

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED**

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

**(Stock Code: 969)**

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

### **THE DISPOSAL**

The Company announced that on 16 October 2009 and 19 October 2009, the Purchaser and the Company entered into the Agreements pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares for a Consideration of HK\$101.5 million and the Disposal includes the discharge of the Shareholder's Loan.

### **IMPLICATION OF THE LISTING RULES**

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

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder had a material interest in the Disposal and no Shareholder is required to abstain from voting for the approval of the Disposal at the EGM.

## **GENERAL**

A circular containing, among other things, further details of the Disposal and the notice of the EGM for obtaining the approval of the Shareholders for the Agreements and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 19 October 2009 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 21 October 2009.

## **THE DISPOSAL**

On 16 October 2009 and 19 October 2009, the Purchaser and the Company entered into the Agreements pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares for a Consideration of HK\$101.5 million and the Disposal includes the discharge of the Shareholder's Loan.

## **THE AGREEMENTS**

Summarised below are the principal terms of the Agreements:

### **Date**

Agreement: 16 October 2009

Supplemental  
Agreement: 19 October 2009

### **Parties**

(a) Vendor: the Company; and

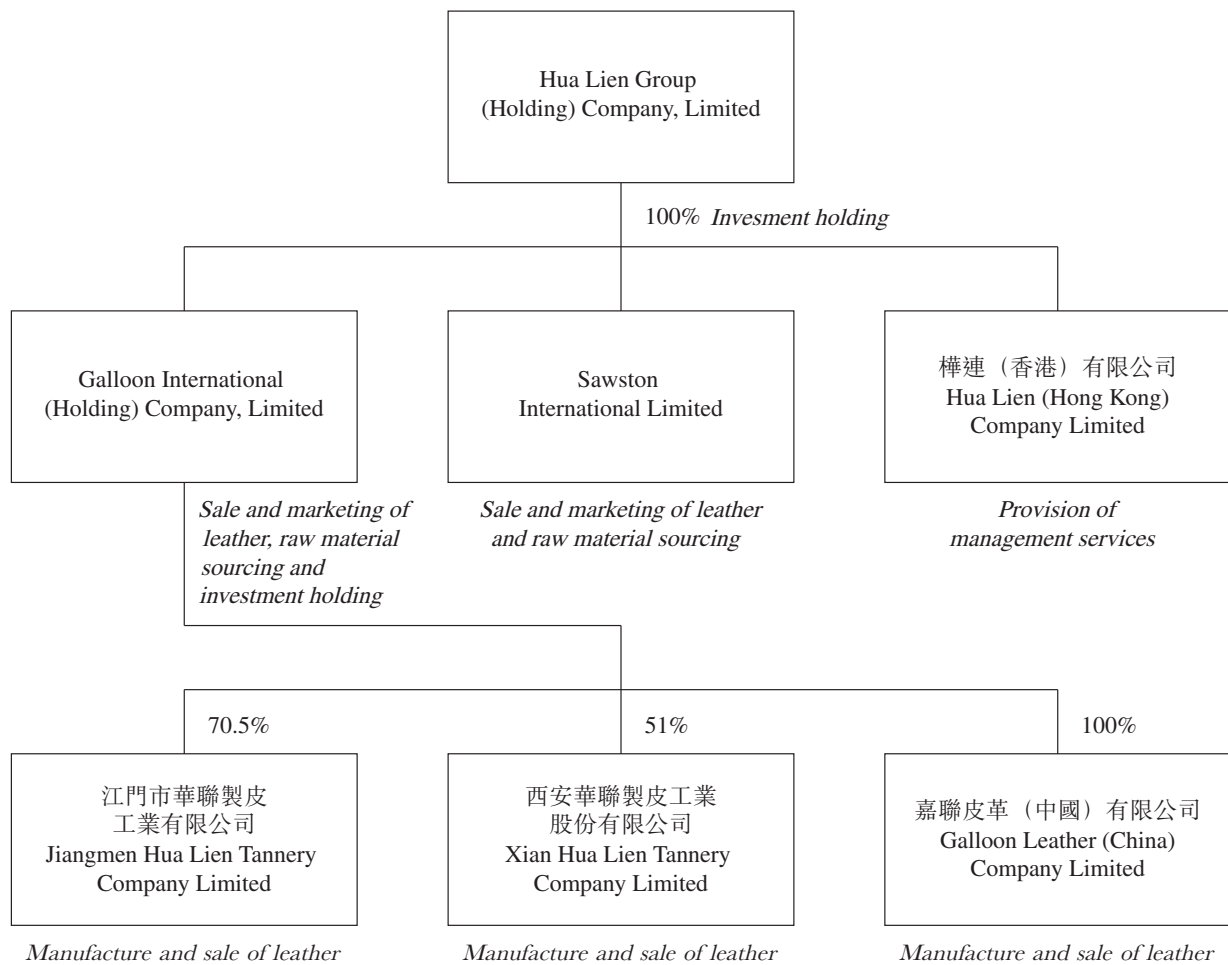
(b) Purchaser: Sino Commend Limited

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

### Subject of the Disposal

Pursuant to the Agreements, the Purchaser has conditionally agreed to purchase from the Company the Sale Shares, being the entire issued share capital of the Target Company; and the Company and the Purchaser further agreed that the Disposal shall include the full discharge of the Shareholder's Loan on Completion. The Target Company is an investment holding company and its subsidiaries are principally engaged in, amongst others, sale and marketing of leather, raw material sourcing and provision of management services.

