HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00969)

Interim Report 2009

UNAUDITED INTERIM RESULTS

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 2009 together with the comparative figures as follow:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2009

	Notes	**Six months ended 30th June** **2009** **HK$'000** **(unaudited)**	2008 HK$'000 (unaudited)
Turnover	(3)	**206,940**	307,154
Cost of sales		**(195,223)**	(357,105)
Gross profit/(loss)		**11,717**	(49,951)
Other income		**974**	10,358
Distribution costs		**(31)**	(82)
Administrative expenses		**(44,769)**	(30,475)
Finance costs	(4)	**(16,345)**	(4,553)
Other expenses	(5)	**(40,000)**	–
Loss before taxation	(6)	**(88,454)**	(74,703)
Income tax (expense)/income	(7)	**(76)**	520
Loss for the period		**(88,530)**	(74,183)
Other comprehensive loss for the period			
Currency translation differences		**–**	(297)
Total comprehensive loss for the period		**(88,530)**	(74,480)

	Notes	Six months ended 30th June 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(90,053)**	(77,167)
Minority interests		**1,523**	2,984
		(88,530)	(74,183)
Total comprehensive loss attributable to:			
Owners of the Company		**(90,053)**	(77,464)
Minority interests		**1,523**	2,984
		(88,530)	(74,480)
Loss per share (cents)	(8)	**(9.70)**	(9.37)
Dividend	(9)	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2009

	Notes	**30th June 2009 HK$'000 (unaudited)**	31st December 2008 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	(10)	**98,868**	114,574
Prepaid lease payments on land use rights		**45,423**	45,992
Goodwill	(11)	**281,768**	–
Intangible asset	(12)	**415,950**	–
Deferred tax assets		**682**	758
		842,691	161,324
Current assets			
Inventories		**63,115**	101,877
Trade and other receivables	(13)	**191,498**	80,666
Prepaid lease payments on land use rights		**1,138**	1,138
Bank balances and cash		**138,420**	46,887
		394,171	230,568
Current liabilities			
Trade and other payables	(14)	**82,358**	59,662
Loan from a director		**12,119**	14,438
Tax liabilities		**11,444**	11,444
Bank borrowings	(15)	**114,647**	124,869
		220,568	210,413
Net current assets		**173,603**	20,155
Total assets less current liabilities		**1,016,294**	181,479
Non-current liability			
Convertible notes	(16)	**450,491**	–
Net assets		**565,803**	181,479
Capital and reserves			
Share capital	(17)	**122,368**	82,368
Reserves		**443,435**	99,111
Total equity		**565,803**	181,479

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six months ended 30th June 2009

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Warrant reserve HK$'000	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	Goodwill reserve HK$'000	Special reserve HK$'000	PRC statutory reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January 2009 (audited)	**82,368**	**21,229**	**4,942**	**–**	**33,398**	**(24,509)**	**238,966**	**21,910**	**(196,825)**	**181,479**	**–**	**181,479**
Loss for the period	–	–	–	–	–	–	–	–	**(90,053)**	**(90,053)**	**1,523**	**(88,530)**
Other comprehensive loss												
Currency translation differences	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	–	**(90,053)**	**(90,053)**	**1,523**	**(88,530)**
Equity component of convertible notes	–	–	–	**236,106**	–	–	–	–	–	**236,106**	–	**236,106**
Share Issued	**40,000**	**200,000**	–	–	–	–	–	–	–	**240,000**	–	**240,000**
Transaction costs attribute to issue of shares	–	**(1,729)**	–	–	–	–	–	–	–	**(1,729)**	–	**(1,729)**
Pre-determined distribution (Note 19(c))	–	–	–	–	–	–	–	–	–	–	**(1,523)**	**(1,523)**
At 30th June 2009 (unaudited)	**122,368**	**219,500**	**4,942**	**236,106**	**33,398**	**(24,509)**	**238,966**	**21,910**	**(286,878)**	**565,803**	**–**	**565,803**
At 1st January 2008 (audited)	82,368	21,229	4,942	–	34,950	(24,509)	238,966	21,910	20,989	400,845	2,096	402,941
Loss for the period	–	–	–	–	–	–	–	–	(77,167)	(77,167)	2,984	(74,183)
Other comprehensive loss												
Currency translation differences	–	–	–	–	(297)	–	–	–	–	(297)	–	(297)
Total comprehensive loss	–	–	–	–	(297)	–	–	–	(77,167)	(77,464)	2,984	(74,480)
Pre-determined distribution (Note 19(c))	–	–	–	–	–	–	–	–	–	–	(2,984)	(2,984)
At 30th June 2008 (unaudited)	82,368	21,229	4,942	–	34,653	(24,509)	238,966	21,910	(56,178)	323,381	2,096	325,477

