risk*** *(Continued)*

The maturity profile of the Group's financial liabilities as at 31st December 2011 and 2010 are as follows:

| | Weighted average effective interest rate | Less than 1 year | 1-2 years | 2-5 years | More than 5 years | Carrying amount at 31.12.2011 |
|---|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 2011 | | | | | | |
| Trade and other payables | N/A | 103,125 | – | – | – | 103,125 |
| Convertible notes | 8.6% | – | – | 537,264 | – | 537,264 |
| | | 103,125 | – | 537,264 | – | 640,389 |

| | Weighted average effective interest rate | Less than 1 year | 1-2 years | 2-5 years | More than 5 years | Carrying amount at 31.12.2010 |
|---|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 2010 | | | | | | |
| Trade and other payables | N/A | 108,371 | – | – | – | 108,371 |
| Convertible notes | 8.6% | – | – | 501,381 | – | 501,381 |
| | | 108,371 | – | 501,381 | – | 609,752 |

***Interest rate risk***

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

Sensitivity analysis

As at 31st December 2011 and 2010, if interest rate on borrowing has been 5% higher/lower with all other variable held constant, loss for the current year and loss for the prior year would decrease/increase by approximately HK$2,226,000 (2010:decrease/increase by approximately HK$2,105,000).

**6. FINANCIAL INSTRUMENTS** *(Continued)*

**6b. Financial Risk Management Objectives and Policies** *(Continued)*

***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 US$ in current year. Since HK$ is pegged to US$, the Group does not expect any significant movements in US$/HK$ exchange rate. The exposure to fluctuations in exchange rate of HK$ is considered to be insignificant.

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Financial assets denominated in foreign currencies | 406,516 | 324,178 |
| Financial liabilities denominated in foreign currencies | 84,346 | 91,913 |
| The financial assets were denominated in the following foreign currencies: | | |
| US$ | 406,516 | 324,178 |
| The financial liabilities were denominated in the following foreign currencies: | | |
| US$ | 84,346 | 91,913 |

Sensitivity analysis

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ exchange rate, with other variable held constant, of the Group net loss for current year and prior year (due to the change in fair value of the monetary assets and liability).

| | **Increase/ decrease in foreign currency rate** | **Effect on loss before taxation** | |
|---|---|---|---|
| | | **2011** | **2010** |
| | | *HK$'000* | *HK$'000* |
| US$ | 5% | 16,109 | 11,613 |
| | -5% | (16,109) | (11,613) |

**6. FINANCIAL INSTRUMENTS** *(Continued)*

**6c. Fair Value**

***(i) Financial instruments carried at fair value***

The carrying value of financial instruments measured at fair value at 31st December 2011 and 2010 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair vales measured using quoted price (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31st December 2011 and 2010, the Group had no financial instruments carried at fair value all of which are based on the Level 1 for the fair value hierarchy.

During the year ended 31st December 2011 and 2010, there were no significant transfers between financial instruments in Level 1 and 2.

***(ii) Fair values of financial instruments carried at other than fair value***

At 31st December 2011 and 2010, the Group had no financial instruments carried at cost or amortised cost all of which are based on the Level 3 for the fair value hierarchy.

***(iii) The fair values of financial assets and financial liabilities are determined as follows:***

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

## 7. SEGMENT INFORMATION

Management has determined operating segments 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. The Group's reportable segments identified during the period by CODM under HKFRS 8 are as follow:

| | |
|---|---|
| Supporting services to sweetener and ethanol 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 and ethanol business. |
| Manufacturing and trading of leather | This segment is engaged in leather manufacturing, processing and trading. These discontinued operations were disposed on 28th February 2010. |

The following is an analysis of the Group's revenue and results from continuing operations and discontinued operations by reportable segment:

**2011**

| | **Revenue** | | | **Operating profit (loss)** | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | **Continuing operations** | **Discontinued operations** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Supporting services to sweetener and ethanol business | 195,052 | – | 195,052 | 42,634 | – | 42,634 |
| Manufacturing and trading of leather | – | – | – | – | – | – |
| | 195,052 | – | 195,052 | 42,634 | – | 42,634 |
| Central administration cost | | | | (2,993) | – | (2,993) |
| Finance costs | | | | (44,510) | – | (44,510) |
| Loss before taxation | | | | (4,869) | – | (4,869) |
| Income tax expense | | | | – | – | – |
| Loss for the year | | | | (4,869) | – | (4,869) |

**7. SEGMENT INFORMATION** *(Continued)*

2010

| | Revenue | | | Operating profit (loss) | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | **Continuing operations** | **Discontinued operations** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Supporting services to sweetener and ethanol business | 205,767 | – | 205,767 | 41,282 | – | 41,282 |
| Manufacturing and trading of leather | – | 21,920 | 21,920 | – | (8,837) | (8,837) |
| | 205,767 | 21,920 | 227,687 | 41,282 | (8,837) | 32,445 |
| Impairment loss on trade and other receivables | | | | (25,000) | – | (25,000) |
| Gain on disposal of subsidiaries | | | | – | 76,897 | 76,897 |
| Central administration cost | | | | (3,490) | – | (3,490) |
| Finance costs | | | | (41,491) | (604) | (42,095) |
| Profit (loss) before taxation | | | | (28,699) | 67,456 | 38,757 |
| Income tax expense | | | | – | (9) | (9) |
| Profit (loss) for the year | | | | (28,699) | 67,447 | 38,748 |

**7. SEGMENT INFORMATION** *(Continued)*

**Segment assets and liabilities**

**At 31st December 2011**

| | **Continuing operations** *HK$'000* | **Discontinued operations** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| **Segment assets** | | | |
| Supporting services to sweetener and ethanol business | 746,775 | – | 746,775 |
| Manufacturing and trading of leather | – | – | – |
| Unallocated | 466,911 | – | 466,911 |
| Consolidated assets | 1,213,686 | – | 1,213,686 |
| **Segment liabilities** | | | |
| Supporting services to sweetener and ethanol business | 102,398 | – | 102,398 |
| Manufacturing and trading of leather | – | – | – |
| Unallocated | 727 | – | 727 |
| Consolidated liabilities | 103,125 | – | 103,125 |

