# HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

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

**(Stock Code: 969)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2010

The board of directors (the "Board") of Hua Lien International (Holding) Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2010 together with the comparative figures as follow:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30th June 2010*

| | | Six months ended 30th June | |
|---|---|---|---|
| | | **2010** | 2009 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited & restated (Note 14)) |
| **Continuing operations** | | | |
| Turnover | *(3)* | **131,635** | 81,106 |
| Cost of sales | | **(80,156)** | (36,099) |
| Gross profit | | **51,479** | 45,007 |
| Other operating income | | **738** | 20 |
| Distribution costs | | **(13)** | – |
| Administrative expenses | | **(16,573)** | (9,235) |
| Other expenses | *(4)* | **(25,000)** | (40,000) |
| Gain on disposal of subsidiaries | *(13c)* | **76,897** | – |

| | Notes | Six months ended 30th June 2010 HK$'000 (unaudited) | 2009 HK$'000 (unaudited & restated (Note 14)) |
|---|---|---|---|
| Profit (loss) from operations | | **87,528** | (4,208) |
| Finance costs | *(5)* | **(20,301)** | (13,397) |
| Profit (loss) before tax | *(6)* | **67,227** | (17,605) |
| Income tax expense | *(7)* | **–** | – |
| Profit (loss) for the period from continuing operations | | **67,227** | (17,605) |
| **Discontinued operations** | | | |
| Loss for the period from discontinued operations | *(13b)* | **(9,450)** | (70,925) |
| **Profit (loss) for the period** | | **57,777** | (88,530) |
| **Other comprehensive loss for the period** | | | |
| Reserve released upon disposal of subsidiaries | | **(33,398)** | – |
| **Total comprehensive profit (loss) for the period** | | **24,379** | (88,053) |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **56,880** | (90,053) |
| Non-controlling interests | | **897** | 1,523 |
| | | **57,777** | (88,530) |
| Total comprehensive profit (loss) attributable to: | | | |
| Owners of the Company | | **23,482** | (90,053) |
| Non-controlling interests | | **897** | 1,523 |
| | | **24,379** | (88,530) |
| **Dividend** | *(9)* | **–** | – |
| **Earnings (loss) per share** | *(8)* | | |
| From continuing and discontinued operations | | | |
| – Basic (cents per share) | | **4.6** | (9.7) |
| – Diluted (cents per share) | | **3.2** | – |
| From continuing operations | | | |
| – Basic (cents per share) | | **5.4** | (1.9) |
| – Diluted (cents per share) | | **3.7** | – |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30th June 2010*

| | Notes | **30th June 2010 HK$'000 (unaudited)** | 31st December 2009 HK$'000 (audited) |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | *(10)* | **330** | 149 |
| Goodwill | | **226,511** | 226,511 |
| Intangible asset | | **394,800** | 405,375 |
| | | **621,641** | 632,035 |
| Current assets | | | |
| Trade and other receivables | *(11)* | **260,617** | 190,409 |
| Bank balances and cash | | **208,719** | 166,041 |
| | | **469,336** | 356,450 |
| Assets classified as held for sale | | **–** | 229,330 |
| | | **469,336** | 585,780 |
| Current liabilities | | | |
| Trade and other payables | *(12)* | **100,218** | 109,416 |
| | | **100,218** | 109,416 |
| Liabilities directly associated with assets classified as held for sale | | **–** | 161,423 |
| | | **100,218** | 270,839 |
| Net current assets | | **369,118** | 314,941 |
| Total assets less current liabilities | | **990,759** | 946,976 |
| Non-current liability | | | |
| Convertible notes | | **480,191** | 459,890 |
| Net assets | | **510,568** | 487,086 |
| Capital and reserves | | | |
| Share capital | | **124,868** | 124,868 |
| Reserves | | **385,700** | 362,218 |
| Total equity | | **510,568** | 487,086 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

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

The Group applies Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[1] |
| HKAS 24 (Revised) | Related Party Disclosures[4] |
| HKAS 32 (Amendment) | Classification of Rights Issues[2] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3] |
| HKFRS 9 | Financial Instruments[5] |
| HK(IFRIC) – Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement[4] |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[3] |