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2009

	Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**27,136**	13,942
NET CASH FROM INVESTING ACTIVITIES	**23,138**	1,810
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**41,259**	(21,543)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**91,533**	(5,791)
CASH AND CASH EQUIVALENTS AT 1st JANUARY	**46,887**	52,389
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**–**	(1,417)
CASH AND CASH EQUIVALENTS AT 30th JUNE	**138,420**	45,181
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**138,420**	45,181

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 condensed consolidated interim financial statements have been prepared on the historical costs basis, except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31st December 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments to HKAS and new Hong Kong (IFRIC) Interpretations ("HK(IFRIC) – Int") (collectively referred to as "new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations

HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

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

1 Effective for annual periods beginning on or after 1st July 2009
2 Amendments that are effective for annual periods beginning on or after 1st July 2009 or 1st January 2010, as appropriate
3 Effective for annual periods beginning on or after 1st January 2010
4 Effective for transfers on or after 1st July 2009

The adoption of HKFRS 3 (Revised in 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised in 2008) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary that do not result in a loss of control of the subsidiary, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will not have material impact on the results and the financial position of the Group.

3. Segment Information

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

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

	Revenue Six months ended 30th June		Operating profit (loss) Six months ended 30th June		Depreciation & amortisation Six months ended 30th June	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Manufacturing and trading of leather	**125,834**	307,154	**(68,234)**	(70,304)	**16,423**	15,379
Supporting services to sweetener business	**81,106**	–	**36,053**	–	**7,050**	–
	206,940	307,154	**(32,181)**	(70,304)	**23,473**	15,379
Other non-operating expense			**(40,000)**	–		
Interest income			**72**	154		
Interest expenses			**(16,345)**	(4,553)		
Loss before taxation			**(88,454)**	(74,703)		
Taxation (expense)/ income			**(76)**	520		
Loss for the period			**(88,530)**	(74,183)		

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

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

	30th June 2009 HK$'000 (unaudited)	31st December 2008 HK$'000 (audited)
Manufacturing and trading of leather	**261,829**	353,881
Supporting services to sweetener business	**895,150**	–
	1,156,979	353,881

4. Finance Costs

	Six months ended 30th June 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	**2,949**	4,553
Effective interest expense on convertible notes wholly repayable within five years (Note 16)	**13,396**	–
	16,345	4,553

5. Other Expenses

	Six months ended 30th June 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Impairment loss on goodwill (Note 11)	**40,000**	–

6. Loss Before Taxation

Loss before taxation has been arrived at after charging:

	Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Amortisation of prepaid lease payments	**569**	545
Amortisation of intangible asset (Note 12)	**7,050**	–
Depreciation of property, plant and equipment	**15,854**	14,834
Total depreciation and amortisation	**23,473**	15,379
Allowance for bad and doubtful receivables, net	**28,729**	23,041
Allowance for inventories	**9,160**	1,941

7. Income Tax (Expense) Income

	Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
PRC enterprise income tax	**–**	–
Deferred tax	**(76)**	520
	(76)	520

On 16th March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("PRC") which took effect on 1 January 2008. The PRC income tax rate is unified at 25% for all enterprises.

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

8. Loss Per Share

The calculation of the loss per share for the period is based on loss for the period of HK$90,053,000 (six months ended 30th June 2008: HK$77,167,000) and on 928,063,562 weighted average number of shares (six months ended 30th June 2008: 823,680,000 shares) in issue during the period.