At 31st December 2010

| | **Continuing operations** *HK$'000* | **Discontinued operations** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| **Segment assets** | | | |
| Supporting services to sweetener and ethanol business | 709,567 | – | 709,567 |
| Manufacturing and trading of leather | – | – | – |
| Unallocated | 391,724 | – | 391,724 |
| Consolidated assets | 1,101,291 | – | 1,101,291 |
| **Segment liabilities** | | | |
| Supporting services to sweetener and ethanol business | 107,825 | – | 107,825 |
| Manufacturing and trading of leather | – | – | – |
| Unallocated | 546 | – | 546 |
| Consolidated liabilities | 108,371 | – | 108,371 |

**7. SEGMENT INFORMATION** *(Continued)*

**Other segments information**

**For the year ended 31st December 2011**

| | **Continuing operations** *HK$'000* | **Discontinued operations** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| **Depreciation and amortisation** | | | |
| Supporting services to sweetener and ethanol business | 21,298 | – | 21,298 |
| Manufacturing and trading of leather | – | – | – |
| | 21,298 | – | 21,298 |
| **Addition to non-current assets** | | | |
| Supporting services to sweetener and ethanol business | 46 | – | 46 |
| Manufacturing and trading of leather | – | – | – |
| | 46 | – | 46 |

For the year ended 31st December 2010

| | **Continuing operations** *HK$'000* | **Discontinued operations** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| **Depreciation and amortisation** | | | |
| Supporting services to sweetener and ethanol business | 21,258 | – | 21,258 |
| Manufacturing and trading of leather | – | 5,402 | 5,402 |
| | 21,258 | 5,402 | 26,660 |
| **Addition to non-current assets** | | | |
| Supporting services to sweetener and ethanol business | 256 | – | 256 |
| Manufacturing and trading of leather | – | 33 | 33 |
| | 256 | 33 | 289 |

## 8. OTHER EXPENSES

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Continuing operations** | | |
| Amortisation of intangible asset | 21,150 | 21,150 |
| Impairment loss on trade and other receivables | – | 25,000 |
| | 21,150 | 46,150 |

## 9. FINANCE COSTS

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Continuing operations** | | |
| Effective interest expense on convertible notes wholly repayable within five years | 44,510 | 41,491 |

## 10. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Loss for the year from continuing operations has been arrived at after charging: | | |
| Directors' remunerations *(note 11)* | 1,819 | 1,721 |
| Retirement benefits scheme contributions | 2,534 | 1,804 |
| Other staff costs | 20,824 | 16,940 |
| Total employee benefits expenses | 25,177 | 20,465 |
| Depreciation of property, plant and equipment | 148 | 108 |
| Net foreign exchange loss | 211 | – |
| Auditors' remuneration | 380 | 380 |
| Cost of inventories recognised as an expenses | 103,294 | 120,930 |
| and after crediting: | | |
| Interest income | 448 | 391 |
| Net foreign exchange gains | – | 368 |

## 11. DIRECTORS' REMUNERATIONS

The emoluments paid or payable to each of the seven (2010: nine) directors were as follows:

| | Fees | Salaries and other benefits | Performance bonus | Retirement benefits scheme contributions | 2011 Total emoluments | 2010 Total emoluments |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive Directors** | | | | | | |
| Han Hong | – | 312 | 424 | 57 | 793 | 744 |
| Xiao Longlong (Note c) | – | 443 | 246 | 57 | 746 | 872 |
| Hu Yebi (Note d) | 120 | – | – | – | 120 | 5 |
| Shih Chian Fang (Note e) | – | – | – | – | – | – |
| Liaw Yuan Chian (Note f) | – | – | | | | |
| Kuang Yong (Note g) | – | – | – | – | – | – |
| **Independent Non-executive Directors** | | | | | | |
| Zheng Lui | 100 | – | – | – | 100 | 100 |
| Yu Chi Jui | 30 | – | – | – | 30 | 30 |
| Li Xiao Wei | 30 | – | – | – | 30 | 30 |
| | 280 | 755 | 670 | 114 | 1,819 | 1,781 |

Notes:

a. In the two years ended 31st December 2011, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the two years.

b. The performance bonus is payable to employees of SATT, including Mr. Han Hong who is the director and deputy general manager of SATT and Mr. Xiao Longlong, who is the general manager of SATT, the amount payable in the two years ended 31st December 2011 tied to certain performance indicators of that company.

c. Appointed on 7th January 2010.

d. Appointed on 16th December 2010.

e. Resigned on 2nd August 2011.

f. Resigned on 16th December 2010.

g. Resigned on 7th January 2010.

### 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2010: two) was executive director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three (2010: three) individuals were as follows:

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Salaries and other benefits | 1,289 | 1,254 |
| Performance bonus *(Note 11(b))* | 821 | 857 |
| Retirement benefits scheme contributions | 126 | 102 |
| | 2,236 | 2,213 |

Their emoluments were within the following bands:

| | **2011 Number of employees** | **2010 Number of employees** |
|---|---|---|
| HK$nil to HK$1,000,000 | 3 | 3 |
| HK$1,000,001 to HK$2,000,000 | – | – |
| | 3 | 3 |

### 13. INCOME TAX EXPENSE

No provision for income tax expenses had been made as the Company and subsidiaries has no assessable profits in their jurisdictions for the two years ended 31st December 2011 and 2010 and no material unprovided deferred tax at the end of reporting period 2011 and 2010.

### 14. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

#### (a) Description

The Company entered into Disposal Agreements with Sino Commend Limited on 16th October 2009 and 19th October 2009 to dispose of its entire issued share capital of Hua Lien Group (Holding) Company, Limited and the shareholder's loan, which engaged in manufacturing and trading of leather. The total consideration for disposal is HK$101,500,000 in cash, of which approximately HK$29,370,000 represents the consideration for the sales of sales shares and the balance of approximately HK$72,130,000 represents the consideration for assignment of the shareholder's loan. The disposal was completed on 28th February 2010.