[1] *Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.*

[2] *Effective for annual periods beginning on or after 1st February, 2010.*

[3] *Effective for annual periods beginning on or after 1st July, 2010.*

[4] *Effective for annual periods beginning on or after 1st January, 2011.*

[5] *Effective for annual periods beginning on or after 1st January, 2013.*

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. 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. |

**Six months ended 30th June 2010 – unaudited**

| | Revenue | | | Operating Profit (Loss) | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** *HK$'000* | **Discontinued operations** *HK$'000* | **Total** *HK$'000* | **Continuing operations** *HK$'000* | **Discontinued operations** *HK$'000* | **Total** *HK$'000* |
| Supporting services to sweetener and ethanol business | **131,635** | **–** | **131,635** | **36,416** | **–** | **36,416** |
| Manufacturing and trading of leather | **–** | **21,920** | **21,920** | **–** | **(8,837)** | **(8,837)** |
| | **131,635** | **21,920** | **153,555** | **36,416** | **(8,837)** | **27,579** |
| Other expenses | | | | **(25,000)** | **–** | **(25,000)** |
| Gain on disposal of subsidiaries | | | | **76,897** | **–** | **76,897** |
| Central administration costs | | | | **(785)** | **–** | **(785)** |
| Finance costs | | | | **(20,301)** | **(604)** | **(20,905)** |
| Profit (loss) before taxation | | | | **67,227** | **(9,441)** | **57,786** |
| Income tax expense | | | | **–** | **(9)** | **(9)** |
| Profit (loss) for the period | | | | **67,227** | **(9,450)** | **57,777** |

**Six months ended 30th June 2009 – unaudited & restated (note 14)**

| | Revenue | | | Operating Profit (Loss) | | |
|---|---|---|---|---|---|---|
| | Continuing operations *HK$'000* | Discontinued operations *HK$'000* | Total *HK$'000* | Continuing operations *HK$'000* | Discontinued operations *HK$'000* | Total *HK$'000* |
| Supporting services to sweetener and ethanol business | 81,106 | – | 81,106 | 36,073 | – | 36,073 |
| Manufacturing and trading of leather | – | 125,834 | 125,834 | – | (67,901) | (67,901) |
| | 81,106 | 125,834 | 206,940 | 36,073 | (67,901) | (31,828) |
| Other expenses | | | | (40,000) | – | (40,000) |
| Central administration costs | | | | (281) | – | (281) |
| Finance costs | | | | (13,397) | (2,948) | (16,345) |
| Loss before taxation | | | | (17,605) | (70,849) | (88,454) |
| Income tax expense | | | | – | (76) | (76) |
| Loss for the period | | | | (17,605) | (70,925) | (88,530) |

## 4. OTHER EXPENSES

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | **(unaudited)** | (unaudited) |
| Impairment loss on trade and other receivables | **25,000** | — |
| Impairment loss on goodwill | **—** | 40,000 |
| | **25,000** | 40,000 |

## 5. FINANCE COSTS

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | **(unaudited)** | (unaudited) |
| Effective interest expense on convertible notes wholly repayable within five years | **20,301** | 13,397 |

## 6. (PROFIT) LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| Profit (loss) for the period from continuing operations has been arrived at after charging: | **(unaudited)** | (unaudited) |
| Amortisation of intangible asset | **10,575** | 7,050 |
| Depreciation of property, plant and equipment | **42** | – |
| Total depreciation and amortization | **10,617** | 7,050 |

## 7. INCOME TAX EXPENSE (RELATING TO CONTINUING OPERATIONS)

No provision for income tax has been made in the consolidation financial statements as the profit for the period is not subject to taxation in relevant jurisdictions where it operations.

## 8. EARNINGS (LOSS) PER SHARE

**From continuing and discontinued operations**

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

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Earnings (loss)** | | |
| Profit (loss) for the purpose of basic earnings (loss) per share | **56,880** | (90,053) |
| *Effect of dilutive potential ordinary shares:* | | |
| Interest on convertible notes | **20,301** | – |
| Profit (loss) for the purposes of diluted earnings (loss) per share | **77,181** | (90,053) |

| | **2010** | 2009 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of Shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | **1,248,680** | 928,064 |
| *Effect of dilutive potential ordinary shares:* | | |
| Convertible notes | **1,097,000** | – |
| Warrants | **51,125** | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | **2,396,805** | 928,064 |

Diluted loss per share for the comparative period ended 30th June 2009 had not been disclosed, as the warrants and convertible notes outstanding as at 30th June 2009 had an anti-dilutive effect on the basic loss per share.