Diluted loss per share for the period ended 30th June 2009 and 2008 had not been disclosed, as the warrants outstanding for both periods and convertible notes outstanding as at 30th June 2009 had an anti-dilutive effect on the basic loss per share.

9. Dividend

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2009 (six months ended 30th June 2008: Nil).

10. Additions of Property, Plant and Equipment

During the period, the Group spent HK$227,000 (six months ended 30th June 2008: HK$476,000) on acquisition of property, plant and equipment.

11. Goodwill

	HK$'000 (unaudited)
Carrying amount	
Arising on acquisition of a subsidiary on 27th February 2009	321,768
Impairment loss recognised	(40,000)
At 30th June 2009	281,768

The carrying amount of goodwill at balance sheet date was attributable to acquisition of the SATT.

Impairment test for goodwill

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

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

12. Intangible Asset

Customer relationship

	HK$'000 (unaudited)
Carrying amount	
Acquired on acquisition of a subsidiary on 27th February 2009	423,000
Amortisation for the period	(7,050)
At 30th June 2009	415,950

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

13. Trade and Other Receivables

The Group has a policy of allowing credit periods ranging from 3 months to 12 months to its trade customers. Included in the trade and other receivables are trade receivables of HK$186,164,000 (31st December 2008: HK$69,242,000). The aged analysis of which at the balance sheet date is as follows:

	30th June 2009 HK$'000 (unaudited)	31st December 2008 HK$'000 (audited)
Up to 30 days	**44,848**	15,527
31 – 60 days	**13,521**	34,405
61 – 90 days	**28,149**	19,310
91 – 180 days	**35,583**	–
181 –365 days	**48,913**	–
Over 365 days	**15,150**	–
	186,164	69,242

14. Trade and Other Payables

Included in trade and other payables are trade payables of HK$61,238,000 (31st December 2008: HK$40,971,000). The aged analysis of which at the balance sheet date is as follows:

	30th June 2009 HK$'000 (unaudited)	31st December 2008 HK$'000 (audited)
Up to 30 days	**12,738**	18,987
31 – 60 days	**1,654**	5,073
61 – 90 days	**11,945**	4,636
91 – 180 days	**18,782**	6,811
181 to 365 days	**3,126**	3,609
Over 365 days	**12,993**	1,855
	61,238	40,971

15. Bank Borrowings

	30th June 2009 HK$'000 (unaudited)	31st December 2008 HK$'000 (audited)
Secured bank loans	**23,122**	33,344
Unsecured bank loans	**91,525**	91,525
	114,647	124,869
The bank borrowings are repayable as follows:		
Within one year or on demand	**114,647**	124,869
One to two years	**–**	–
Two to five years	**–**	–
	114,647	124,869
Less: Amount due within one year shown under current liabilities	**(114,647)**	(124,869)
Amount due after one year	**–**	–

16. Convertible Notes

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

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

Liability component

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

17. Share Capital

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

Note:

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

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

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

18. Acquisition of a Subsidiary

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

	Carrying amount before the acquisition HK$'000 (unaudited)	Fair value adjustment HK$'000 (unaudited)	Fair value HK$'000 (unaudited)
Net assets acquired:			
Intangible asset	–	423,000	423,000
Prepayments	216	–	216
Trade and other receivables	143,340	–	143,340
Cash at bank and cash equivalents	23,250	–	23,250
Accrued expenses	(6)	–	(6)
Trade and other payables	(58,368)	–	(58,368)
Net assets acquired	108,432	423,000	531,432
Total consideration			(853,200)
Goodwill			321,768
Satisfied by:			
Fair value of convertible notes			673,200
Issue of shares at fair value (Note 17)			180,000
			853,200
Net cash inflow arising on acquisition			
Cash consideration paid			–
Bank balance and cash acquired			23,250
			23,250

19. Commitments

(a) Operating lease commitments

	30th June 2009 HK$'000 (unaudited)	30th June 2008 HK$'000 (unaudited)
Minimum lease payments paid during the period under operating leases in respect of land and buildings and office premises	**327**	93