**14. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)** *(Continued)*

**(a) Description**

The profit (loss) up to the date of disposal from the discontinued operations included in the consolidated statement of comprehensive income for the year are analysed as follows:

| | | 2011 | 2010 |
|---|---|---|---|
| | *Notes* | *HK$'000* | *HK$'000* |
| Loss for the year from manufacturing and trading of leather | *14(b)* | – | (9,450) |
| Gain on disposal of subsidiaries | *14(c)* | – | 76,897 |
| | | – | 67,447 |

**(b) The financial performance**

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Turnover | – | 21,920 |
| Cost of sales | – | (30,181) |
| Gross loss | – | (8,261) |
| Other operating income | – | 805 |
| Distribution costs | – | (4) |
| Administrative expenses | – | (1,377) |
| Loss from operations | – | (8,837) |
| Finance costs | – | (604) |
| Loss before tax | – | (9,441) |
| Income tax expense | – | (9) |
| Loss for the year from manufacturing and trade of leather | – | (9,450) |

**14. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)** *(Continued)*

**(b) The financial performance** *(Continued)*

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Profit (loss) for the year from discontinued operations has been arrived at after charging: | | |
| Directors' remunerations | – | 22 |
| Retirement benefits scheme contributions | – | 93 |
| Other staff costs | – | 1,485 |
| Total employee benefits expenses | – | 1,600 |
| Depreciation of property, plant and equipment | – | 190 |
| Amortisation of prepaid lease payments on land use rights | – | 5,212 |
| Total depreciation and amortisation | – | 5,402 |
| Cost of inventories recognised as an expense | – | 30,181 |
| and after crediting: | | |
| Net foreign exchange gains | – | 604 |
| Interest income | – | 1 |

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Cash flows from discontinued operations | | |
| Net cash inflow from operating activities | – | 2,405 |
| Net cash outflow from investing activities | – | (32) |
| Net cash outflow from financing activities | – | (1,330) |
| | – | 1,043 |

**14. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)** *(Continued)*

**(c) Net assets disposed of:**

The net assets of Hua Lien Group (Holding) Company, Limited and its subsidiaries as at the date of disposal were as follows:

| | **28th February 2010** |
|---|---|
| | *HK$'000* |
| Property, plant and equipment | 77,829 |
| Prepaid lease payments on land use rights | 45,802 |
| Deferred tax assets | 499 |
| Inventories | 35,050 |
| Trade and other receivables | 45,154 |
| Bank balances and cash | 7,187 |
| Trade and other payables | (39,850) |
| Loan from a director | (285) |
| Tax liabilities | (10,338) |
| Bank borrowings | (103,047) |
| Shareholder's loan | (72,130) |
| Translation reserve released | (33,398) |
| | (47,527) |
| Add: Shareholder's loan | 72,130 |
| | 24,603 |
| Gain on disposal of subsidiaries | 76,897 |
| Total consideration satisfied by cash | 101,500 |
| Net cash inflow arising on disposal | |
| Cash consideration | 101,500 |
| Bank balances and cash disposed of | (7,187) |
| | 94,313 |

No tax charge or credit arose on the disposal of Hua Lien Group (Holding) Company, Limited.

**15. DIVIDEND**

The Directors do not recommend the payment of a dividend for the year ended 31st December 2011 and 2010.

## 16. (LOSS) EARNINGS PER SHARE

**From continuing and discontinued operations**

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

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **(Loss) earnings** | | |
| (Loss) profit for the purpose of basic and diluted (loss) earnings per share | (4,875) | 37,851 |

| | **2011** | **2010** |
|---|---|---|
| | '000 | '000 |
| **Number of Shares** | | |
| Weighted average number of ordinary share for the purpose of basic (loss) earnings per share | 1,308,290 | 1,248,680 |
| Effect of dilutive potential ordinary shares: | | |
| Warrants | – | 41,120 |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | 1,308,290 | 1,289,800 |

The diluted loss per share from continuing and discontinued operations for the year ended 31st December 2011 is the same as basic loss per share presented as there was no dilutive effect from the assumed exercise of conversion of the Company's outstanding convertible notes on the loss from continuing and discontinued operations attributable to owners of the Company. The computation of diluted earnings per share for the year ended 31st December 2010 does not assume the conversion of the Company's outstanding convertible notes since their assumed exercise would result in an increase in earnings per share.

**16. (LOSS) EARNINGS PER SHARE** *(Continued)*

**From continuing operations**

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

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **(Loss) profit figures are calculated as follows:** | | |
| (Loss) profit for the purpose of basic (loss) earnings per share | (4,875) | 37,851 |
| Less: | | |
| Profit for the year from discontinued operations | – | 66,550 |
| Loss for the purpose of basic and diluted loss per share from continuing operations | (4,875) | (28,699) |

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

The diluted loss per share from continuing operations for the year ended 31st December 2011 is the same as basic loss per share presented as there was no dilutive effect from the assumed exercise of conversion of the Company's outstanding convertible notes on the loss from continuing operations attributable to owners of the Company. The diluted loss per share from continuing operations for the year ended 31st December 2010 is the same as basic loss per share presented as there was no dilutive effect from the assumed exercise of warrants and conversion of the Company's outstanding convertible notes on the loss from continuing operations attributable to owners of the Company.

**From discontinued operations**

There is no (loss) earnings per share for the discontinued operations for the year ended 31st December 2011.

Basic earnings per share for the discontinued operations for the comparative year ended 31st December 2010 was HK5.33 cents per share, based on the profit for the year from the discontinued operations of approximately HK$66,550,000 and the denominators detailed above for basic loss per share. Diluted earnings per share for the discontinued operations for comparative year ended was HK5.16 cents per share, based on the profit for the year from the discontinued operations of approximately HK$66,550,000 and the denominators detailed above for diluted earnings per share.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | **Furniture and equipment** *HK$'000* |
|---|---|
| Cost | |
| At 1st January 2010 | 189 |
| Additions | 256 |
| Transfers | – |
| Disposals | – |
| At 31st December 2010 | 445 |
| Additions | 46 |
| Transfers | – |
| Disposals | – |
| At 31st December 2011 | 491 |
| Accumulated Depreciation, Amortisation and Impairment | |
| At 1st January 2010 | 40 |
| Provided for the year | 108 |
| Eliminated on disposals of assets | – |
| At 31st December 2010 | 148 |
| Provided for the year | 148 |
| Eliminated on disposals of assets | – |
| At 31st December 2011 | 296 |
| Net Book Values | |
| At 31st December 2011 | 195 |
| At 31st December 2010 | 297 |