**From continuing operations**

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

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| *Profit (loss) figures are calculated as follows:* | | |
| Profit (loss) for the purpose of basic earnings (loss) per share | **56,880** | (90,053) |
| Less: | | |
| Loss for the year from discontinued operations | **10,347** | 72,448 |
| Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations | **67,227** | (17,605) |
| Add: | | |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible notes | **20,301** | – |
| Profit (loss) for the purposes of diluted earnings (loss) per share from continuing operations | **87,528** | (17,605) |

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

**From discontinued operations**

Basic loss per share for the discontinued operations is HK0.8 cents per share (2009: HK7.8 cents), based on the loss for the period from the discontinued operations of HK$10,347,000 (2009: HK$72,448,000) and the denominators detailed above for basic loss per share.

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2010 (six months ended 30th June 2009: Nil).

## 10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK$256,000 (six months ended 30th June 2009: HK$227,000) on acquisition of property, plant and equipment.

## 11. 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$220,797,000. The Group allows a credit period of 365 days for trade customers of supporting services of sweetener and ethanol business. The comparative figures have been reclassified to conform to current year's presentation and consisted of trade receivables of continuing operations of HK$186,305,000 and trade receivables of discontinued operation of HK$41,372,000, a total of HK$227,677,000.

| | **30th June 2010** | 31st December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited & restated) |
| Not yet due | **201,053** | 192,609 |
| Overdue 1 – 90 days | **19,744** | 35,068 |
| Overdue 91 – 180 days | **–** | – |
| Overdue 181 – 365 days | **–** | – |
| Overdue > 365 days | **–** | – |
| | **220,797** | 227,677 |

## 12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of continuing operations of approximately HK$89,815,000 as at 30th June 2010. The following is an analysis of trade payables by age based on the invoice date. The comparative figures have been reclassified to conform to current year's presentation and consisted of trade payables of continuing operations of HK$70,570,000 and trade payables of discontinued operation of HK$34,324,000, a total of HK$104,894,000.

| | **30th June 2010** | 31st December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited & restated) |
| Not yet due | **89,815** | 92,726 |
| Overdue 1 – 90 days | **–** | 644 |
| Overdue 91 – 180 days | **–** | 1,858 |
| Overdue 181 – 365 days | **–** | 1,812 |
| Overdue > 365 days | **–** | 7,854 |
| | **89,815** | 104,894 |

## 13. 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 payable for the disposal is HK$101,500,000 in cash, of which approximately HK$29,370,000 represents the consideration for the sales of the sales shares and the balance approximately of HK$72,130,000 represents the consideration for assignment of the shareholder's loan. The disposal was completed on 28th February 2010.

**The profit (loss) for the period from the discontinued operation is analysis as follows:**

| | **Two months ended 28th February 2010** *HK$'000* | Six months ended 30th June 2009 *HK$'000* |
|---|---|---|
| Loss for the period from manufacturing and trading of leather | **(9,450)** | (70,924) |
| Gain on disposal of subsidiaries | **76,897** | – |
| | **67,447** | (70,924) |

### (b) The Financial performance

| | **Two months ended 28th February 2010** *HK$'000* | Six months ended 30th June 2009 *HK$'000* |
|---|---|---|
| Turnover | **21,920** | 125,834 |
| Cost of sales | **(30,181)** | (159,124) |
| Gross loss | **(8,261)** | (33,290) |
| Other operating income | **805** | 954 |
| Distribution costs | **(4)** | (31) |
| Administrative expenses | **(1,377)** | (35,534) |
| Loss from operations | **(8,837)** | (67,901) |
| Finance costs | **(604)** | (2,948) |
| Loss before tax | **(9,441)** | (70,849) |
| Income tax expense | **(9)** | (76) |
| Loss for the period from discontinued operations | **(9,450)** | (70,925) |

| | **Two months ended 28th February 2010** | Six months ended 30th June 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *Loss for the period from discontinued operations has been arrived at after charging:* | | |
| Amortisation of prepaid lease payments | **190** | 569 |
| Depreciation of property, plant and equipment | **5,212** | 15,854 |
| Total depreciation and amortization | **5,402** | 16,423 |

**(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 follow:

| | **28th February 2010** |
|---|---|
| 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.