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

	30th June 2009 HK$'000 (unaudited)	31st December 2008 HK$'000 (audited)
Within one year	**869**	216
In the second to fifth year inclusive	**1,044**	180
Over five years	**–**	–
	1,913	396

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

(b) Capital commitments

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

(c) Other commitments

Under the terms of the cooperative joint venture agreement in respect of Jiangmen Hua Lien Tannery Co., Ltd. (the "Jiangmen Hua Lien"), a subsidiary of the Company, Galloon International (Holding) Company, Limited (the "Galloon International"), is entitled to all of the net profit or loss of Jiangmen Hua Lien throughout the entire cooperative joint venture period after the payment of a pre-determined distribution by Jiangmen Hua Lien each year to the PRC joint venture partner. In the event that Jiangmen Hua Lien does not have sufficient distributable profit to make the required payments to the PRC joint venture partner, Galloon International is responsible for making such payments to the PRC joint venture partner as compensation. At 30th June 2009, the pre-determined distributions to be paid to the PRC joint venture partner over the entire cooperative joint venture period are as follows:

	30th June 2009 HK$'000 (unaudited)	31st December 2008 HK$'000 (audited)
Amount payable:		
Within one year	**4,215**	6,234
One to two years	**5,384**	6,234
Two to five years	**16,151**	16,361
Over five years	**34,545**	44,192
	60,295	73,021

20. Related Party Transactions

During the period, the Group had certain transactions with related parties. Details of these transactions for the period and balances at 30th June 2009 with these related parties are as follows:

(a) Transaction with related parties

	From 27th February 2009 (Date of acquisition) to 30th June 2009 HK$'000 (unaudited)
Sales to four subsidiaries of COMPLANT International Sugar Industry Co., Ltd. (Note (i))	81,106
Purchase from substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. (Note (ii))	31,504
Rental and building management fee paid to substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. (Note (iii))	216

Note:

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

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

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

(b) Trade receivables and payable of related parties

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

Note:

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

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

(c) Key management personnel compensation

Remuneration for key management personnel is as follows:

	For the six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term employee benefits	**338**	410

(d) Others

Details of an arrangement with a joint venture partner of Galloon International in respect of the distribution of profits in Jiangmen Hua Lien are set out in note 19(c).

21. Pledge of Assets

	30th June	31st December
	2009	2008
	HK$'000	HK$'000
	(unaudited)	(audited)
The following assets of the Group are pledged to secure banking facilities granted to the Group		
Plant and machinery	**27,364**	29,000
Prepaid lease payments on land use right and buildings	**80,882**	83,842
	108,246	112,842

On 12th September 2006, Bank of China, Xian Branch (the "Bank of China") which lent USD9.8 million to the Xian Hua Lien obtained a writ from 陝西省高級人民法院 (Shannxi Province Highest People's Court) that granted the bank the legal rights to freeze and sequestrate all the assets of Xian Hua Lien including property, plant and equipment, inventories, trade receivables and bank balances. At the balance sheet date, Bank of China continued to sequestrate the bank accounts, the property, plant and machinery and inventories of Xian Hua Lien as additional security which have no carrying value at the balance sheet date.

Besides, the pledged prepared lease premium and certain of pledged buildings of Jiangmen Hua Lien with carrying value of approximately HK$28.8 million at the balance sheet date continued to sequestrate by Bank of China. The same assets was also sequestrated by Bank of Construction, Jiangmen Branch (the "Bank of Construction") (the pledgee of those assets) at the balance sheet date.

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

22. Contingent Liabilities

The Group had no significant contingent liabilities as at 30th June 2009.

23. Post Balance Sheet Event

The Group did not have any material post balance sheet events.

24. Comparative Figures

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

BUSINESS REVIEW

For the six months ended 30th June 2009, the Group had a turnover of HK$206,940,000, with a decrease of 32.63% compared to HK$307,154,000 for the same period in 2008. The decrease in turnover was mainly brought by the decrease in sale orders from overseas and PRC markets as a result of the global economic downturn.