## 18. GOODWILL

| | *HK$'000* |
|---|---|
| Cost | |
| At 31st December 2010 and 31st December 2011 | 321,768 |
| Accumulated impairment losses | |
| At 31st December 2010 and 31st December 2011 | 95,257 |
| Carrying values | |
| At 31st December 2010 and 31st December 2011 | 226,511 |

**Impairment testing for goodwill**

The carrying amount of goodwill was attributable to acquisition of the SATT on February 2010. This Goodwill has been allocated for the impairment testing purpose the cash-generating unit (the "CGU") of supporting services to sweetener and ethanol business. The recoverable amount as at 31st December 2011 of this CGU has been assessed on basis of a valuation report from BMI Appraisals Limited, (the "BMIA"), an independent professional company appointed for this purpose. BMIA assessed the value in use basing on cash flow projections of this CGU and applied a discount factor of 16.13% (2010: 15.94%) per annum in the calculation. The directors determined that no write-down on carrying value of goodwill on supporting services to sweetener and ethanol business for the year ended 31st December 2011 is considered necessary (2010: Nil).

## 19. INTANGIBLE ASSET

**Customer relationship**

| | *HK$'000* |
|---|---|
| Cost | |
| At 31st December 2010 and 31st December 2011 | 423,000 |
| Accumulated amortisation | |
| Balance at 31st December 2010 | 38,775 |
| Charge for the year | 21,150 |
| Balance at 31st December 2011 | 59,925 |
| Net book values | |
| At 31st December 2011 | 363,075 |
| At 31st December 2010 | 384,225 |

**19. INTANGIBLE ASSET** *(Continued)*

The intangible asset of customer relationship was purchased as part of a business combination of SATT on February 2010 and has a definite useful life which is amortised on straight-line basis over the estimated useful life of 20 years. The customer relationship represents the present value of the future cash flow attributed to established customer base and other business relationships built up by SATT in African and other nations. The valuation is valued by BMIA. Excess earnings method is adopted in the valuation of the customer relationship. The excess earnings are the amount of anticipated economic benefits that exceeds the required rates of return on the contributory assets, including the fixed assets, the working capital, the workforce assembled and intangible assets other than the subject asset, used to generate those anticipated economic benefits.

**20. TRADE AND OTHER RECEIVABLES**

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of continuing operations of approximately HK$249,074,000 as at 31st December 2011 (2010: HK$183,616,000). The Group allows a credit period of 365 days for trade customers of supporting services of sweetener and ethanol business.

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Not yet due | 192,290 | 158,397 |
| Overdue 1 – 90 days | 48,024 | 25,219 |
| Overdue 91 – 180 days | 4,275 | – |
| Overdue 181 – 365 days | 4,485 | – |
| Overdue > 365 days | – | – |
| | 249,074 | 183,616 |

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

Movement in the allowance for doubtful debts

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Balance at beginning of the year | 25,000 | – |
| Allowance recognised in profit or loss | – | 25,000 |
| Balance at end of the year | 25,000 | 25,000 |

**21. BANK BALANCES AND CASH**

Bank balances carry interest at market rates which range from 0.01% to 0.3% (2010: 0.01% to 0.81%) per annum.

## 22. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of continuing operations of approximately HK$84,346,000 as at 31st December 2011 (2010: HK$91,913,000). The following is an analysis of trade payables by age based on the invoice date.

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Not yet due | 84,346 | 91,913 |
| Overdue 1 – 90 days | – | – |
| Overdue 91 – 180 days | – | – |
| Overdue 181 – 365 days | – | – |
| Overdue > 365 days | – | – |
| | 84,346 | 91,913 |

## 23. CONVERTIBLE NOTES

| | **2009-2014 Notes** | **2011-2016 Notes** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1st January 2010 | 459,890 | – | 459,890 |
| Effective interest expenses | 41,491 | – | 41,491 |
| At 31st December 2010 | 501,381 | – | 501,381 |
| Proceeds from issue | – | 24,000 | 24,000 |
| Equity component | – | (7,637) | (7,637) |
| Liability component on initial recognition | – | 16,363 | 16,363 |
| Converted during the year | (24,990) | – | (24,990) |
| Effective interest expenses | 44,064 | 446 | 44,510 |
| At 31st December 2011 | 520,455 | 16,809 | 537,264 |

**23. CONVERTIBLE NOTES** *(Continued)*

(i) On 27th February 2009, the Company issued two tranches of 5-year zero coupon convertible notes at par, due in February, 2014 (the "2009-2014 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. Up to 31st December 2011, a total principal amount of HK$46,500,000 notes were converted at the request of the noteholder and the principal amount of approximately HK$626,700,000 (2010: HK$658,200,000) remained outstanding.

The 2009-2014 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". During the year ended 31st December, 2011, the effective interest rate of the liability component is 9.0219% (2010: 9.0219%). At 31st December 2011, the liability component of 2009-2014 Notes with a carrying amount of approximately HK$520,455,000 (2010: HK$501,381,000).

(ii) On 26th August 2011, the Company issued a five-year zero coupon Hong Kong-dollar convertible notes at par, due in August, 2016 for an aggregate principal amount of HK$24,000,000 to China-Africa Xin Xing Investment Limited, a wholly owned subsidiary of CADFund (the "2011-2016 Notes"). 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, at any time from 26th August 2011 up to and including 26th August 2016. No conversion was made during the year.

The 2011-2016 Notes contain two components, a liability and an equity element. The liability component at date of issue is approximately HK$16,363,000 and 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". During the year ended 31st December 2011, the effective interest rate of the liability component is 7.959% (2010: Nil). At 31st December 2011, the liability component of 2011-2016 Notes with a carrying amount of HK$16,809,000 (2010: Nil).