## 14. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period's presentation in respect of the reclassification of the business segment of manufacturing and trading of leather to discontinued operations that ceased to be subsidiaries of the Group on 28th February 2010.

## BUSINESS REVIEW

For the period ended 30th June 2010, the Group recorded turnover from continuing operations of approximately HK$131,635,000 (six months ended 30th June 2009: HK$81,106,000) and turnover from discontinued operations of approximately HK$21,920,000 (six months ended 30th June 2009: HK$125,834,000).

The increase in turnover from continuing operations was mainly benefited from accelerating growth in the Madagascar where one of the customers has begun its full production this period. There was an approximately HK$25 million increase in sales in mechanical and electrical equipments, an approximately HK$9 million increase in sales of fertilizers and an approximately HK$5 million increase in farm machinery during the period. The gross profit ratio was 39.1% (six months ended 30th June 2009: 55.5%). The lower gross profit ratio was resulting from the customers in African countries, facing price pressure from its customers in European countries under the shadow of the European debt crisis, passed the price pressure up chain causing the average price to decrease.

The turnover from discontinued operations decreased by approximately HK$96 million as the discontinued operations only accounted for two months results up to its disposal on 28 February 2010 and leather demand remains weak during that period.

The net profit from continuing operations for the period was approximately HK$67.2 million (six months ended 30th June 2009: net loss of approximately HK$17.6 million). Basic earnings per share from continuing operations for the period ended 2010 was HK$5.4 cents (six months ended 30th June 2009: Basic loss per share of HK1.9 cents). The net profit from continuing operations mainly came from the gross profit from supporting services of sweetener and ethanol business of approximately HK$51.5 million and the gain on disposal of discontinued leather manufacturing operations of approximately HK$76.9 million.

The net loss from discontinued operations for the period was approximately HK$9.4 million (six months ended 30th June 2009: net loss of approximately HK$70.9 million). Basic earnings per share from discontinued operations for the period was HK0.8 cents (six months ended 30th June 2009: Basic loss per share of HK7.8 cents). The loss from discontinued operation was mainly due to gross loss from leather operations of approximately HK$8.3 million as a result of the weak leather demand in overseas markets, soaring price on raw materials for leather and the decrease in economy of scale causing the increase in per-unit leather manufacturing costs.

For the segment result, the continuing operations of supporting services to sweetener and ethanol business recorded revenue of approximately HK$131.6 million which represented approximately 85.7% of total revenue of the Group and contributed an operating profit of approximately HK$67.2 million during the period. While, the discontinued operations of leather business recorded revenue of approximately HK$21.9 million which represented approximately 14.3% of total revenue of the Group and recorded an operating loss of approximately HK$9.4 million during the period.

## FINANCIAL REVIEW

### Liquidity and financial resources

Bank deposits and cash balances of continuing operations as at 30th June 2010 amounted to approximately HK$208,719,000 (31st December 2009: approximately HK$166,041,000), mainly denominated in Hong Kong Dollars and US dollars.

Total equity of the Group as at 30th June 2010 amounts to approximately HK$510,568,000 (31st December 2009: approximately HK$487,086,000).

The Group financed its operation with cash flow generated internally. The bank balances were placed in short term deposits with major banks in Hong Kong.

As at 30th June 2010, the Group's total borrowings consisted of the outstanding five-year zero-coupon Hong Kong-dollar convertible notes of continuing operations of approximately HK$480.2 million (31st December 2009: HK$459.9 million). The debt to equity ratio of the Group as at 30th June 2010 calculated as a ratio of total borrowings (including convertible notes) to total equity was approximately 94% (31st December 2009: 115.6%). The decrease was mainly due to the disposal of discontinued operations that consisted of bank borrowings of approximately HK$103 million. All the Group's borrowings as at 30th June 2010 are denominated in Hong Kong.

**Pledge of assets**

No assets of the Group had been pledged as at 30th June 2010.

## EMPLOYEE REMUNERATION POLICY

At 30th June 2010, the Group employed 46 full time management, administrative and operation staff in Hong Kong and the PRC (31st December 2009: 397).