The consolidated net loss attributable to the owners of the Company for the period ended 30th June 2009 was HK$90,053,000 compared to HK$77,167,000 over the corresponding period last year. Basic loss per share was HK9.70 cents (six months ended 30th June 2008: HK9.37 cents).

The loss is mainly attributable to (i) the trading loss of the Group's leather business of HK$68,234,000 caused by the approximately 59% decline in sales orders for leather in consequence of deteriorating leather business environment and the average cost of sales per unit of leather climbed approximately 30% resulting from increase in per-unit fixed production cost by the decrease in capacity utilization; (ii) the non-operating expense of impairment loss of HK$40,000,000 of goodwill; (iii) an increase in finance costs of HK$13,396,000 on two tranches of convertible notes issued on 27th February 2009; and (iv) an increase in amortization of newly acquired intangible asset of HK$7,050,000.

With respect to the new business of provision of supporting services to sweetener business acquired on 27th February 2009, it recorded a revenue of HK$81,106,000, representing approximately 39% of the total sales revenue and an operating profit HK$36,053,000 during the period. This mitigated the impact of the reduction in sales and pressure on margins of leather manufacturing and trading segment on group's overall performance.

FINANCIAL REVIEW

Liquidity and financial resources

The Group financed its operation with cash flow generated internally and banking facilities.

Shareholders' equity of the Group as at 30th June 2009 amounted to approximately HK$565.8 million (31st December 2008: HK$181.5 million). At 30th June 2009, the Group's bank borrowings repayable within one year amounted to approximately HK$114.6 million (31st December 2008: HK$124.9 million). In addition, the Group has outstanding convertible notes of approximately HK$450.5 million as at the balance sheet date. These convertible notes were issued in relation to the Group's acquisition of SATT on 27th February 2009. The debt to equity ratio of the Group as at 30th June 2009 calculated as a ratio of total borrowings (including convertible notes) to total equity was approximately 99.9% (31st December 2008: 68.8%).

The sales and purchases of the Group are mainly denominated in Renminbi, US dollar and Hong Kong dollar. Hence, the Group's trading exposure to foreign exchange risk is expected to be minimal. Bank borrowings are mainly denominated in Renminbi and US dollar as there is a natural hedge mechanism of Group's revenue in Renminbi and US dollar and therefore currency exposure on bank borrowings is also low. The interests are charged on a floating rate basis and the Group's management oversees the movement of interest rates very closely and will take appropriate measures to minimise the Group's interest rate risks whenever necessary.

Pledge of assets

At the balance sheet date, certain of the Group's prepaid lease payments on land use right, property, plant and machinery of approximately HK$108.2 million (31st December 2008: HK$112.8 million) were pledged to banks to secure general banking facilities granted to the Group.

On 12th September 2006, Bank of China, Xian Branch (the "Bank of China") which lent USD9.8 million to the Xian Hua Lien obtained a writ from 陝西省高級人民法院 (Shannxi Province Highest People's Court) that granted the bank the legal rights to freeze and sequestrate all the assets of Xian Hua Lien including property, plant and equipment, inventories, trade receivables and bank balances. At the balance sheet date, Bank of China continued to sequestrate the bank accounts, the property, plant and machinery and inventories of Xian Hua Lien as additional security which have no carrying value at the balance sheet date.

Besides, the pledged prepared lease premium and certain of pledged buildings of Jiangmen Hua Lien Tannery Co. Ltd. (the "Jiangmen Hua Lien") with carrying value of approximately HK$28.8 million at the balance sheet date continued to sequestrate by Bank of China. The same assets was also sequestrated by Bank of Construction, Jiangmen Branch (the "Bank of Construction") (the pledgee of those assets) at the balance sheet date.

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

Contingent Liabilities

The Group had no significant contingent liabilities as at 30th June 2009.