## 24. WARRANTS

All Company's warrants have become lapsed on 3rd October 2011, as follows:

| Date of grant | *Note* | Outstanding at 1/1/2011 | Issued during the year | Exercised/ Lapsed during the year | Outstanding at 31/12/2011 | Exercise period | Exercise price per share |
|---|---|---|---|---|---|---|---|
| 4th October 2007 | *a* | 164,736,000 | – | 164,736,000 | – | 4/10/2007-3/10/2011 | HK$0.60 |

*Note:*

(a) On 4th October 2007, the Company issued 164,736,000 unlisted warrants for consideration of HK$0.03 each. The gross proceeds of approximately HK$4,942,000 was raised and included in the warrant reserve. Each of the warrant has subscription right to subscribe for one subscription share of the Company at a subscription price of HK$0.60, subject to adjustment, for an exercise period of four years from 4th October 2007 to 3rd October 2011. None of such warrants were exercised since the date of issue and lapsed on 3rd October 2011. The warrant reserve had been transferred to accumulated losses upon expiration.

## 25. SHARE CAPITAL

| | | Number of Shares | | Share Capital | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | *Notes* | *'000* | *'000* | *HK$'000* | *HK$'000* |
| Ordinary share of HK$0.1 each | | | | | |
| **Authorised** | | | | | |
| At beginning and end of year | | 6,000,000 | 6,000,000 | 600,000 | 600,000 |
| **Issued and fully paid** | | | | | |
| At beginning of year | | 1,248,680 | 1,248,680 | 124,868 | 124,868 |
| Issue of shares on exercise of convertible notes | *(i)* | 52,500 | – | 5,250 | – |
| Issue of subscription shares | *(ii)* | 90,000 | – | 9,000 | – |
| At end of year | | 1,391,180 | 1,248,680 | 139,118 | 124,868 |

*Notes:*

(i) On 20th June 2011, the Company issued 52,500,000 shares on exercise of conversion rights under the convertible notes with a principal amount of HK$31,500,000.

(ii) On 26th August 2011, the Company issued 90,000,000 subscription shares to China-Africa Xin Xing Investment Limited, a wholly-owned subsidiary of CADFund, at HK$0.6 per share for a total consideration of HK$54,000,000.

## 26. NON-CONTROLLING INTERESTS

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Balance at beginning of year | – | – |
| Share of profit for the year | 6 | – |
| Balance at end of year | 6 | – |

## 27. COMMITMENTS

### a. Operating lease commitments:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Lease payments paid during the year under operating leases in respect of land and buildings and office premises | 904 | 860 |

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:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within one year | 975 | 833 |
| In the second to fifth year inclusive | 975 | – |
| Over five years | – | – |
| | 1,950 | 833 |

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

### b. Capital lease commitments:

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

## 28. SHARE OPTIONS SCHEME

### 2007 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.

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 the annual report, a total of 82,368,000 shares (representing approximately 10 per cent. of the existing issued share capital of the Company) are available for issue under the 2007 Share Option Scheme.

The total number of shares 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.

**28. SHARE OPTIONS SCHEME** *(Continued)*

**2007 Share Option Scheme** *(Continued)*

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

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

The subscription price in respect of any particular option under the 2007 Share Option Scheme shall be such price as the Board may at its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a share; (b) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the Board resolution approving the grant of options; and (c) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of options. The 2007 Share Option Scheme will expire on 19th September 2017. As at the end of reporting period, no share option has been granted under the 2007 Share Option Scheme since its adoption.

**29. RETIREMENT BENEFITS SCHEMES**

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

The 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 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$2.5 million (2010: approximately HK$1.8 million) represents contributions payable to these schemes by the Group in respect of the current accounting period.

## 30. PLEDGE OF ASSETS

River Right Limited, a wholly owned subsidiary of the Company, had pledged its interest in 65 shares in Zheng Da investments Limited, representing 65% of issued capital, as security for the five years zero coupon convertible notes of principal amount of HK$24,000,000 issued to CAXX (2010: Nil).

## 31. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had certain transactions with related parties. Details of these transactions with these related parties are as follows:

### (a) Transactions with related parties

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Sales to four subsidiaries of COMPLANT International Sugar Industry Co., Ltd. *(Note (i))* | 195,052 | 205,767 |
| Purchase from substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. *(Note (ii))* | 96,974 | 113,360 |
| Rental and building management fee paid to substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. *(Note (iii))* | 904 | 860 |

*Notes:*

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

(ii) Pursuant to an supply and service agreement dated 15th December 2008, which were approved by independent shareholders of the Company on 20th February 2009, SATT, a subsidiary of Company, received supporting services to sweetener and ethanol 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 tenancy agreements dated 15th December 2008 and 30th December 2009 between SATT, a subsidiary of Company and the substantial shareholder of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

## 31. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

### (b) Trade receivables and payable of related parties

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables of four subsidiaries of COMPLANT International Sugar Industry Co., Ltd. *(Note (i))* | 249,074 | 183,616 |
| Trade payable to substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. *(Note (ii))* | 84,346 | 91,913 |

*Notes:*

(i) The trade receivables are interest free and unsecured, and for supporting services to sweetener and ethanol business rendered 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, and for supporting services to sweetener and ethanol business rendered by 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 personnel is as follows:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Directors' fee | 280 | 165 |
| Salaries and other benefits | 755 | 806 |
| Performance bonus | 670 | 692 |
| Retirement benefits scheme contributions | 114 | 118 |
| | 1,819 | 1,781 |

The remuneration of directors and key executives is reviewed by the Remuneration Committee and is determined by the Board of Directors having regard to the performance of individuals and market trends.

### 32. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December 2011 are as follows:

| Name of company | Place of Incorporation/ operations | Nominal value of issued and fully paid share capital/ registered capital | Effective proportion of issued registered capital held by the Company | Principal activities |
|---|---|---|---|---|
| Jumbo Right Investments Limited | British Virgin Islands/ Hong Kong | Ordinary shares US$1 | 100% | Investment holding |
| 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 share HK$1 | 100% | Investment holding |
| River Right Limited | British Virgin Islands/ Hong Kong | Ordinary share US$1 | 100% | Investment holding |
| Zheng Da Investments Limited | British Virgin Islands/ Hong Kong | Ordinary share US$100 | 65% | Investment holding |

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

### 33. INTERESTS IN SUBSIDIARIES

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Unlisted shares, at cost | – | – |
| Amounts due from subsidiaries | 931,285 | 853,269 |
| | 931,285 | 853,269 |
| Impairment loss recognised | (25,000) | (25,000) |
| | 906,285 | 828,269 |

**33. INTERESTS IN SUBSIDIARIES** *(Continued)*

Details of the Company's subsidiaries at 31st December 2011 are set out in note 32.