The Group's emolument policies are formulated on the bases of individual performance and the salary trend in the various regions, and are reviewed every year. The Company has set up share options plan and provides staff quarters to staff in the PRC.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Company disposed the 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 payable for the disposal is HK$101,500,000 in cash, of which approximately HK$29,370,000 represents the consideration for the sales of the sales shares and the balance of approximately of HK$72,130,000 represents the consideration for assignment of the shareholder's loan. The disposal was completed on 28th February 2010.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates or jointly-controlled entities during the period under review.

**Future plans for material investments and capital assets**

The Company signed the MOU on 31st January 2010 in respect of the Possible Transactions.

Definitions used in the Announcement on 1st February 2010 are adopted herein unless the context requires otherwise.

The Board is currently considering entering into joint ventures with CADFund and COMPLANT for long term strategic cooperation to develop Ethanol Biofuel Business in various African countries.

The initial phase under consideration would be to incorporate Benin JV and use it as a vehicle to establish a Benin PC in the Republic of Benin, a country in West Africa, for engaging in Ethanol Biofuel Business. In order to finance the possible joint venture, the Company is considering to raise approximately HK$78 million (before deducting related expenses) by way of (i) issue of new Shares for approximately HK$54 million (before deducting related expenses) and (ii) issue of the first batch of Convertible Notes for approximately HK$24 million (before deducting related expenses) to CADFund for funding its share of capital contribution for the incorporation of Benin JV and the operation of Benin PC.

Other than Benin JV, the Company is considering incorporating companies with CADFund and COMPLANT under Other JV as holding companies to set up companies in other African countries for developing business in the generation of renewable energy. For the purpose of funding such Other JV, the Company also considers to issue the remaining batch of Convertible Notes to CADFund in the ensuing 3 years to raise approximately HK$312 million (before deducting related expenses). The terms and conditions (including but not limited to the amounts of investments and the forms of cooperation) have not yet been finalized and further negotiations are necessary.

**Capital Structure**

There was no change in capital structure during the six month ended 30th June 2010.

**Treasury Policies**

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

The Group did not use any derivative financial instruments to hedge for its risk exposure during the period ended 30th June 2010.

**Foreign Exchange exposure**

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

Currency exposure arising from net assets of the foreign operations of the Group in the PRC is managed primarily through borrowings denominated in the relevant foreign currencies. The Group did not use any derivative financial instruments to hedge for its foreign exchange risk exposure on net assets during the period ended 30th June 2010.

**Contingent Liabilities**

At the balance sheet date, the Company had not provided any guarantees in favour of any third party nor were there any significant contingent liabilities.

**Significant Investment Held**

The Group had not made any significant investment during the period ended 2010 and 2009.

**PROSPECTS**

Looking ahead, the sales orders of supporting services for sweetener and ethanol business from our customers in African countries expects to be stable for second half of the year following signs of stabilizing in country economy of their customers in European countries.

Following the disposal of the loss-making leather business on 28th February 2010, the operation of the Group has been more streamlined and the resources can fully concentrate on expanding the supporting services for sweetener and ethanol business and its upstream developments. The initial works for the possible ethanol biofuel project in Benin as announced in 1st February 2010 which is a joint venture with China Africa Development Fund and COMPLANT International Sugar Industry Co. Ltd. is underway and appropriate announcement will make to update the public of the progress. The Board is also assessing the feasibility of other expansion plans in other countries where there is potential for superior returns.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30th June 2010, except for the following deviations.

### Code Provision A.4.1

None of the existing independent non-executive directors of the Company is appointed for a specific term. However, all the independent non-executive directors are subject to retirement by rotation at each annual general meeting under the bye-laws of the Company. As such, the company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG code.

## REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee comprises three independent non-executive directors has held meetings to review with management the accounting principles and practices adopted by the Group and discussing internal controls and financial reporting matters including a review of the unaudited condensed interim financial statements for the six months ended 30th June 2010.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchange and Clearing Limited (www.hkex.com.hk) and the Company (http://finance.thestandard.com.hk/en/0969hualien). The 2010 interim report of the Company will be despatched to the shareholders of the Company and will be available on both websites in due course.

Hong Kong, 27th August 2010

By order of the Board
**Shih Chian Fang**
*Chairman*

*As at the date of this announcement, the Board comprises four executive directors, Mr. Shih Chian Fang, Mr. Liaw Yuan Chian, Mr. Han Hong and Mr. Xiao Longlong; and three independent non-executive directors, Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei.*