EMPLOYEE REMUNERATION POLICY

As at 30th June 2009, the Group employed 440 (31st December 2008: 455) full time management, administrative and production staff in Hong Kong, Taiwan and the PRC.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the period under review, the Group acquired the entire issued share capital of SATT at the total consideration of HK$853,200,000 settled by the issue of the 300,000,000 consideration shares of HK$0.6 each and the issue of two tranches of 5-year zero coupon convertible notes for an aggregate principal amount of HK$673,200,000. The acquisition constituted a very substantial acquisition and continuing connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). It was approved by the shareholders of the Company at a extraordinary general meeting held on 20th February 2009. Details of this very substantial acquisition and continuing connected transaction were set out in the Company's circular dated 23rd January 2009. The acquisition was duly completed on 27th February 2009.

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

SUBSCRIPTION OF NEW SHARES

Further to the issue of 300,000,000 consideration shares at HK$0.6 each on 27th February 2009, the Company entered into a subscription agreement with three independent subscribers on 5th June 2009 in respect of the subscription of total 100,000,000 new shares at a subscription price of HK$0.60 per share. On 22nd June 2009, the subscription was completed and raised net proceeds of approximately HK$58,271,000.

PROSPECTS

Looking ahead, the leather market remains stagnant for the second half of the year, both in prices and trade volume. The production cost of leather remains high and operating loss of leather may continue. On the other hand, the new business of supporting services to sweetener business will continue to be a main contributor to our Group's overall revenue and profitability.

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June 2009, the interests of the directors in the ordinary shares in the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in shares

	Number of ordinary shares held		
Name of director	**Beneficial Owner**	**Held by controlled corporation** (Note)	**Approximately percentage of interest %**
Liaw Yuan Chian ("Mr. Liaw")	–	363,500,039	29.71 %

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

Save as disclosed above, as at 30th June 2009, there were no other interests or short positions of the directors in any shares of the Company which have been notified to the Company pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any such director was taken or deemed to have under such provisions of SFO) or recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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 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. 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.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities in the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 2009, as far as is known to the Directors or the chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had interests in shares and underlying shares and debentures of the Company, as recorded in the register required to be kept under section 336 of the SFO:

Long positions

Name of shareholder	Capacity	Number of Shares interested	Approximate percentage of the issued Share capital of the Company
COMPLANT International Sugar Industry Co., Ltd. (Note i)	Beneficial interests	1,267,000,000	103.54
Lau Ying Ying Angela (Note ii)	Beneficial interests	164,736,000	13.46
Hu Yebi (Note iii)	Held by controlled corporation & spouse	103,448,000	8.45
Atlantis Investment Management Ltd	Beneficial interests	80,000,000	7.12

Notes:

(i) 中國國務院國有資產監督管理委員會 holds 100% of China National Complete Plant Import & Export Corporation (Group) which in turn holds 70% in COMPLANT International Sugar Industry Co., Ltd. The 1,267,000,000 shares held by COMPLANT International Sugar Industry Co., Ltd. included 300,000,000 shares beneficially owned and the convertible note of principal amount of HK$580,200,000 which can be converted into 967,000,000 shares during its conversion period.

(ii) Lau Ying Ying Angela holds 164,736,000 unlisted warrants that 164,736,000 shares will be issued upon full exercise of the warrants.

(iii) Hu Yebi and his spouse, Li Ling Xiu are deemed (by virtue of the SFO) to be interested in 103,448,000 shares in the Company. It comprised 3,448,000 shares held by Li Ling Xiu and 100,000,000 shares held by Hollyview International Limited, a company beneficially owned by Hu Yebi, which held convertible note of principal amount in HK$60,000,000 which can be converted into 100,000,000 shares during its conversion period.

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 2009, 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.

Code Provision E.1.2

Under the code provision E.1.2. of the CG Code, the chairman of the independent board committee should also be available to answer questions at any general meeting to approve a connected transaction and any other transaction that is subject to independent shareholders' approval. Dr. Zheng Liu, the chairman of the independent board committee, did not attend an extraordinary general meeting held on 20th February 2009 due to other business engagement. Her appointed delegate was present at the extraordinary general meeting to answer the shareholders' questions.

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 2009.

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.

By order of the Board
Shih Chian Fang
Chairman

Hong Kong, 23rd September 2009