In the opinion of the directors, the amounts due from subsidiaries are unsecured, non-interest bearing and are unlikely to be repayable within one year from the end of reporting period and are therefore shown in the statement of financial position as non-current. The carrying amount approximates their fair value.

**34. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to current year's presentation.

**35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

Information about the statement of financial position of the Company includes:

| | | **2011** | **2010** |
|---|---|---|---|
| | *Notes* | *HK$'000* | *HK$'000* |
| Non-current asset | | | |
| Interests in subsidiaries | *33* | 906,285 | 828,269 |
| Current asset | | | |
| Bank balances and cash | | 162,315 | 165,161 |
| Current liability | | | |
| Other payables | | 726 | 546 |
| Net current assets | | 161,589 | 164,615 |
| Total assets less current liability | | 1,067,874 | 992,884 |
| Non-current liability | | | |
| Convertible notes | | 537,264 | 501,381 |
| Net assets | | 530,610 | 491,503 |
| Capital and reserves | | | |
| Share capital | *25* | 139,118 | 124,868 |
| Reserves | | 391,492 | 366,635 |
| Total equity | | 530,610 | 491,503 |

## 3. STATEMENT OF INDEBTEDNESS

As at 31 May 2012, the Group had outstanding liability portion of unsecured zero-coupon redeemable convertible notes of approximately HK$539,642,590 and outstanding liability portion of secured zero-coupon redeemable convertible notes of approximately HK$17,352,285, a total of liability portion of redeemable convertible notes of approximately HK$556,994,875. Save as aforesaid or as otherwise disclosed herein, the Group has no other borrowings including guarantees.

The secured zero-coupon redeemable convertible notes are secured by 65 shares in Zheng Da Investments Limted, a non-wholly owned subsidiary of the Company, representing 65% of the issued capital.

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 31 May 2012.

The directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 May 2012 up to the Latest Practicable Date.

## 4. MATERIAL CHANGE

The Directors confirmed that there was no material change in the financial or trading position or outlook of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

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

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

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

## 2. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

### (1) Share capital

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

| | | |
|---|---|---|
| *Authorised:* | | |
| 6,000,000,000 | Shares | HK$600,000,000 |
| *Issued and fully paid up or credited as fully paid up:* | | |
| 1,391,180,000 | Shares | HK$139,118,000 |
| *New shares to be issued pursuant to the Subscription Agreement:* | | |
| 800,000,000 | Shares | HK$80,000,000 |

All of the Shares rank pari passu in all respects, including as to dividends, voting and capital.

The Shares are listed on and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

There has been no alteration to the authorised share capital of the Company since the end of its last financial year, being 31 December 2011 and there has been no increase in the issued share capital of the Company since 31 December 2011 and up to the Latest Practicable Date.

**(2) Share options**

As at the Latest Practicable Date, no share options, which allow the grantees to subscribe for Shares has been granted under 2007 share option scheme of the Company.

**(3) Convertible securities**

As at the Latest Practicable Date, there were (i) unsecured zero-coupon redeemable convertible notes in the aggregate outstanding principal amount of HK$626,700,000 issued by the Company, entitling the holders thereof to convert up to 1,044,500,000 new Shares at an initial conversion price of HK$0.6 per Share (subject to adjustment) until 26 February 2014 and (ii) secured zero-coupon redeemable convertible notes in the aggregate outstanding principal amount of HK$24,000,000 issued by the Company, entitling the holders thereof to convert up to 40,000,000 new Shares at an initial conversion price of HK$0.6 per Share (subject to adjustment) until 26 August 2016.

Save as disclosed above, the Company had no other outstanding options, warrants or conversion rights affecting the Shares as at the Latest Practicable Date.

## 3. MARKET PRICES OF SHARES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the six months immediately preceding 12 April 2012, being the date of the Announcement and ending on the Latest Practicable Date; (ii) on 12 April 2012, being the Last Trading Day and the last business day immediately preceding the date of the Announcement; and (iii) on the Latest Practicable Date were as follows:

| **Date** | **Closing price of the Shares** *(HK$)* |
|---|---|
| 31 October 2011 | 0.58 |
| 30 November 2011 | 0.57 |
| 30 December 2011 | 0.68 |
| 31 January 2012 | 0.58 |
| 29 February 2012 | 0.62 |
| 30 March 2012 | 0.60 |
| 12 April 2012 (Date of the Announcement and Last Trading Day) | 0.60 |
| 30 April 2012 | 0.71 |
| 31 May 2012 | 0.58 |
| 29 June 2012 | 0.56 |
| 25 July 2012 Latest Practicable Date | 0.57 |

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months preceding 12 April 2012, being the date of the Announcement, and ending on the Latest Practicable Date were HK$0.77 on 16 April 2012, and HK$0.52 on 4 June 2012, respectively.

## 4. DISCLOSURE OF INTERESTS

### (a) Interests of Directors and chief executives

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 are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

**Long position in the Shares**

| Name of Director | Capacity | Number of Shares held | Approximate % of the issued share capital of the Company as at the Latest Practicable Date |
|---|---|---|---|
| Mr. Hu Yebi *(Note)* | Controlled corporation & Spouse | 340,943,083 | 24.51% |

*Note :* Mr. Hu Yebi is deemed (by virtue of the SFO) to be interested in 340,943,083 Shares of the Company. The totally 340,943,083 Shares held by Mr. Hu Yebi consists of 3,448,000 Shares held by Ms. Li Ling Xiu (spouse of Mr. Hu Yebi), 212,495,083 Shares held by Hollyview International Limited (a company beneficially owned by Mr. Hu Yebi) and an interest in 125,000,000 underlying shares under the convertible note held by Hollyview International Limited of a principal amount of HK$75,000,000 which can be convertible into 125,000,000 Shares during its conversion period.