The shareholding structure of the Target Group as at the date of this announcement is set out as follows:



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

	<b>As at or for the six months ended 30 June 2009 (Unaudited) HK\$'000</b>	<b>As at or for the year ended 31 December 2008 (Audited) HK\$'000</b>	<b>As at or for the year ended 31 December 2007 (Audited) HK\$'000</b>
Revenue	125,834	537,003	615,203
Loss before tax	70,848	199,256	269,031
Loss after tax attributable to the Group	72,448	213,398	293,597
Total assets	263,406	355,140	570,929
Total liabilities	237,856	277,142	275,885
Shareholders' equity	25,550	77,998	292,948

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

### **Consideration and Payment Terms**

The Consideration for the Disposal is HK\$101.5 million payable in cash by the Purchaser in the following schedule and manner:

- (a) an initial sum of HK\$20 million will be payable within one month following the signing of the Agreement;
- (b) a further sum of HK\$20 million will be payable on or before the date of the Completion;

- (c) a further sum of HK\$30 million will be payable within three months following the date of the Completion; and
- (d) the balance of HK\$31.5 million will be payable within six months following the date of the Completion.

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

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

### **Other Terms of the Agreements**

#### ***Security by way of a share charge***

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

#### ***Escrow agreement***

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

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

- (b) the related instruments of transfer duly executed by the Purchaser in blank in favour of the Company or its nominees;
- (c) the undated written board resolutions of the Purchaser duly signed by all the directors of the Purchaser to approve and authorize the transfer of shares of the Target Company by the Purchaser to the Company pursuant to clause (b) above;
- (d) the undated written board resolutions of the Target Company duly signed by all directors of the Target Company to approve the transfers and registration of the shares of the Target Company by the Purchaser to the Company, the issue of relevant share certificates to the Company and if applicable, the appointment of new directors nominated by the Company; and
- (e) the undated letters of resignation duly signed by all directors of the Target Company nominated by the Purchaser (if applicable).

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

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

### **Conditions precedent of the Completion**

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

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

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

If the conditions set out above are not fulfilled on or before 31 January 2010 or at such later date as the parties may agree in writing, the Agreements shall cease and terminate, and no party shall have any obligation to complete the transactions contemplated under the Agreements. In addition, no party shall have any claims against the other party under the Agreements, save and except for any antecedent breaches committed prior to the termination of the Agreements.

### **Completion**

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

### **INFORMATION ON THE PURCHASER**

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

### **FINANCIAL EFFECT OF THE DISPOSAL**

The Directors estimate that the expected gain to be recorded in the Group's consolidated financial statement arising from the Disposal is approximately HK\$8.3 million, being the difference between the Consideration under the Agreements of approximately HK\$101.5 million minus (i) the shareholder's loan of the Target Company of approximately HK\$65.6 million; (ii) the net asset value of the Target Company of approximately HK\$25.6 million based on the management account of the Target Company as at 30 June 2009; and (iii) the estimated expenses of the Disposal of approximately HK2 million. The gain will further improve the Group's liquidity and financial condition.

Upon receipt of the Consideration in full by the Company, the cash and bank balance of the Group will increase by approximately HK\$81.2 million. In addition, there will be an increase of approximately HK\$8.3 million in the Group's net asset value upon Completion.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

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

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

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

## **USE OF PROCEEDS**

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

## **IMPLICATION OF THE LISTING RULES**

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

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder had a material interest in the Disposal and no Shareholder is required to abstain from voting for the approval of the Disposal at the EGM.



## **GENERAL**

The EGM will be convened and held to consider and, if thought fit, pass the necessary resolution to approve the Disposal.

A circular containing, among other things, further details of the Disposal and the notice of the EGM for obtaining the approval of the Shareholders for the Agreements and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 19 October 2009 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 21 October 2009.

## **DEFINITIONS**

In this announcement, unless context otherwise requires, the following terms have the following meanings:

“Agreement”	a sale and purchase agreement dated 16 October 2009 entered into between the Purchaser and the Company in respect of the Disposal
“Agreements”	comprising the Agreement and the Supplemental Agreement collectively
“Board”	the board of Directors
“Business Day”	a day on which banks are open for general banking business in Hong Kong other than (i) a Saturday or Sunday or (ii) a day on which a black rainstorm warning or typical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 09:00 a.m. and 12:00 noon or not cancelled before 12:00 noon

“Company”	Hua Lien International (Holding) Company Limited, a company incorporated in the Cayman Islands with limited liability, with its Shares listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“connected person”	has the same meaning as defined in the Listing Rules
“Consideration”	the total consideration of HK\$101.5 million payable by the Purchaser to the Company in respect of the Disposal pursuant to the Agreements
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser and the discharge of the Shareholder’s Loan by the Company pursuant to the Agreements
“Escrow Agreement”	the escrow agreement entered into between the Company, the Purchaser and an escrow agent in respect of the Share Charge
“EGM”	extraordinary general meeting of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Sino Commend Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Shares”	comprising 19,193,997 ordinary shares of US\$1.00 par value each in the share capital of the Target Company and representing the entire issued share capital of the Target Company
“Share(s)”	Ordinary share(s) of HK\$0.1 each in the share capital of the Company

“Share Charge”	the share charge in respect of the Sale Shares duly executed by the Purchaser in favour of the Company as chargee upon Completion
“Shareholder(s)”	holder(s) of Share(s)
“Shareholder’s Loan”	the shareholder’s loan due from the Target Group to the Company (approximately HK\$65.6 million as at 30 June 2009)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 19 October 2009 entered into between the Purchaser and the Company in supplemental to the Agreement in respect of the Disposal
“Target Company”	Hua Lien Group (Holding) Company, Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	U.S. dollars, the lawful currency of the United States of America
“%”	Percentage

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

Hong Kong, 20 October 2009

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