**(b) Interests of substantial Shareholders**

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register maintained by the Company pursuant to 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 members of the Group:

| **Name** | **Capacity** | **Number of Shares held** | **Approximate percentage of issued share capital as at the Latest Practicable Date** |
|---|---|---|---|
| COMPLANT International Sugar Industry Co., Ltd. *(Note)* | Beneficial owner | 1,189,500,000 | 85.50% |
| China National Complete Plant Import & Export Corporation (Group) *(Note)* | Controlled corporation and beneficial owner | 1,989,500,000 | 143.01% |
| State Development & Investment Corp. *(Note)* | Controlled corporation | 1,989,500,000 | 143.01% |
| State-owned Assets Supervision and Administration Commission of the State Council, the PRC *(Note)* | Controlled corporation | 1,989,500,000 | 143.01% |

*Note:* 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 Corp. 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.

## 5. SHAREHOLDINGS AND DEALINGS

### (A) Shareholdings and dealings in the shares and the convertible securities, warrants, options and derivatives in respect of the shares of the Subscriber (the "Subscriber Securities")

(a) As at the Latest Practicable Date:

(i) the Company was not interested in any Subscriber Securities;

(ii) none of the directors of the Subscriber or the Directors was interested in any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(iii) none of the persons acting in concert with the Subscriber owned or controlled any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and

(iv) none of the Subscriber nor any persons acting in concert with it had borrowed or lent any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(b) None of the Company nor the Directors had dealt for value in the Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning six months prior to 12 April 2012, being the date of the Announcement, and ending on the Latest Practicable Date.

(c) None of the Subscriber, its directors nor persons acting in concert with the Subscriber had dealt for value in the Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning six months prior to 12 April 2012, being the date of the Announcement, and ending on the Latest Practicable Date.

### (B) Shareholdings and dealings in the Shares and the convertible securities, warrants, options and derivatives in respect of the Shares (the "Company Securities")

(a) As at the Latest Practicable Date:

(i) save for 300,000,000 Shares held by COMPLANT and the COMPLANT Convertible Notes in the principal amount of HK$533,700,000 which can be converted into 889,500,000 Shares during its conversion period, none of the Subscriber or parties acting in concert with the Subscriber held any Company Securities;

(ii) save as disclosed in the table set out in the paragraph headed "Disclosure of Interests" in this Appendix, none of the Directors or directors of the Subscriber was interested in any Company Securities;

(iii) none of the Company nor the Directors had borrowed or lent any Company Securities; and

(iv) none of the Subscriber nor any persons acting in concert with the Subscriber had borrowed or lent any Company Securities.

(b) Save for the Subscription Agreement, none of the Subscriber, directors of the Subscriber, parties acting in concert with the Subscriber and the Directors had dealt for value in any Company Securities during the period beginning six months prior to 12 April 2012, being the date of the Announcement, and ending on the Latest Practicable Date.

(c) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Subscriber or any person acting in concert with the Subscriber, and none of such persons had dealt for value in any Company Securities during the period beginning six months prior to 12 April 2012, being the date of the Announcement, and ending on the Latest Practicable Date.

(d) As at the Latest Practicable Date, the Subscriber had no intention to transfer, charge or pledge the Subscription Shares to any other persons upon Completion.

## 6. VOTING ON THE WHITEWASH WAIVER

(a) As at the Latest Practicable Date, no person had, prior to the Subscription and the posting of this circular, irrevocably committed themselves to vote for or against the Whitewash Waiver.

(b) Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM. As Mr. Hu Yebi was involved in the negotiations and discussions of the terms of the Subscription with the Subscriber, Mr. Hu is therefore regarded as being "involved in" the Subscription under Note 1 on dispensations from Rule 26 of the Takeovers Code. Accordingly, the Subscriber, Mr. Hu Yebi, any parties acting or presumed to be acting in concert with any of them including COMPLANT, their respective associates and those involved or interested in the Subscription and the transactions contemplated thereunder and the Whitewash Waiver will abstain from voting at the EGM in respect of the resolution approving the Whitewash Waiver and the transactions contemplated thereunder and the Subscription.

## 7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation), nor has any of the Directors entered into any service contract with any member of the Group or associated companies which are in force and are fixed term contracts and which have more than 12 months to run irrespective of the notice period or which are continuous contracts with a notice period of 12 months or more, or which has been entered into or amended within six months prior to 12 April 2012, being the date of the Announcement.

## 8. LITIGATION

As at the Latest Practicable Date, there was no material litigation to which the Company or any of its subsidiaries is, or may become, a party.

## 9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholder, and substantial shareholders of the Company and their respective associates had any interest in a business which competes or may compete with the business of the Group and there were no contracts or arrangements subsisting in which a Director is materially interested and which is significant in relation to the business of the Group.

## 10. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2011, being the date to which the latest published audited accounts of the Group were made up.

## 11. INTEREST IN CONTRACTS AND ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

## 12. 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 after the date of two years preceding the date of the Announcement and up to and including the date of issue of this circular and which are or may be material:

(a) the joint venture agreement entered on 22 October 2010 between the Company, River Right Limited, China-Africa Development Fund and COMPLANT pursuant to which China-Africa Development Fund, COMPLANT and River Right have agreed to form a joint venture using Zheng Da Investments Limited as the vehicle to carry on the Ethanol Biofuel Business in Benin in the proportion of 25%, 10% and 65%.

(b) the shares subscription agreement entered into on 22 October 2010 between the Company and China-Africa Development Fund in respect of subscription for 90,000,000 Shares at the subscription price of HK$0.6 each;

(c) the agreement entered into between the Company and China-Africa Development Fund on 22 October 2010 in respect of subscription for 5-year zero coupon convertible notes in the principal amount of HK$24,000,000; and

(d) the Subscription Agreement.

## 13. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011 (being the date to which the latest published audited accounts of the Group were made up).

## 14. QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The following are the qualifications of the experts who have given opinion or advice which are contained or referred to in this circular:

| Name | Qualification | Nature of opinion or advice | Date of opinion |
|---|---|---|---|
| Donvex Capital Limited | A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO | Letter to the Independent Board Committee and the Independent Shareholders | 27 July 2012 |
| Nuada Limited | A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO | Letter to the Independent Board Committee and the Independent Shareholders | 27 July 2012 |

(b) As at the Latest Practicable Date, Donvex Capital Limited and Nuada Limited did not have any direct or indirect shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

(c) As at the Latest Practicable Date, Donvex Capital Limited and Nuada Limited did not have any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2011, being the date to which the latest published audited accounts of the Group were made up.

(d) Donvex Capital Limited and Nuada Limited have given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, reports and/or valuation certificates (as the case may be) and references to its name in the form and context in which it is included.

## 15. GENERAL

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

(b) The registered office of the Company is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and the principal place of business of the Company in Hong Kong is Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong.

(c) The Subscriber owns 70% equity interest in COMPLANT, which in turn is a substantial Shareholder interest in approximately 21.56% of the issued share capital of the Company as at the Latest Practicable Date before Completion. The registered office of the Subscriber is at 9 Xi Bin He Lu, An Ding Men, Beijing, China. The directors of the Subscriber are Mr. Li Zhimin, Mr. Tang Jianguo, Mr. Guo Baojun, Mr. Cui Guodong and Mr. Deng Tianyang and its ultimate parent company is State Development Investment Corp, which held 100% interests in the Subscriber. The directors of State Development Investment Corp. are Mr. Wang Huisheng, Mr. Feng Shidong, Mr. Deng Shiji, Mr. Zhuang Laiyou, Mr. Chen Hongsheng, Mr. Lin Xizhong, Mr. Jing Tianliang, Mr. Zhong Ruiming and Mr. Guo Zhongjie.

The registered office of COMPLANT is the office of Codan Trust Company (Cayman Islands), Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Island. The directors of COMPLANT are Mr. Tang Jianguo, Mr. Yi Guoxiao, Mr. Li Zhimin, Mr. Xiao Longlong and Mr. Zou Baozhong.

(d) No benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Subscription and the Whitewash Waiver (other than statutory compensation).

(e) As at the Latest Practicable Date, there was no agreement, arrangement or understanding existing whereby any securities to be acquired pursuant to the Subscription will be transferred, charged or pledged to any other persons.

(f) As at the Latest Practicable Date, there was no agreement, arrangement or understanding existed between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription and the Whitewash Waiver or otherwise connected therewith.

(g) As at the Latest Practicable Date, there was no material contract entered into by the Subscriber in which any Director has a material personal interest.

(h) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any persons acting in concert with it and any of the Directors or recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription or Whitewash Waiver.

(i) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company, or any fund managed on a discretionary basis by any fund manager connected with the Company, or any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any Company Securities.

(j) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code.

(k) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Subscriber or any person acting in concert with the Subscriber.

(l) The principal place of business of Donvex Capital Limited is situated at Room 1305-6, 13/F., Carpo Commerical Building, 18-20 Lyndhurst Terrace, Central, Hong Kong. Donvex Capital Limited has given and has not withdrawn its written consent to the issue of this circular with all references to its name in the form and context in which they appear in this circular.

(m) The principal place of business of Nuada Limited is situated at 19th Floor, BLINK, 111 Bonham Strand, Sheung Wan, Hong Kong . Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with all references to its name in the form and context in which they appear in this circular.

(n) The address of China Merchants Securities (HK) Co., Limited, the financial adviser to the Company, is at 48/F, One Exchange Square, Central, Hong Kong.

(o) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

(p) There will not be any change in the composition of the Board as a result of Completion.

## 16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong during 9:00 a.m. to 5:00 p.m. on any weekday from Monday to Friday except public holidays; (ii) on the Company's website at http://www.irasia.com/listco/hk/hualien; and (iii) on the website of SFC at www.sfc.hk from the date of this circular up to and including 15 August 2012:

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of the Subscriber;

(c) the letter dated 27 July 2012 from the Independent Board Committee, the text of which is set out on page 23 in this circular;

(d) the letter dated 27 July 2012 from the Joint Independent Financial Advisers, the text of which is set out on pages 24 to 46 in this circular;

(e) the contracts referred to in the section headed "Material Contracts" in paragraph 12 of this Appendix;

(f) the written consents referred to in the section headed "Qualifications and Consents of Expert" in paragraph 14 of this Appendix; and

(g) the audited accounts of the Group for each of the two financial years ended 31 December 2010 and 2011.

# HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED
# 華聯國際（控股）有限公司*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 969)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "**EGM**") of Hua Lien International (Holding) Company Limited (the "**Company**") will be held at Dragon II, 2/F, The Kowloon Hotel, 19-21 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 15 August 2012 at 12:00 noon for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. "**THAT**

(a) the conditional agreement dated 12 April 2012 entered into between the Company as issuer and China National Complete Plant Import & Export Corporation (Group) (中國成套設備進出口（集團）總公司) (the "**Subscriber**") as subscriber (the "**Subscription Agreement**") in relation to the subscription of 800,000,000 new shares of HK$0.10 each (the "**Share(s)**") in the share capital of the Company (the "**Subscription Share(s)**") at the subscription price of HK$0.60 per Subscription Share, a copy of which has been produced to the meeting marked "A" and initialled by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the fulfillment of the conditions set out in the Subscription Agreement, the allotment and issue of the Subscription Shares to the Subscriber pursuant to the Subscription Agreement be and is hereby approved; and

(c) the directors of the Company (the "**Directors**") be and are hereby authorised to execute such all other documents, do all other acts and things and take such action as may in the opinion of the Directors be necessary, desirable or expedient to implement and give effect to the Subscription Agreement and any other transactions contemplated thereunder."

* *For identification purpose only*

2. "**THAT** the waiver (the "**Whitewash Waiver**"), granted or to be granted by the Executive Director (the "**Executive**") of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers waiving any obligation on the part of China National Complete Plant Import & Export Corporation (Group) (中國成套設備進出口(集團)總公司) (the "**Subscriber**") and parties acting in concert with it, to make a general offer for all the issued Shares not already owned or agreed to be acquired by them as a result of the subscription of 800,000,000 Subscription Shares by the Subscriber, be and is hereby approved, and the Directors be and are hereby authorised to do all such acts and things and take all such action and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) as they may consider to be necessary or desirable to give effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

By order of the Board
**Hua Lien International (Holding) Company Limited**
**Hu Yebi**
*Executive Director*

Hong Kong, 27 July 2012

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

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

*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 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.